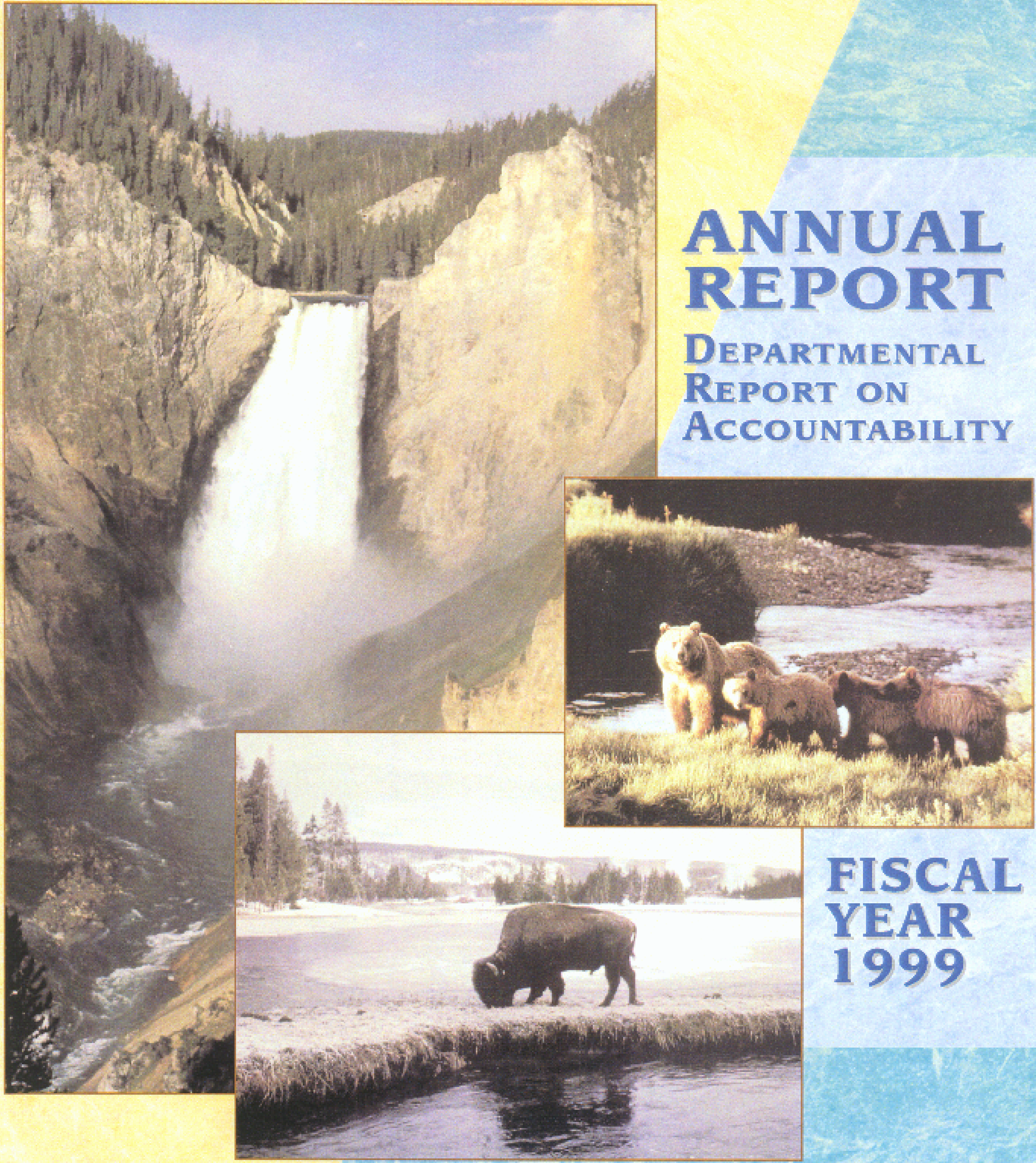
United States Department of the Interior



Annual Report

Departmental Report on Accountability

Fiscal Year 1999

ABOUT THE COVER
YELLOWSTONE NATIONAL PARK

As the Nation's principal conservation agency, the U.S. Department of the Interior has responsibility for most of our nationally owned public lands and natural resources. Included in this responsibility is preserving the environmental and cultural values of our national parks and historic places.

On the occasion of the Department's 150th anniversary (1849 to 1999), it is fitting that we also celebrate one of the Nation's richest treasures, Yellowstone National Park. On the cover of this report are three photographs depicting some of the wealth of natural beauty and wildlife that are an integral part of Yellowstone.

Yellowstone National Park, established in 1872, is the world's first and oldest national park. Located in northwestern Wyoming and extending into Montana and Idaho, Yellowstone is known for its spectacular geysers, hot springs, canyons, and fossil forests. Various expeditions by artists and explorers helped publicize the beauty of the area. Depictions of the region created during an expedition in 1871 by photographer William Henry Jackson and artist Thomas Moran convinced the American public and the United States Government to preserve the area. President Ulysses S. Grant signed the bill creating the park in 1872.

The photograph on the left of the front cover is The Lower Falls, Grand Canyon of the Yellowstone. The U.S. Government purchased Thomas Moran's *"The Grand Canyon of the Yellowstone"* for $10,000 in June of 1872 and displayed it in the Senate wing of the U.S. Capitol. The Canyon plunges 1,000 feet. Hot water acting on volcanic rocks created the canyon's colors. Although the Canyon was down cut rapidly more than once—perhaps by great glacial outburst and floods—there is little deepening taking place today.

Yellowstone National Park is one of the largest wildlife sanctuaries in the United States. Among the more than 300 animal species found there are brown bear and grizzly bears, elk, deer and more than 1,300 bison. The photograph on the top right of the front cover depicts a mother grizzly bear and her three cubs. The U.S. Fish and Wildlife Service has listed the grizzly bear as a threatened species. Threatened species are those likely to become an endangered species within the foreseeable future throughout all or a significant portion of its range. The cover photograph of the bear family is unique—an adult female grizzly bear matures at age 4 to 7 and usually gives birth to two cubs; the female on the cover has three cubs.

Also on the cover is a grazing American bison (often referred to as a "buffalo"). Originating in Eurasia but migrating to North America across the Bering land bridge during prehistoric times, the American bison thrived on the Great Plains until the arrival of settlers drove them to the brink of extinction. Although they once ranged across the Great Plains from Mexico to Canada, with numbers estimated to 60 million, today they exist primarily on game reserves and ranches, with estimated numbers of 200,000.

Yellowstone, a gem of the American west, continues to awe visitors from around the world today, much as it inspired awe in the first settlers to set foot in this natural wonder.

Cover photos courtesy of the National Park Service

U.S. DEPARTMENT OF THE INTERIOR

Fiscal Year 1999
Accountability Report

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MESSAGE FROM THE SECRETARY

On March 3, 1999, the Department of the Interior celebrated its 150th anniversary.

We are proud of our distinguished history and our accomplishments during the Clinton Administration. Over 68,000 Interior employees support the Department's stewardship mission to preserve the Nation's natural and cultural heritage and fulfill our trust responsibilities to Native Americans.

As guardians of the past and stewards for the future, we strive to achieve five broad goals for America:

1. Protecting the Environment and Preserving Our Nation's Natural and Cultural Resources: Because people and the environment are interdependent, the Department strives to ensure that our lands, waters, and other resources remain healthy. Federal lands contain exceptional geological formations, rare and vulnerable plant and animal communities, wilderness areas, wild and scenic rivers, and numerous historical, paleontological and archaeological sites. Critical to this effort is the work being done to implement ecosystem-based standards and guidelines for healthy lands, placing particular emphasis on restoring and protecting streams, riparian areas, wetlands, and abandoned mine lands. Interior works in partnership with federal agencies, states, and the private sector to prevent contamination of quality habitat, clean up contaminated water bodies, and restore fish, wildlife, and their habitats.

2. Providing Recreation for America: The Department provides recreation opportunities on federal lands and serves as a catalyst for recreation efforts by state and local government and the private sector. Interior is committed to providing access to public lands and enhancing opportunities for everyone to enjoy the benefits of our national heritage. "One-stop shopping" for recreational information and services is now available through the interagency federal recreation web site, *www.recreation.gov.*

3. Managing Natural Resources for a Healthy Environment and a Strong Economy: The Department manages a wide variety of natural resources for commercial activities when development can be undertaken in an environmentally responsible manner. These resources, including energy and non-energy minerals, water, timber, grazing land, and hydroelectric power, contribute substantially to virtually every sector of the economy.

4. Providing Science for a Changing World: The Department, through the U.S. Geological Survey, is the Nation's primary provider of natural resources science information related to natural hazards, certain aspects of the environment, and mineral, energy, water, and biological resources. We are also the federal government's principal domestic mapping agency. Interior is working hard to apply technology to increase efficiencies and expand the collection and management of natural resources science data for use by federal, state, local land management and regulatory agencies, and the public.

5. Meeting Our Trust Responsibilities to American Indians and Our Commitments to Island Communities: The federal Indian trust responsibility is a legal duty on the part of the United States to protect Indian land and resources, fulfill treaty obligations, and carry out the mandates of federal law for the benefit of American Indian and Native Alaskan tribal members. Under the self-determination and self-governance policies, tribes are increasingly assuming day-to-day management responsibility over programs formerly operated by the Bureau of Indian Affairs. These initiatives require us to invest sufficient resources over the long term to assist tribes in developing their governmental, economic, social, and educational institutions while preserving tribal cultures. Our island commitments are mandated in law and through Presidential Executive Orders. We provide significant resources to island communities to assist them in delivering better and more cost effective services to their people.

This report summarizes our 1999 accomplishments in fulfilling Interior's broad mission goals. I thank you for your interest in our programs that serve the Nation in so many and varied ways.

Bruce Babbitt
Secretary of the Interior

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

The Department of the Interior is pleased to issue its 1999 Annual Report on Accountability. This report, authorized by the Government Management Reform Act of 1994, consolidates the Department's responses to its financial management and management control responsibilities.

The Accountability Report integrates results-oriented performance data, audited financial statements, and the auditor's report to better meet the information needs of Congress and the public. The report is the culmination of Interior's financial management process, which begins with mission/program planning, continues through the formulation and justification of Interior's budgets to the President and Congress, and ends with the reporting of results from the use of resources entrusted to us. This report primarily covers activities from October 1, 1998, through September 30, 1999.

Over the past two years the Department has simplified and strengthened its goals in support of Interior's mission to protect and provide access to our Nation's natural and cultural resources and to honor our trust responsibilities to Native Americans and our commitments to island communities. Interior has established five strategic goals that succinctly describe the Department's overall mission, as well as the many and diverse programs administered by Interior's eight bureaus. This year's Accountability Report includes improved performance reporting and the identification of costs for major programs that support the Department's five strategic goals.

I am particularly proud of the Department's ability to direct resources toward several high priority initiatives that are of significant interest to Congress and the public. Over the past year, we have made substantial progress in securing resources to (1) improve systems that support our Indian trust responsibilities; (2) correct long-standing deferred maintenance needs in our parks, refuges, and public lands; (3) improve the quality of the workplace for employees; and (4) build a workforce that reflects the diversity of the Nation.

Interior continues to improve financial accountability through audited annual financial statements. In 1998, the Department's consolidated financial statements and all bureau-level financial statements that were prepared, except one, received unqualified (clean) audit opinions. In 1999, the Department's consolidated financial statements and all financial statements prepared by bureaus achieved unqualified audit opinions.

To improve management accountability, we have successfully implemented an effective management control program that holds program managers accountable for the correction of any weaknesses identified in audits or management reviews. The 1999 Accountability Report identifies 18 departmentwide material weaknesses, all of which are being corrected or eliminated.

Like many other federal agencies, the Department placed a very high priority in addressing the Year 2000 computer issue during 1999. We realize that information technology is an important tool in delivering timely and efficient services to the American people. Our investment in addressing Year 2000 issues resulted in the timely identification, correction, and testing of the Department's major information technology systems. We are proud of our success.

The preparation of this report required the teamwork and dedicated efforts of many Interior employees, especially our financial management and audit staff. We appreciate their dedication and professionalism in helping to report on what we have accomplished for the American people.

John Berry
Chief Financial Officer


GUARDIANS OF THE PAST
STEWARDS FOR THE FUTURE
DEPARTMENT OF THE

Interior At A Glance

The Department of the Interior is America's principal conservation agency. Interior serves as steward for approximately 436 million acres of America's public lands and for the natural and cultural resources associated with these lands. These assets are valued for their environmental resources, recreational and scenic opportunities, cultural and historical resources, vast open spaces, and the resource commodities and revenue they provide to the federal government, states, and counties. Interior also supervises mineral leasing and operations on more than 634 million acres of mineral estate that underlie both federal and other surface ownerships.

Since Congress created the Department in 1849, Interior's role has evolved from being a general housekeeper for the federal government to becoming the steward for its natural and cultural resources and the administrator of its trust responsibilities to American Indians and Alaska Natives.

The mission of the Department of the Interior is to protect and provide access to our Nation's natural and cultural heritage and honor our trust responsibilities to tribes. This mission is achieved through hundreds of programs and activities carried out principally by Interior's eight bureaus. Interior's bureaus have separate but often related missions, programs, and customers. Departmental Management provides leadership, management, and coordination as well as support services used by all the bureaus to accomplish their work.

Organization

Most of the public lands under the purview of Interior management were once a part of the 1.8 billion acres of public domain lands acquired by the United States between 1781 and 1867. Land administered by Interior represents about 19 percent of America's land surface and approximately 67 percent of all federally owned land. Each of America's 50 states, the U.S. associated Pacific insular areas, the Virgin Islands, and Puerto Rico contain lands administered by the Department of the Interior.

Interior-administered lands include the National Wildlife Refuge System, the National Park System, and the vast expanses of public land managed by the Bureau of Land Management (BLM). The Fish and Wildlife Service (Service or FWS) manages lands primarily to conserve and protect fish and wildlife and their habitats. The National Park Service (Park Service or NPS) manages 378 parks to conserve, preserve, protect, and interpret the Nation's natural, cultural, and recreational resources. The Bureau of Land Management is guided by the principles of multiple use and sustained yield in managing its public lands. Congress has defined multiple-use management of the public lands and their various resources as that which best meets both the present and future needs of the American people. The resources and uses embraced by the multiple-use concept include energy and mineral resources; natural, scenic, scientific, and historical values; outdoor recreation; range; timber; and wildlife and fish habitat.

The Department has significant responsibilities related to energy and minerals production and use. The Minerals Management Service (MMS) manages the resources on the Outer Continental Shelf (OCS), collects mineral revenues generated from federal and Indian lands, accounts for and distributes these revenues to states, tribes, individual Indian mineral owners (allottees), and the U.S. Treasury. The Office of Surface Mining Reclamation and Enforcement (OSM) is responsible for ensuring that coal mines are operated in a safe and environmentally sound manner and lands are restored to

Mission

"To protect and provide access to our Nation's natural and cultural heritage and honor our trust responsibilities to tribes and our commitments to island communities."

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

"In 1999, Interior proudly celebrated its 150th anniversary as the Nation's principal conservation agency."

Because people and the environment are interdependent, the Department of the Interior ensures that our lands, waters, and other resources remain healthy. Resource-dependent communities can only be sustained by lands in a healthy condition. As we have learned more about the factors that affect the land, Interior has made significant strides in developing and applying sustainable management practices.

The Department is committed to protecting and preserving our national parks, wildlife refuges, wilderness areas, and natural/cultural heritage resources. Federal lands contain exceptional geological formations, rare and vulnerable plant and animal communities, wilderness areas, wild and scenic rivers, and numerous historical, paleontological, and archaeological sites. These resources are scientifically, educationally, and historically important and represent a significant part of our Nation's national and cultural heritage.

Interior is committed to making decisions based on sound scientific and technical understanding. Within this framework, our 1999 activities included:

- Implementing ecosystem-based standards and guidelines for healthy lands, placing particular emphasis on restoring and protecting streams, riparian areas, wetlands, and abandoned mine lands; and
- Working with other federal agencies, states, and the private sector to prevent contamination of quality habitat, cleanup contaminated water bodies, and restore fish, wildlife, and their habitat.

The major departmental activities to achieve the goal of protecting the environment and preserving our Nation's natural and cultural resources are presented in *Figure 5*.

Figure 5

Goal 1 - Protect the Environment and Preserve Our Nation's Natural and Cultural Resources	
GPRA Program Activity	***1999 Expenses ($ in millions)***
A. Protect Natural and Cultural Resources	
A1. Preserve Natural and Cultural Heritage on Public Lands	$436
A2. Understand the Condition of Public Lands	93
A3. Preserve Park Resources	574
Subtotal A	*1,103*
B. Restore the Health of America's Lands	
B1. Environmental Restoration Related to Mined Lands	252
B2. Restore At-Risk Resources and Maintain Functioning Systems	132
B3. Environmental Protection Related to Mining Operations	88
B4. Technical Development and Transfer Under the Surface Mining Law	21
B5. Financial Management of Abandoned Mine Reclamation Fund	9
Subtotal B	*502*
C. Maintain Healthy Ecosystems	
C1. Habitat Conservation	819
C2. Environmental Activity	147
Subtotal C	*966*
D. Protect and Restore Imperiled Species	
D1. Fish and Wildlife Management and Development Affected by Reclamation Projects	84
D2. Sustainability of Fish and Wildlife Populations	500
Subtotal D	*584*
Total - Goal 1	***$3,155***

Protect Natural and Cultural Resources

Preserve Natural and Cultural Heritage on Public Lands

Desired Result: *Preserve and protect natural, historical, landscape, and cultural resource values for current and future generations.*

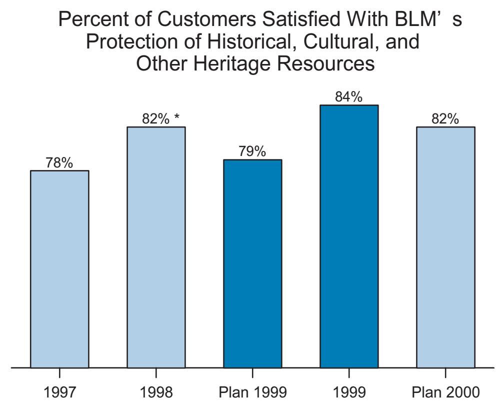
The public lands contain exceptional geologic formations; rare and vulnerable plant and animal communities; wild free roaming horse and burro herds; wilderness areas and wild and scenic rivers; and innumerable paleontological, archaeological and historical sites. These resources are scientifically, ecologically, educationally, and recreationally important, representing a significant part of our Nation's natural and cultural heritage.

Management of natural and landscape resources is a key element of the Bureau of Land Management's (BLM) mission, which is accomplished largely through community land planning and collaborative decision-making with affected stakeholders. The BLM Resource Advisory Councils also play an important role in assisting the BLM carry out its mission.

The protection of historical, cultural, and other heritage resources is critical to the Bureau of Land Management's mission. The principal method of protection involves working in partnership with the Advisory Council on Historic Preservation and the National Conference of State Historical Preservation Officers to inventory, monitor, and design protection for significant resources.

The BLM uses a set of core questions in customer surveys to gauge mission accomplishments. Within the set of questions is a specific question on how well the BLM protects historical and cultural resources. Satisfaction with BLM's performance represents the outcome measure of strategies used to achieve program activity goals.

1999 Performance Indicator



* In 1998, survey data was derived from a sample of high profile recreation sites.

In 1999, the BLM exceeded the target for this performance measure. However, budget constraints and increased BLM workloads are expected to negatively impact the 2000 customer satisfaction survey.

The BLM provides for sustainable management of wild horses and burros. The Wild Free-Roaming Horse and Burro Act of 1971 requires the BLM to manage these animals as a national heritage, in a manner that is designed to achieve and maintain a thriving ecological balance on the public lands. To accomplish this, the BLM determines Appropriate Management Levels (AMLs) for each of the designated Herd Management Areas (HMAs).

1999 Performance Indicators

	1997	1998	Plan 1999	1999	Plan 2000
Number of HMAs reaching Appropriate Management Levels	53	58	78	51	49
Number of animals removed from public lands that are accurately accounted for and monitored	10,443	6,389	6,316	6,024	7,380

The decrease in demand for adoption of wild horses and burros and limited funding to care for animals in holding facilities dictated that fewer animals be removed from Herd

"Customer survey shows that 84 percent of respondents are satisfied with the Bureau of Land Management's protection of historical, cultural, and other heritage resources."

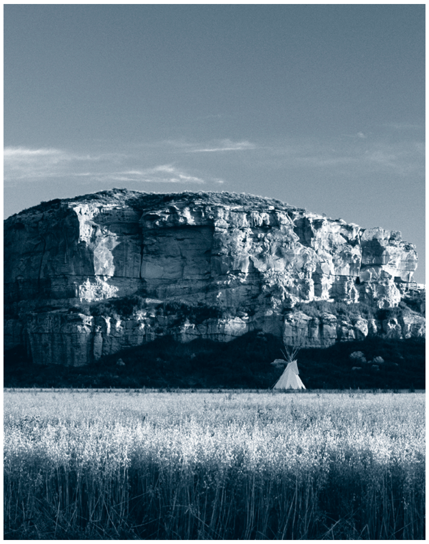
Management Areas. This reduced BLM's ability to achieve AML on as many HMAs as originally intended.

Understand the Condition of Public Lands

Desired Result: *Comprehensively assess and report the condition of lands administered by the Bureau of Land Management and ensure the adequacy of land use plans.*

Public lands are diverse and geographically dispersed, intermingled with lands owned and managed by many other entities. The Bureau of Land Management has a complex mission that involves all landowners and users in common watersheds. Both environmental and human use issues must be addressed. The BLM's land use decisions affect adjacent landowners and state, local, and tribal governments, along with the myriad users of public lands. The BLM is dedicated to understanding socioeconomic and environmental trends, cooperating in decision-making, and implementing appropriate on-the-ground activities.

Land use plans provide the basis for nearly all decisions affecting the public lands. Recent activities and events have focused renewed attention on land use plans and National Environmental Policy Act (NEPA) documents.



Pompeys Pillar National Historic Landmark in south-central Montana (photo by Bob Allen).

The BLM has reviewed its core planning and NEPA documents to determine the most critical planning/NEPA needs and identified priority planning efforts for the next several years.

1999 Performance Indicators

	1997	1998	Plan 1999	1999	Plan 2000
Percent of land use plans with comprehensive land health standards	N/A	30%	53%	50.6%	N/A
Areas assessed against health standards (miles) – flowing riparian areas	4,790	5,109	7,065	6,301	N/A
Areas assessed against health standards (acres) – key watersheds and standing wetlands	3,064,768	20,350	2,347,000	2,564,366	N/A

In 1999, the BLM incorporated comprehensive land health standards in 50.6 percent, or 83 of its land use plans. This was less than the performance target due to unanticipated delays in completing land use plan amendments. Most of these amendments are planned for completion in 2000.

In 1997 and 1999, Alaska completed about two million acres of remotely sensed assessments through contract. Approximately 20,000 acres per year was completed in the lower 48 states. In 1999, the performance measure was rewritten and expanded to include upland assessments. Prior to 1999, the performance measure only covered wetland assessment. This redefinition explains the upward trend from 1998 to 1999.

The BLM had planned to assess 7,065 miles of riparian areas and 2,347,000 acres of key watersheds and standing wetlands. A total of 6,301 miles and 2,564,366 acres of assessments were completed. The target amount for miles of riparian areas was revised to 6,508 miles during 1999. The primary factor that influenced production was a heavy grazing permit renewal workload. Employees responsible for both activities adjusted priorities in order to complete the permit renewal workload.

Preserve Park Resources

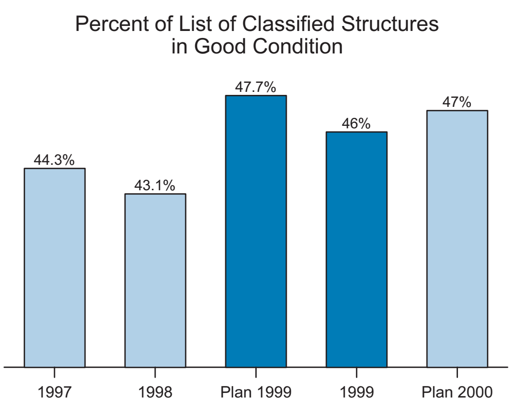
Desired Result: *Conserve the scenery and the natural and historic objects and the wildlife therein.*

Several years after Congress created the National Park Service (NPS) in 1916, the Park Service conducted an official study on the purpose of the national parks. The report declared: “America’s national heritage is richer than just its scenic features. Perhaps our greatest national heritage is nature itself, which when combined with great scenic beauty as it is in the national parks, becomes of unlimited value.”

Interior has renewed emphasis on preserving unimpaired, for the benefit and enjoyment of the people, the many and diverse natural elements and the great scenic beauty of America’s national parks.

Historic and prehistoric structures and the events surrounding them are key park cultural resources, forming the basis for 225 park units, and are integral to many other parks. Maintaining these structures in good condition responds to the NPS Organic Act, the National Historic Preservation Act, and the cultural resource integrity of the national park system.

1999 Performance Indicator



In 1999, the National Park Service improved the condition of 674 structures rather than the 1,066 projected. In addition to improving the condition of structures to good condition, the NPS also maintained the condition of 23,551 structures. A preliminary assessment of actual 1999 performance indicates that the 1999 target was set too high given the condition of the structures and the NPS’s capability to improve condition.


Apostle Island cleanup (photo by NPS).

The NPS has identified the adverse effects of disturbed lands on natural systems as a significant resource management concern. Presently, over 195 parks contain lands that have been disturbed by modern human developments, including abandoned roads, dams, canals, railroads, campgrounds, mines, and other abandoned sites. The NPS strives to improve resource conditions in parks by restoring lands impacted by former uses and containing invasive plant and animal species.

1999 Performance Indicators

	1997	1998	Plan 1999	1999	Plan 2000
Percent of targeted disturbed lands restored (cumulative)	N/A	3.6%	4.5%	14.7%	16.8%
Percent of lands impacted by exotic species restored	N/A	2.5%	4.1%	8.2%	10%

In 1999, the National Park Service exceeded its targets for the above performance measures by restoring 35,380 acres (14.7 percent) of park land identified as disturbed and containing 155,869 acres (8.2 percent) of park land identified as impacted by exotic vegetation.

Restore the Health of America’s Lands

Environmental Restoration Related to Mined Lands

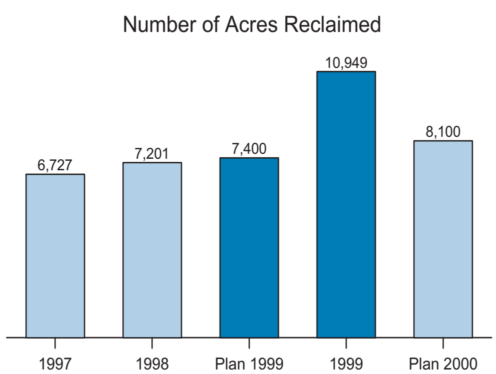
Desired Result: *Repair, reclaim, and restore land and water that was degraded by past mining in order to provide America with cleaner and safer land and water.*

OSM's Appalachian Clean Streams Initiative supports community efforts to accelerate the cleanup of rivers and streams polluted by contaminated runoff from abandoned coal mines, predominantly in Appalachia (photo by OSM).

Through its abandoned mine lands reclamation and clean streams programs, the Office of Surface Mining plays a key role in the restoration of the Nation's landscape. The restoration of this land to productive use supports the Administration's goals for Water and Watershed Restoration as outlined in the Clean Water Action Plan. In addition to becoming useful to the local communities in which they are located, restored lands reduce health and safety issues while benefitting the general economy.

The Abandoned Mine Land Reclamation Program provides for the restoration of lands mined and abandoned or left inadequately restored before August 3, 1977. Implementation is accomplished through both emergency and nonemergency programs.

1999 Performance Indicator



In 1999, 10,949 acres of land and water were reclaimed. This exceeded the target for 1999 and represents an increase of 3,748 acres, or 52 percent, over 1998. Watershed stewardship through the Appalachian Clean Streams Initiative remains a high priority. OSM has partnered with over 100 government agencies, private foundations, coal producers, and private individuals on these projects.

Restore At-Risk Resources and Maintain Functioning Systems

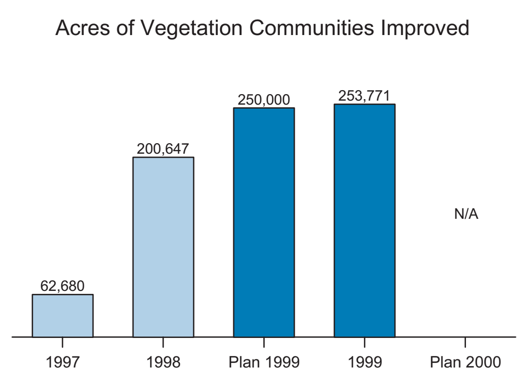
Desired Result: *Implement strategies to restore priority watersheds and resources to functioning condition on lands administered by the Bureau of Land Management.*

Restoring and maintaining the health of the land is the foundation of BLM's mission. Livestock grazing, timber harvesting, hunting, fishing, and other resource uses can be sustained over time only if the land is healthy. Compared to other public land management agencies, the BLM is particularly well positioned to make significant national contributions to (1) clean water and healthy watersheds, (2) biological diversity, and (3) the protection of critical habitat for a variety of plant and animal species.

Based upon the Wildland Fire Management Program and Policy Review, it has been determined that the health of uplands can be improved by reducing the spread of weeds and reintroducing fire into specific landscapes, specifically those in heavier fuel models.

With congressional approval of the Wildland Fire Operations appropriation to be used for implementing fuel projects, the number of acres treated by prescribed fire and other fuel modification projects has dramatically increased. This level of increase is expected to accelerate through 2005 and then level off at an average of 500,000 acres per year.

1999 Performance Indicator



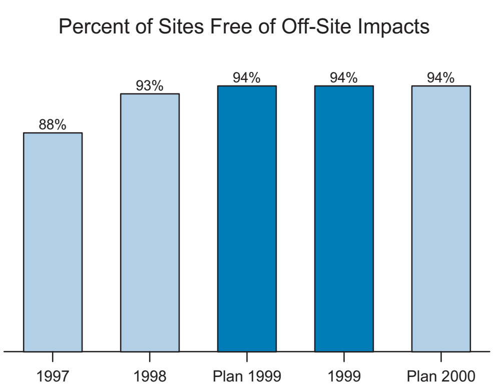
In 1999, the performance target for fuels treatments was met. State targets were substantially exceeded in Alaska and Idaho.

Environmental Protection Related to Mining Operations

Desired Result: *Improve regulatory program for protecting the environment, people, and property during current mining operations and subsequent reclamation through cooperative results-oriented oversight and evaluation of state programs and in carrying out OSM's regulatory responsibilities in order to safeguard people and the environment.*

The Office of Surface Mining (OSM) administers regulatory programs that ensure that the environment is protected during surface coal mining operations and that coal operators adequately reclaim disturbed land after mining is completed. Protection of people, property, and the environment is measured by the number of times incidents occur outside the boundaries of the permitted areas being mined. These are known as off-site impacts; Interior's goal is to have no incidents occur.

1999 Performance Indicator



In 1999, the OSM realized its goal to have 94 percent of mines free of off-site impacts. Of the six percent of the sites that did have incidents occur off-site, only seven percent were in the major category of severity. There was a 21 percent decrease in the number of impacts and resources affected compared to 1998. This decrease from 1998 breaks down to a 21 percent decrease in minor, 18 percent decrease in moderate, and 30 percent decrease in major categories of severity.

Technical Development and Transfer Under the Surface Mining Law

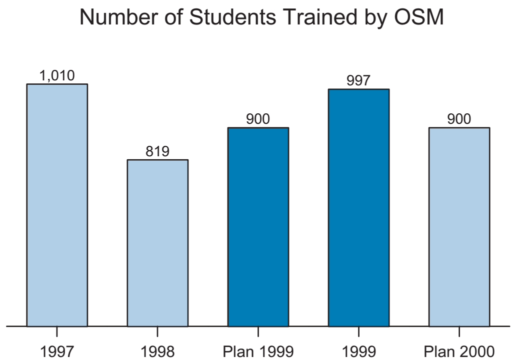
Desired Result: *Strengthen the capabilities of states, tribes, and OSM staff to enforce the Surface Mining Control and Reclamation Act (SMCRA) effectively by improving service to OSM customers, partners, and stakeholders through open communications, technical training opportunities, technical assistance and the transfer of technology in order to have better information and skills to make decisions.*

The Office of Surface Mining provides states, Indian tribes, federal agencies, the coal industry, and citizens with the technical information and tools they need to carry out their responsibilities under the Surface Mining Law. These activities include providing direct technical assistance to address specific mining and reclamation problems; transferring technical capability to others through training, consultations, forums, and conferences so they are better equipped to solve problems on their own; developing and testing new methods of mining and reclamation; and maintaining automated systems and databases used by others in making decisions under the Surface Mining Law.

OSM's National Technical Training Program offers technical and legal training related to permit approval, bond release, reclamation, inspection, and enforcement.

OSM geologist Robert Welsh uses Global Positioning System to locate a mine survey control point in relation to active mining operations in the State of Washington (photo by OSM).

1999 Performance Indicator



In 1999, the OSM increased the number of students trained over the previous year. The increase is attributed to (1) classes being shifted from both the 1998 and 2000 schedules to 1999, (2) a special session of the Expert Witness course in response to current events, and (3) cost savings that enabled more students to attend the classes.

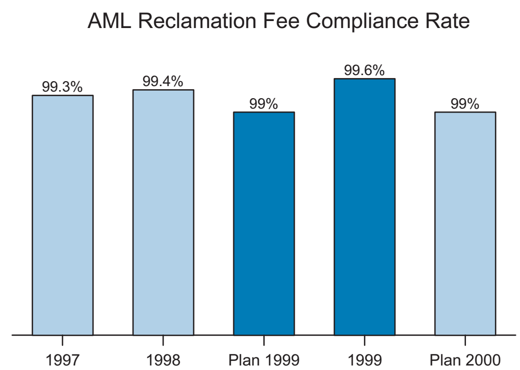
Financial Management of Abandoned Mine Reclamation Fund

Desired Result: *Effective and efficient management of human and fiscal resources to facilitate reclamation of abandoned mine lands in order to protect the environment, people, and property during and after mining.*

The Office of Surface Mining's financial management program includes fee compliance, grants management, and revenue management. Fee compliance covers the collection, accounting, audit, and investment of abandoned mine reclamation fees. Grants management includes accounting for and reporting on grants awarded to states and tribes for Abandoned Mine Land (AML) and regulatory purposes. Revenue management involves the accounting and collection of revenue other than reclamation fees, such as civil penalties assessed under federal citations of mining violations and federal performance bonds forfeited by coal mine permittees.

To maximize the fee compliance rate, the OSM promptly and accurately identifies all parties authorized to produce coal, ensures they have the information and assistance needed to meet their tonnage reporting and fee payment responsibilities, conducts a comprehensive audit program to ensure the tonnage and fees are accurately reported, and takes swift collection and other appropriate actions on those who fail to comply.

1999 Performance Indicator



The Office of Surface Mining annually collects more than $270 million for the Abandoned Mine Reclamation Fund, which is used to finance the Abandoned Mine Land Program. Over the years, the coal industry and OSM have gradually improved compliance with the SMCRA's quarterly tonnage reporting requirements. For 1999, the compliance rate was more than 99 percent. Work will continue with the industry to ensure that companies have a complete understanding of all reclamation fee requirements, and to assure that the high level of compliance is maintained.

Maintain Healthy Ecosystems

Habitat Conservation

Desired Result: *An ecologically diverse network of lands and waters—of various ownerships—is conserved in cooperation with others to provide habitats for migratory birds, imperiled species, interjurisdictional fish, marine mammals, and species of international concern associated with those ecosystems.*

Habitat is fundamental for self-sustaining populations of fish, wildlife, and plants as well as for functional ecosystems. One of the objectives of protecting the environment is to protect and manage habitat quality of the lands and waters owned and managed by the U.S. Fish and Wildlife Service, principally the National Wildlife Refuge System. The National Wildlife Refuge System, with 521 refuges and approximately 93.6 million acres, protects virtually every type of habitat found in the United States for the benefit of fish and wildlife species.

Acreage protection targets reflect the increased size of the National Wildlife Refuge System through the addition of new lands. Funding for land acquisition is provided through the Migratory Bird Conservation Fund and the Land and Water Conservation Fund.

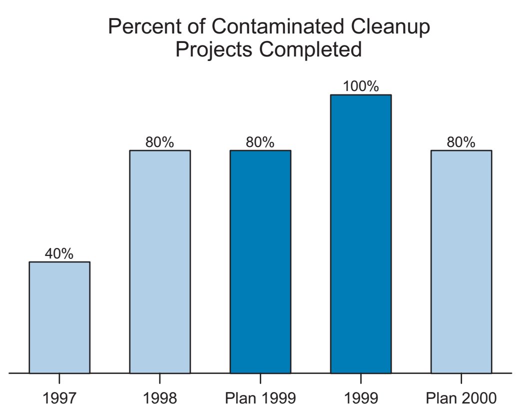
1999 Performance Indicators

(acres in millions)	1997	1998	Plan 1999	1999	Plan 2000
Number of acres protected	92.874	93.312	93.567	93.628	93.883
Number of acres enhanced or restored	2.647	3.347	3.303	3.231	3.377

In 1999, the number of acres of habitat enhanced and restored was slightly under the estimate for the year. A number of factors were at play, most important of which were weather-related factors. In 2000, the Fish and Wildlife Service will continue to enhance and restore as many areas as possible given budget constraints and weather suitability. Service managers will continue to work with outside partners to complete mutually beneficial projects involving the use of volunteer labor.

A variety of contaminant problems exist on refuges largely as a result of activities occurring on refuges prior to their becoming refuges or from the activities occurring on lands adjacent to refuges. Abandoned mine sites, former military bases, abandoned landfills, and runoff from nearby activities have contributed to contaminant activities on refuges. The Department strives to ensure that quality fish and wildlife habitat is provided on refuges by removing identified contaminants on refuges.

1999 Performance Indicator



In 1999, the Fish and Wildlife Service completed 24 of 24 (100 percent) of its planned cleanup projects, exceeding the departmental target of 80 percent. These projects, which focus on site investigation, monitoring, and cleanup on Service lands, represent a significant effort towards providing quality habitats for fish and wildlife.

"The National Wildlife Refuge System began with a small island in Florida, known as Pelican Island, which became the first refuge and the beginning of an idea unique in the world."

Tagging a green sea turtle (photo by FWS).

"Since 1993, Interior has acquired over 1.32 million acres of land in the Everglades."

Environmental Activity

Desired Result: *Restore and maintain the health of our lands, waters, and renewable resources.*

One of the country's most significant initiatives is the restoration of the Everglades and the South Florida ecosystem. This vast region, which is home to more than six million Americans, seven of the ten fastest growing cities in the country, a huge tourism industry, and a large agricultural economy, also encompasses one of the world's unique environmental resources. Over the past 100 years, human-caused changes to the region's water flow have provided important economic benefits to the region but have also damaged the environment. Biological indicators of native flora and fauna have shown severe damage throughout South Florida.

The Department of the Interior signed an interagency agreement in September 1993 creating the South Florida Ecosystem Restoration Task Force. This interagency group works to integrate federal plans, policies, and programs in the Everglades ecosystem. The Department strives to complete federal land acquisitions on a schedule consistent with the hydrologic restoration of those areas. Other lands for habitat and water management will be acquired on a 50/50 cost shared basis with non-federal partners to provide the necessary spatial extent of the restored wetlands.

1999 Performance Indicators

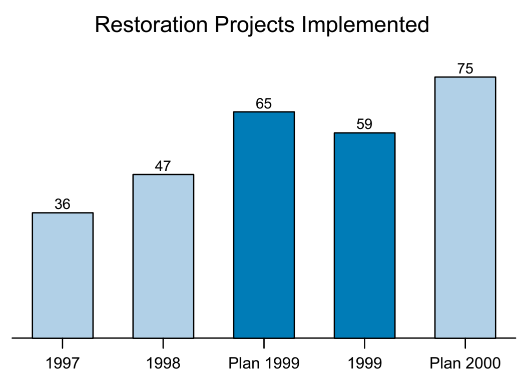
	1997	1998	Plan 1999	1999	Plan 2000
Number of acres acquired and/or offers extended on by federal agencies	5,675	26,716	29,000	10,326	33,000
Number of acres acquired and/or offers extended on by the State of Florida with funding provided by Interior	N/A	N/A	33,000	43,336	30,000

In 1999, federal agencies acquired 10,326 acres in the South Florida ecosystem. This was less than the 1999 target of 29,000 acres. The goal was not achieved because the National Park Service did not receive the total appropriation that it requested for the East Everglades Expansion Area. Instead of $35 million, the NPS received $20 million. In addition, the actual acreage does not include acreage forwarded to the Department of Justice for condemnation.

The Departmentwide Restoration Program provides for the restoration of injured natural resources nationwide. The Restoration Program assesses the damage to natural resources resulting from hazardous substance releases or oil spills on the Department's lands and other lands within its authority and trust responsibility for American Indians. Settlements resulting from the damage assessment cases provide recovered funding that the Department uses to protect and restore injured natural and cultural resources, returning them to a healthy environmental condition for management in perpetuity.

The Restoration Program is currently undertaking a number of management actions, including a planned inventory and evaluation of restoration settlements and past implementation actions that will ultimately increase the number of natural resource restorations. This will help identify successful implementation techniques as well as ways to overcome obstacles to restoration.

1999 Performance Indicator



At the end of 1999, a total of 59 restoration projects were underway. This was less than the target of 65. Implementation of restoration actions was hindered by issues such as Trustee coordination, compliance with other laws such as the National Environmental Policy Act (NEPA) and the Endangered Species Act, and staffing resources at regional and field locations where available staff were involved with other ongoing damage assessment cases. Additionally, the absence of key policy and legal guidelines for field staff hindered the processing of cases.

Protect and Restore Imperiled Species

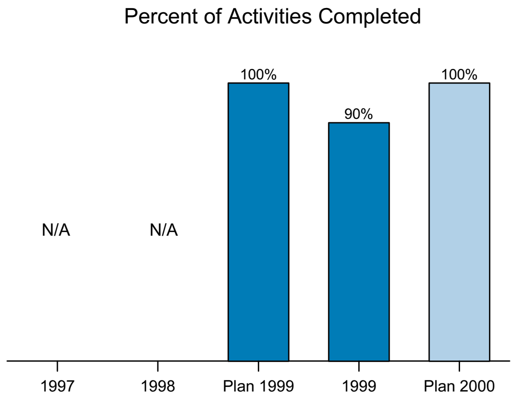
Fish and Wildlife Management and Development Affected by Reclamation Projects

Desired Result: *Conserve, enhance, and restore fish and wildlife populations, threatened and endangered species, and their habitats.*

The Bureau of Reclamation strives to conserve, enhance, and restore fish and wildlife populations, threatened and endangered species, and habitats affected by Reclamation projects. The agency strives to accomplish this in the most environmentally and economically sound manner possible, in cooperation with others, and in compliance with federal and state laws pertaining to fish and wildlife.

Reclamation is engaged in an important effort to develop a long-term plan and implement interim conservation measures for the Lower Colorado River Multi-Species Conservation Program.

1999 Performance Indicator



In 1999, Reclamation completed all conservation activities that were scheduled including the purchase of land for habitat, the restoration of wetlands, and the raising and stocking of fish. However, NEPA's public scoping for the multi-species and multi-state plan consultation process is taking longer than anticipated. Consequently, the plan is not yet complete. Reclamation is currently meeting with stakeholders on alternative approaches to conserve or enhance habitat for endangered species. The 90 percent completion rate is an estimate of the remaining work based on the total amount of time to implement the entire project.

Shallow braided sections of the Platte River in Nebraska provide ideal habitat for whooping cranes and other endangered species. Reclamation and the Fish and Wildlife Service are leading Interior's effort to prepare an environmental impact statement on a proposed program to preserve such habitat (photo by Reclamation).

Sustainability of Fish and Wildlife Populations

Desired Result: *Migratory birds, endangered fish, wildlife and plant species, interjurisdictional fish, marine mammals, and species of international concern are conserved, protected, enhanced, or restored.*

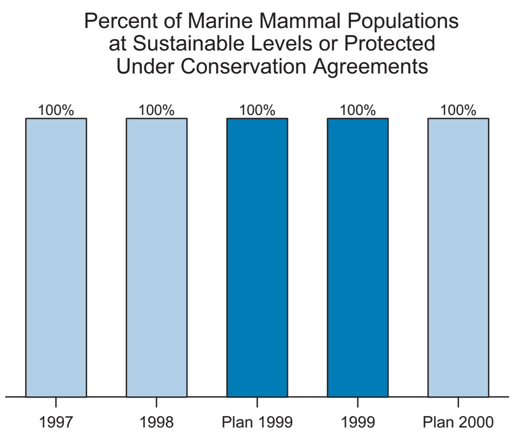
The living resources of this Nation's inland and coastal aquatic ecosystems have been a core responsibility of the U.S. Fish and Wildlife Service for more than 120 years. Within this historical time, native fish

Fish and Wildlife Service protection efforts have helped to stabilize the polar bear population in Alaska (photo by FWS).

communities have undergone significant, sometimes adverse changes. These changes generally tend toward reduced distributions, lowered diversity, and increased numbers of species considered rare. The FWS strives to maintain stable fish populations and to protect marine mammals, recognizing that wildlife knows no geophysical boundaries.

The FWS strives to maintain a 100 percent sustainable population level, or protection under conservation agreements, for the marine mammal populations over which it has jurisdiction.

1999 Performance Indicator



In 1999, 100 percent of the marine mammal populations in Alaska for which the FWS has jurisdiction were maintained at sustainable population levels and were protected under conservation agreements. These include two stocks of polar bears (the Chukchi/Bering Seas stock and Beaufort Sea stock), the Pacific walrus, and three proposed stocks of northern sea otters (the Southeast Alaska stock, the Southcentral Alaska stock, and the Southwest Alaska stock).

Provide Recreation for America

The Department of the Interior provides recreational opportunities on federal lands. It also provides leadership and coordination and serves as a catalyst for recreation efforts by state and local governments and the private sector.

Federal lands provide outstanding recreational opportunities, including hunting, fishing, camping, hiking, boating, driving off-highway vehicles, mountain biking, and birding. Interior continues to promote and provide recreational opportunities that are consistent with other land uses and with maintaining the health of the land.

Interior-managed lands support tremendous recreational use. In 1999, the National Park System had approximately 287 million visits, the Bureau of Land Management (BLM) public lands about 75 million visits, and the National Wildlife Refuge System about 36 million visits. In addition, the Bureau of Reclamation provides visitors with water-based recreation opportunities at more than 300 reservoirs in the 17 western states. There were an estimated 90 million recreation visits to Reclamation facilities in 1999. The total economic impact of recreational activities on Interior lands exceeds $28 billion. These recreational activities generate more than 400,000 jobs.

Interior is committed to providing access to public lands and enhancing opportunities for everyone to enjoy the benefits of our Nation's heritage. Adequate funding of the national parks, wildlife refuges, and other public lands will continue to be a high priority. Increased entrance fees at many of the larger "destination" parks and recreation areas may begin to address the funding and infrastructure problems that persist.

In 1999, the Department employed the following strategies to achieve the goal of providing recreation for America:

- Offered "one-stop shopping" for recreational information and services through the interagency federal recreation web site, *www.recreation.gov*;
- Supplemented appropriated dollars through increased revenues and cost recovery for services;
- Expanded the use of volunteers and actively enrolled groups and associations;
- Increased concession revenue and expanded concession opportunities while ensuring that the returns the federal government receives reflect fair market value;
- Established partnerships and collaborative efforts to encourage protection of "areas of national significance" such as national trails, wild and scenic rivers, wilderness areas, and heritage areas that cross jurisdictional lines;
- Helped states, tribes, territories, and non-profit groups promote recreation; and
- Provided grants to states, tribes, and localities for recreation acquisition and development.

The major departmental activities to achieve the goal of providing recreation for America are shown in *Figure 6*.

"There were approximately 488 million recreational visits to Interior-managed lands in 1999."

Figure 6

Goal 2 – Provide Recreation for America	
GPRA Program Activity	***1999 Expenses ($ in millions)***
1. Provide for Visitor Enjoyment at National Park Facilities	$1,297
2. Public Use and Enjoyment of Fish and Wildlife Resources	164
3. Provide Opportunities for Environmentally Responsible Recreation on Public Lands	94
4. Enhance Recreation Opportunities Through Partnerships	225
5. Reclamation Land Management and Development	30
Total - Goal 2	***$1,810***

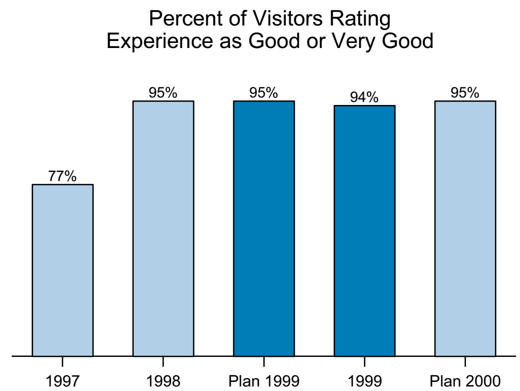
Provide for Visitor Enjoyment at National Park Facilities

Desired Result: *Provide for the enjoyment of the National Park Service resources in such a manner and by such means as will leave them unimpaired for the enjoyment of future generations.*

The National Park Service manages nationally significant battlefields, parks, historic sites, monuments, lakeshores, memorials, parkways, preserves, recreation areas, riverways, and seashores. National park areas have long been favorite destinations for millions of Americans as well as people from around the world. It is estimated that there were 287 million recreation visits to America's national parks in 1999. In fulfillment of the NPS mission to make America's national parks available for public enjoyment and inspiration, the Park Service provides an array of activities, opportunities, and visitor services that allow the public to use and enjoy the National Park System safely and with minimum impact to resources. Enjoyment of the park units and their resources is a fundamental part of the visitor experience. Knowledge about people who visit these NPS areas has become increasingly important because we need to know if visitor expectations are being met.

National park areas have long been a favorite and inexpensive destination for millions of Americans as well as people from around the world (photo by NPS).

1999 Performance Indicator



An assessment of visitor surveys completed during 1999 found that 94 percent of park visitors are satisfied with park facilities, services, and recreational opportunities in the parks. The difference between the 1999 target and the actual result is insignificant.

Public Use and Enjoyment of Fish and Wildlife Resources

Desired Result: *Provide the public with opportunities to understand and participate in the conservation and use of fish and wildlife resources.*

The Fish and Wildlife Service recruits and trains volunteers to assist in a variety of wildlife refuge activities including habitat management, education, public use, and research. These hands-on experiences provide tremendous benefits to refuges while increasing public understanding and appreciation of wildlife resources and wildlife resource management. The volunteer program promotes partnerships with state and local government, individuals, and private groups.

1999 Performance Indicators

	1997	1998	Plan 1999	1999	Plan 2000
Percent increase in volunteer participation hours from 1997	1,335,738	1,396,000 (4.5%)	1,689,707 (26.5%)	1,221,649 (-9%)	1,402,524 (5%)
Number of new friends groups	63	100	129	120	150

In 1999, the number of volunteer hours decreased approximately 9 percent from the 1997 base level. The volunteer rate is impacted by a number of factors (i.e., economic, demographic, and climatic) that are beyond the control of the Fish and Wildlife Service. Volunteerism, however, will continue to be encouraged in 2000. New efforts are being implemented under the Volunteer and Community Partnership Act to include the hiring of full-time volunteer coordinators on field stations. This will help the recruitment, training, and mentoring of volunteers and provide a test of whether additional staff devoted to the volunteer program will result in corresponding increases in volunteer interest.

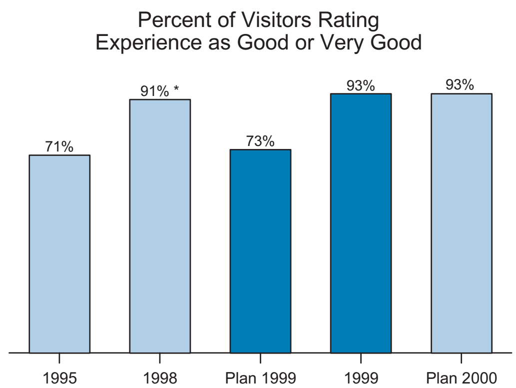
Provide Opportunities for Environmentally Responsible Recreation on Public Lands

Desired Result: *Provide the public with diverse opportunities to recreate on the public lands while maintaining the lands and facilities in good environmental condition.*

Recreation area condition has a great impact on users' recreation experience. Visitor satisfaction with any site or area depends on both the condition of the area and the expectations of the visitor. The BLM strives not only to manage its areas to preserve and improve their condition, but also to communicate with visitors regarding the nature of the resource, its condition, and the presence of any facilities.

Information on customer satisfaction with the condition of BLM recreation areas is obtained through a national survey of recreation users conducted and analyzed by an independent contractor.

1999 Performance Indicator



* During 1998, satisfaction survey was conducted only at premiere recreation fee sites.

In 1999, the BLM exceeded its planned target of 73 percent by achieving a satisfaction rating of 93 percent. The 73 percent target for 1999 was chosen without benefit of a benchmark from previous surveys covering similar recreation sites and areas. In 2000, this performance indicator will be replaced by another measure.

Enhance Recreation Opportunities Through Partnerships

Desired Result: *Strengthen and preserve natural and cultural resources and enhance recreational opportunities managed by partners.*

The National Park Service implements a broad range of programs that assist others to preserve our natural and cultural and recreational resources. These programs encompass formal partnership programs with over 60 other federal agencies, 59 states and

White water rafting on the Bruneau River (photo by BLM).

"The Recreational Fee Demonstration Program has enabled Interior to improve visitor services, protect resources, and address health and safety issues. In 1999, over $149 million was collected in entrance fees."

Reclamation reservoirs provide many recreation opportunities, including fishing (photo by Reclamation).

territories, more than 1,000 local governments, over 300 Indian tribes, foreign governments, private organizations, friends groups, academic institutions, and the general public. The NPS strives to increase the number of significant historic and archaeological properties protected and to improve customer satisfaction with technical assistance provided by the Park Service.

1999 Performance Indicators

	1997	1998	Plan 1999	1999	Plan 2000
Miles of recreational trails added	N/A	700	920	2,116	2,600
Miles of recreational river corridor added	N/A	1,100	1,340	1,504	2,100
Acres of recreational park land added	N/A	33,700	40,700	45,425	61,300

The National Park Service helps communities find appropriate strategies for protecting trail corridors, open space resources, rivers and watersheds, and historic and cultural resources that define their sense of place. The Park Service becomes involved when formally asked by local officials, landowners, and other citizens who share the desire to protect or to improve their communities. The NPS also brings technical expertise in public involvement, publications, organization building, project design, and site restoration. All projects are founded on cost-sharing, cooperation, and community initiative. Projects are implemented with local, state, and private funds leveraged by NPS funds.

Reclamation Land Management and Development

Desired Result: *Provide the greatest overall benefit from existing land resources in a manner that is efficient and effective, uses sound conservation practices, and protects the environment.*

The Bureau of Reclamation strives to manage lands in cooperation with others to improve, protect, and enhance land use, cultural, recreational, and environmental values. Using an ecosystem-based management approach, Reclamation assures that lands are managed in an economically and environmentally sound manner to benefit the interest of the American people.

During 1999, Reclamation developed policy, directives, standards, and guidance on recreation and concession management.

Manage Natural Resources for a Healthy Environment and a Strong Economy

The Department of the Interior manages a wide variety of natural resources for commercial activities when development can be undertaken in an environmentally responsible manner. These resources, including energy and non-energy minerals, water, timber, grazing land, and hydroelectric power, contribute substantially to virtually all sectors of the economy.

In 1999, the public lands administered by the Bureau of Land Management produced 31 percent of the Nation's coal, 11 percent of its natural gas, and 5 percent of its oil. These lands also produce a large portion of the Nation's commercial minerals and metals, including stone for highways, potash for fertilizers, gold, and silver. Of the total of $1.16 billion in annual revenues derived from BLM-managed lands, energy and minerals generated more than $1.1 billion from mineral royalties, rents, bonuses, sales, and fees. The total direct and indirect economic output impact of the mineral production value amounted to $24.1 billion out of the $24.7 billion total in commercial activities on public lands administered by the BLM.

The Bureau of Reclamation is one of the largest suppliers and managers of water in the 17 western states, delivering water to 31 million people for agricultural, municipal, industrial, and domestic uses. Reclamation is the Nation's second largest producer of hydroelectric power, generating nearly $1 billion in annual power revenues. Its multipurpose projects also provide substantial flood control, recreation, and fish and wildlife benefits. Over the past 97 years, Reclamation has developed safe and dependable water supplies and hydroelectric power to foster settlement and economic growth in the West. In recent years, Reclamation has moved from development to management of these important resources. In cooperation with state, tribal, local, and other entities, Reclamation encourages development of solutions for water supply problems that are consensus based, cost effective, and environmentally sound.

The Minerals Management Service manages the Nation's natural gas, oil, and other mineral resources on more than 1.5 billion acres of the Outer Continental Shelf (OCS), and collects, accounts for, and disburses revenues from offshore federal mineral leases as well as from onshore mineral leases on federal and Indian lands. In 1999, the OCS supplied over 27 percent of the natural gas and more than 20 percent of the oil produced in the United States. Since 1982, approximately $103 billion in revenues from mineral activities on federal lands has been distributed by the MMS to the U.S. Treasury, states, Indian tribes, and Indian allottees.

The Fish and Wildlife Service manages 66 fish hatcheries that produce 166 million fish. This provides approximately $5 billion in total economic benefit annually.

The goods, services, and revenues produced on federal lands are economically significant to the Nation and to many local communities, particularly in the western and Gulf Coast states. Interior is committed to making these resources available for appropriate commercial uses while protecting the environment and receiving a fair return for the American taxpayer.

In 1999, the Department employed the following strategies to achieve the goal of managing natural resources for a healthy environment and a strong economy:

"In 1999, public lands and Outer Continental Shelf acres managed by Interior produced 31 percent of the Nation's coal, 38 percent of its natural gas, and 25 percent of its oil."

Figure 7

Goal 3 – Manage Natural Resources for a Healthy Environment and a Strong Economy	
GPRA Program Activity	***1999 Expenses ($ in millions)***
1. Provide Opportunities for Environmentally Responsible Commercial Activities	$280
2. Reduce Threats to Public Health, Safety, and Property on Public Lands	313
3. Reclamation Facility Maintenance and Rehabilitation	86
4. Water and Energy Management and Development	515
5. Reclamation Facility Operations	506
6. Offshore Minerals Management Program	133
7. Royalty Management Program	89
Total – Goal 3	***$1,922***

- Developed interagency and intergovernmental approaches to improving customer service and more effectively sharing limited agency resources; and

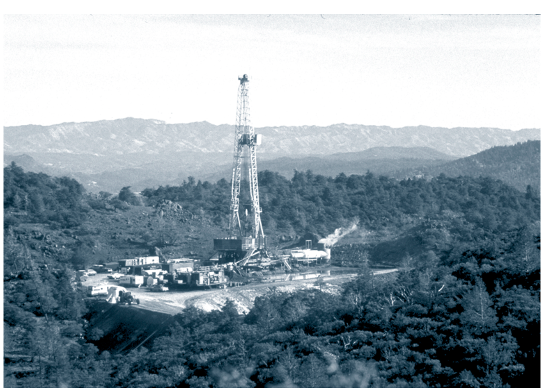
- Engaged customers and stakeholders in consensus-building processes.

The major departmental activities to achieve the goal of managing natural resources for a healthy environment and a strong economy are summarized in *Figure 7*.

Provide Opportunities for Environmentally Responsible Commercial Activities

Desired Result: *Provide commercial activities for use of the public lands while maintaining or improving environmental conditions.*

The public lands produce products that are key to the Nation's economy, providing economic stability and growth for local and regional economies. Public lands also provide substantial returns to the American people. In 1999, these activities generated $1.16 billion in revenue. Energy and mineral royalties, rents, bonuses, sales, and fees accounted for nearly $1.1 billion of the total. The direct and indirect economic impact of energy and mineral production on the public lands amounted to an estimated $24.1 billion.



Interior contributes to the Nation's economy by providing opportunities for the production and transport of commercial goods and services (photo by BLM).

1999 Performance Indicator

Estimated Economic Impact of Production From Public Land Commercial Activities ($ in millions)					
	1997	**1998**	**Plan 1999**	**1999**	**Plan 2000**
Oil and Gas Leasable Materials	$11,991	$11,483	N/A	$10,771	N/A
Coal Leasable Minerals	7,914	7,348	N/A	7,602	N/A
Other Leasable and Salable Materials	3,619	3,531	N/A	2,600	N/A
Locatable Minerals	3,138	3,130	N/A	3,130	N/A
Grazing	384	410	N/A	410	N/A
Timber	439	365	N/A	114	N/A
Realty	34	43	N/A	42	N/A
TOTAL	$27,528	$26,310	N/A	$24,669	N/A

Beginning with 1999, funds from geothermal, carbon dioxide, and helium were added to oil and gas. Previously, geothermal and carbon dioxide were included with other leasable materials. Helium, which was reported separately in 1998, has been combined with oil and gas for the first time.

In 1999, oil and gas revenue decreased significantly due to lower prices. There was a significant reduction in the number of active mining claims and corresponding fees collected. A dramatic decrease in timber sales occurred because of pending lawsuits.

The BLM does not collect locatable minerals production data. The 1999 production value was extrapolated from the 1995 estimate and adjusted for productions patented out of the public lands in subsequent years.

Reduce Threats to Public Health, Safety, and Property on Public Lands

Desired Result: *Ensure that public lands and facilities are safe for the public and for employees.*

The Bureau of Land Management is responsible for protecting public lands and facilities from unauthorized uses, hazardous materials, illegal dumping, theft, wildfire, and other unsafe conditions. Population growth in rural areas of the West increases risks and responsibilities in fire suppression, search and rescue, and response to natural emergencies. The BLM provides protection for its employees and the public, remediates environmental damage, and determines responsible parties. The public lands contain over $5 billion of capital improvements such as roads, trails, dams, bridges, buildings, and recreation sites. Use of these facilities is increasing every year.

1999 Performance Indicators

	1997	1998	Plan 1999	1999	2000
Percent of recreation sites in fair or good condition	N/A	79%	81%	80%	N/A
Percent of administrative sites in fair or good condition	N/A	86%	87%	86%	87%
Percent of trails in fair or good condition	N/A	89%	90%	77%	N/A
Percent of roads in fair or good condition	N/A	56%	54%	60%	60%
Percent of bridges in fair or good condition	N/A	91%	92%	92%	94%
Percent of BLM dams in fair or good condition	N/A	55%	57%	56%	59%

In 1999, the BLM completed inventory and condition surveys of administrative sites. The data was used to prepare BLM's Five-Year Maintenance and Construction Plan. BLM intends to reduce the backlog of deferred maintenance at administrative sites with Five-Year Plan funding.

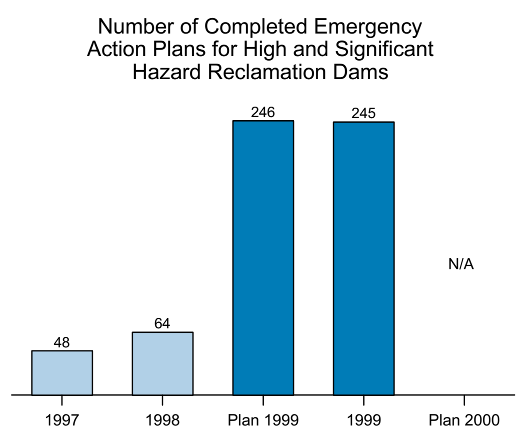
Bridges and dams are inspected on a three year cycle. BLM's Five-Year Plan includes a number of projects to improve dams and roads. BLM intends to reduce the backlog of dam and road improvement projects with Five-Year Plan funding.

Reclamation Facility Maintenance and Rehabilitation

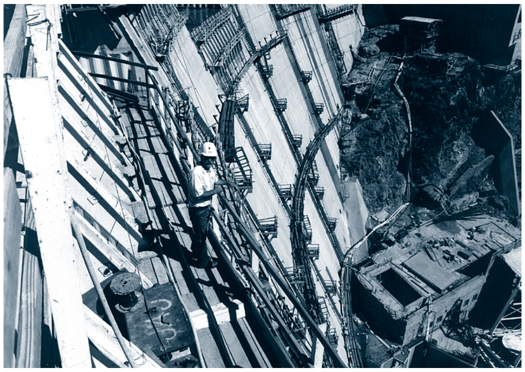
Desired Result: *Ensure the proper maintenance, reliability, and serviceability of Reclamation's facilities and identify and schedule the necessary rehabilitation work.*

The Bureau of Reclamation is responsible for maintenance, replacement, and minor additions to infrastructure and structural facilities, including facilities for which Reclamation has direct operation and maintenance responsibility on a daily basis. This includes all aspects of ensuring the proper maintenance, reliability, and serviceability of Reclamation's facilities and identifying and scheduling necessary rehabilitation work. These activities include development and execution of activities designed to quantify facility reliability, improve maintenance practices, determine deficiencies, and identify required corrective actions. These activities also sustain facility dependability and reliability to ensure that facilities are safe from natural and man-made disasters; that the services produced or delivered are available to the public in a safe and dependable manner; and that all cost-effective maintenance activities and practices, technologies, and scientific developments are used to reaffirm the level of reliability and serviceability.

1999 Performance Indicator



"Reclamation is the Nation's second largest wholesale water supplier and the fifth largest electric utility in the 17 western states."



Reclamation manages and operates 348 reservoirs and 58 hydroelectric powerplants (photo by Reclamation).

Emergency Action Plans (EAPs) are considered complete once the plan has been updated and exercised. The results of the exercise are documented and the final plan is approved by management. The 1999 target was revised from 247 to 246 during the year because one dam was reclassified to “low hazard”. Due to this reclassification, an EAP was not required.

The Bureau of Reclamation did not fully achieve its 1999 target because one EAP was updated but the exercise was not completed. Reclamation is trying to work with the local district to exercise EAPs for these facilities. EAPs are a significant activity in ensuring that plans are in place to protect public safety and resources and will continue as an ongoing effort.

Water and Energy Management and Development

Desired Result: *Manage water resources in cooperation with others to improve water quantity and quality for agricultural, municipal, industrial, rural, domestic, hydropower, recreational, and fish and wildlife purposes.*

Water is one of our Nation’s most valuable resources. Sufficient quantity and quality of water is critical to the health, safety, and survival of people, the environment, and the economy. Effective management maximizes overall benefits from the finite, and variable, natural yearly water supply. It better meets competing demands and ensures the availability and quality of water resources for current and future generations. Reclamation strives to effectively operate its facilities to store, deliver, and release the amount of water contracted for by the various users, subject to natural water supply and other physical and legal constraints.

Many Reclamation projects provide the additional benefit of power generation. The demand for power is increasing, and the amount of power that can be generated varies according to water availability. Reclamation strives to effectively operate its power facilities to meet power requirements and the needs of water users and the environment.

1999 Performance Indicators

	1997	1998	Plan 1999	1999	Plan 2000
Actual acre-feet of water delivered under all contracts	N/A	29,761,078	30,700,000	31,287,220	27,310,431
Number of megawatt hours (Mwh) provided/number of Mwh required or contracted	100%	100%	100%	100%	100%

The 1999 performance target of 30.7 million acre feet was an estimate based on the amount of water delivered over the past few years. It is not a predetermined amount required to meet contracts. The amount of water delivered to meet contracts is based on available water supplies, which fluctuate from year to year, and other agreements. There was greater than average precipitation in some regions during 1999, so the amount delivered was above the estimated amount. The 1999 target was achieved since Reclamation delivered the water amounts stipulated in the contractual agreements.

The amount of power delivered is also dependent upon the amount of water available. Contracts and agreements are written to take the annual and seasonal fluctuation of water into account. By operating its facilities in an effective and reliable manner, Reclamation provided power to meet its contracts.

Reclamation Facility Operations

Desired Result: *Operate Reclamation facilities for the purpose of providing project benefits for the delivery of water, power, flood control, fish and wildlife, and recreation activities commensurate with established purposes and legal compliance.*

The Bureau of Reclamation operates and manages principal resources developed or affected by Reclamation facilities including (1) hydroelectric facilities, (2) water supply delivery systems, (3) fish and wildlife facilities, (4) recreation facilities, and (5) flood control.

Reclamation also oversees reviews and long- and short-term planning required to provide timely replacements, upgrades, or modifications to control systems and related communications systems required to maintain system reliability and promote cost-effectiveness.

Reclamation strives to operate its facilities to meet water, power, fish and wildlife, recreation, and flood control requirements while protecting public health and welfare, sustaining environmental values, and providing customer deliveries in a timely and economically sound manner.

During 1999, Reclamation reviewed existing operating plans on Reclamation owned and operated facilities to ensure that operations met authorized project purposes and identified flexibility for modifying operations to accommodate the needs of a broader range of resource uses as changing requirements dictated.

Offshore Minerals Management Program

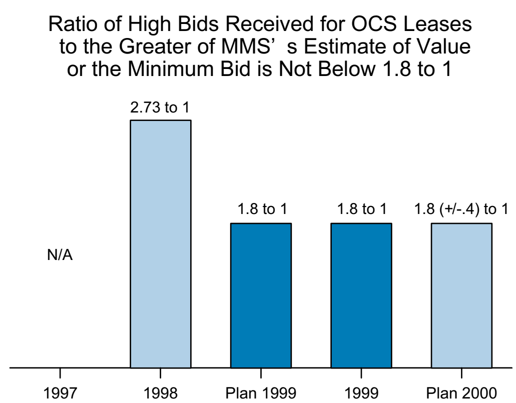
Desired Result: *Provide for safe and environmentally sound mineral development on the Outer Continental Shelf (OCS) and ensure that the public receives fair value.*

Today's offshore oil and gas industry is global in scope. The Minerals Management Service continues to expand its collaborative projects with other technologically advanced regulatory countries to promote safe and environmentally sound oil and gas operations worldwide.

The cornerstone process for the MMS's Offshore Program is the process for determining what areas are acceptable and suitable for exploration and development. This process involves an evaluation of OCS areas that are prospective for natural gas, oil, and other marine minerals, and a parallel determination of the potential environmental impacts that may result from leasing and developing these natural resources in these prospective areas. Information critical to the decision process is derived from numerous sources internal and external to the agency including studies, public hearings, results of modeling technical information, and national policies and goals. Where leasing is permitted, other factors ensure that activities conducted on the OCS are consistent with terms of a decision. Such factors include establishing and enforcing regulations, conducting inspections of OCS activities, monitoring impacts, and gathering technical information that could result in improvements in procedures and projected outcomes.

The Minerals Management Service administers the rental, royalty, and other financial terms for approximately 26,000 producing and 54,000 nonproducing mineral leases (photo by MMS).

1999 Performance Indicator



Interior achieved its target ratio of 1.8 to 1 in 1999 primarily because the Minerals Management Service kept pace with technological advances that industry has made to improve the tract evaluation process. For example, MMS significantly improved its ability to evaluate acreage offered for lease by acquiring geologic interpretive tool worksta-

"Since 1982, Interior has distributed about $103 billion in revenues from mineral activities on federal lands to the U.S. Treasury, states, Indian tribes, and Indian allottees."

tions that enable the interpretation and analysis of three-dimensional seismic data. The MMS also acquired more advanced information technology systems.

Royalty Management Program

Desired Result: *Provide timely, accurate, and cost-effective mineral royalty collection and disbursement services.*

The federal government is the largest mineral royalty owner in the United States. The Minerals Management Service is responsible for ensuring that, on average, over $4 billion in annual revenues from federal and Indian mineral leases is collected, accounted for, verified, and disbursed to appropriate recipients in a timely manner.

The Federal Oil and Gas Royalty Management Act of 1982 established a framework to improve management of federal and Indian mineral royalties. In response to this mandate, MMS has accepted an overall mission to provide timely, accurate, and cost-effective mineral revenue collection and disbursement services.

Using sophisticated, computerized accounting systems, the MMS's Royalty Management Program (RMP) collects and processes more than $300 million (mostly via electronic funds transfers) each month. Bonuses, rents, and royalties from more than 80,000 leases amount to several billion dollars each year. Totals fluctuate with market prices, the amount of production, and number of lease sales.

The RMP recently embarked upon a business process reengineering initiative to address all of its core business processes, including financial, accounting, and compliance operations. The objective of this programwide effort is to design and implement new royalty management business processes and support systems for the 21st century. To guide this effort, RMP senior managers established stretch goals calling for radical improvements in accounting and compliance operations. Accomplishing these goals will require a major refocusing and reorganizing of RMP around its processes and a shift of performance perspective from outputs to outcomes. The expected result is a much different RMP for the future that is process centered, focused on outcomes, less costly, and well positioned to meet a changing and expanding mission.

1999 Performance Indicators

	1997	1998	Plan 1999	1999	2000
Achieve a compliance index of .975	.9695	.961	.975	.9809	.9775
Late disbursement costs are not more than $45,000	$62,000	$35,800	$45,000	$40,804	N/A

In 1999, the Minerals Management Service achieved a compliance index of .9809, exceeding the departmental target of .975 percent. The compliance index model annually calculates expected total royalty payments using available systems information and public price data, such as posted price bulletins. Before MMS calculates this index, it waits one year for industry to make adjustments to their royalty and production reports and payments. The index reported in calendar year 1999 is for calendar year 1997.

The MMS will continue to calculate the compliance index until its new systems are in place in October 2001. At that time, MMS will implement its new compliance goal, which will focus on expected value for defined producing areas and properties. Once new systems are in place, MMS will be able to calculate programwide compliance in addition to focusing on compliance by property.

Late disbursement interest is the amount that MMS pays to states and Indian tribes when disbursements of mineral revenues are delayed, typically because MMS has to resolve reporting discrepancies. The goal is to minimize interest costs. In 1999, the MMS paid $40,804 in interest costs, which was approximately $4,200, or 9 percent, under the target.

Provide Science for a Changing World

As a Nation, we face serious questions concerning the environment. How can we ensure an adequate supply of critical water, energy, and mineral and biological resources in the future? Are we irreversibly altering our natural environment when we use these resources? How has the global environment changed over geologic time, and what can the past tell us about the future? How can we predict, prevent, and mitigate the effects of natural hazards? Collecting, analyzing, and disseminating the scientific information needed to answer these questions, as well as providing the other critical scientific support for resource management decisions are major responsibilities of the Department.

The U.S. Geological Survey (USGS) is the Nation's primary provider of natural science information related to natural hazards, certain aspects of the environment, and mineral, energy, water, and biological resources. USGS is also the federal government's principal domestic map-making agency. USGS scientific research contributes to improving the health and welfare of the American people, as well as helping to resolve the Nation's environmental issues and formulate sound federal land management and natural resource policies.

Since 1879, the USGS has been responsible for classifying the public lands and examining the geological structure, mineral resources, and products of the national domain. With the incorporation of the former National Biological Service in 1996, the USGS has also become a major partner in enhancing the Nation's understanding of the conditions and trends of biological resources and the ecological factors affecting them.

In 1999, the Department employed the following strategies to achieve the goal of providing science for a changing world:

- Participated in interagency and intergovernmental programs to assess, document, and monitor ecological and socioeconomic conditions and trends, including development and implementation of information-needs assessment procedures.

- Developed technology to increase efficiency and expand collection and management of natural science data, as well as establishing and maintaining national earth and biological science databases for use by federal, state, and local land management and regulatory agencies, as well as the public.

The major departmental activities to achieve the goal of providing science for a changing world are summarized in *Figure 8.*

"Interior provides the Nation with reliable, impartial information to describe and understand the Earth."

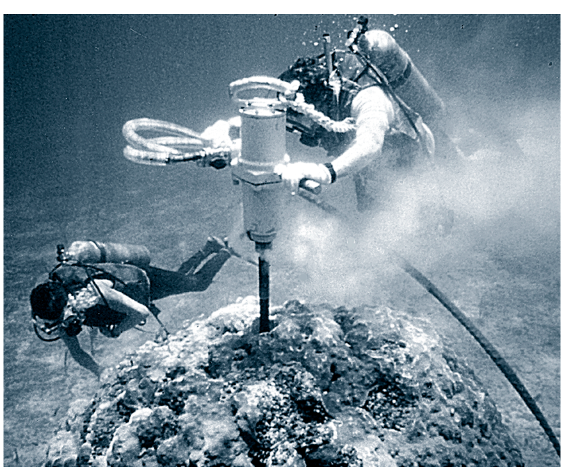
Figure 8

Goal 4 – Provide Science for a Changing World	
GPRA Program Activity	***1999 Expenses ($ in millions)***
1. Environment and Natural Resources	$1,062
2. Hazards	131
3. Improve Land, Resource, and Title Information	64
Total – Goal 4	***$1,257***

Environment and Natural Resources

Desired Result: *Provide science for a changing world in response to present and anticipated needs to expand our understanding of environmental and natural resource issues on regional, national, and global scales and enhance predictive/forecast modeling capabilities.*

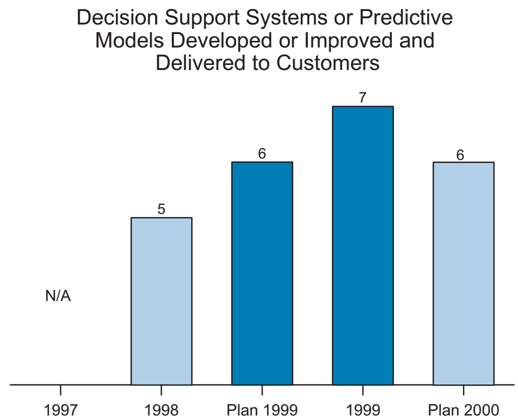
Our environment—the air, water, soil, and plant and animal life—is constantly changing as natural processes and human actions affect it. Changes in demographics also affect the competition for and use of the renewable and nonrenewable natural resources—land, water, minerals, and energy—needed to sustain life and to maintain and enhance our Nation's economic strength. The traditional boundaries between environment and natural resources science are increasingly blurring as land and resource management decisions deal with increasingly complex issues affecting both. The need for cross-disciplinary integrated science has never been more apparent. USGS environment and natural resource activities deal with studies of natural, physical, chemical, and biological processes, and the results of human actions. These studies encompass collecting data, making long-term assessments, conducting ecosystem analyses, monitoring change, and forecasting the changes that may be expected in the future.



USGS divers take a coral core sample with an underwater coring device developed by USGS. Coral have growth rings like trees. Information on the thickness and geochemical composition of the coral rings can give clues to past climatic conditions (photo by USGS).

The USGS cannot, and does not seek to, collect all of the environmental and natural resources data required for managers, regulators, and the general public to make informed decisions. The USGS seeks to build partnerships among federal, state, local, private, and industrial entities to leverage resources and expertise. The USGS works with customers to identify their long-term environmental and natural resource issues, current trends, and available information to improve its data collection and data management efforts, to deliver systematic analyses needed by its customers, and to develop and improve decision support systems.

1999 Performance Indicator



In 1999, the USGS exceeded its target for this performance measure. An additional water resource predictive model was completed and in use by stakeholders at the end of 1999.

Hazards

Desired Result: *Provide science for a changing world in response to present and anticipated needs, focusing efforts to predict and monitor hazardous events in near-real and real-time and to conduct risk assessments to mitigate loss.*

Hazards are unpreventable natural events that, by their nature, may expose our Nation's population to the risk of death or injury and may damage or destroy private property, societal infrastructure, and agricultural or other developed land. The USGS is responsible for describing, documenting, and understanding natural hazards and their risks. These activities include long-term monitoring and forecasting, short-term prediction, real-time monitoring, and communication with civil authorities and others during a crisis. Other significant activities are post-crisis analysis to develop strategies to mitigate the impact of future events and preparation of coordinated risk assessments for regions vulnerable to natural hazards.

The USGS has the primary federal responsibility for monitoring and issuing warnings for earthquakes, volcanoes, landslides, and geomagnetic (solar) storms. The USGS works closely with the National Weather Service in providing hydrologic information that is used to forecast floods, the National Oceanic and Atmospheric Administration in monitoring coastal erosion and tsunamis, and the Interagency Fire Center supporting wildland fire management activities. The USGS has unique capabilities for the integration of hazards information with a wealth of other geospatial data and imagery to rapidly assess the impact of natural hazards events.

1999 Performance Indicators

	1997	1998	Plan 1999	1999	Plan 2000
Real-time streamgages (cumulative)	4,467	4,571	4,671	5,132	N/A
Real-time earthquake sensors (cumulative)	70	100	120	120	200

In 1999, the USGS met or exceeded the performance measure targets for the Hazards program activity. USGS added telemetry to 461 streamgages against a target of 100. Although exceeding the target, USGS is revising this measure for 2000. Because USGS is responsible for delivering hazards information to the National Weather Service and others, the reliability of the systems which deliver streamflow data is a crucial component of USGS's performance. In addition, USGS encountered problems with collecting reliable performance data on a quarterly basis to provide timely information for management purposes. USGS is proposing to change the real-time streamgages measure not only to reflect the number of real-time streamgages that USGS puts in place each year, but also to capture its ability to deliver hazards data to those who need it, and to automate the performance tracking process as well.

The USGS has developed a "robot" program to query each Web site every day to ask: "How many sites are delivering real-time data on the Web right now?" The new performance measure will be "quarterly average number of gages reporting real-time data on the Internet."

The USGS is also exploring alternatives for modification of the earthquake sensor performance measure to better capture its ability to deliver hazards data to those who need it, and to automate its performance tracking process as well.

USGS earth scientists describe the features of the earth and what created them by mapping the geology at the surface and beneath the ground. At the Kilauea volcano summit on Hawaii, this scientist is setting up a device to sample volcanic gases (photo by USGS).

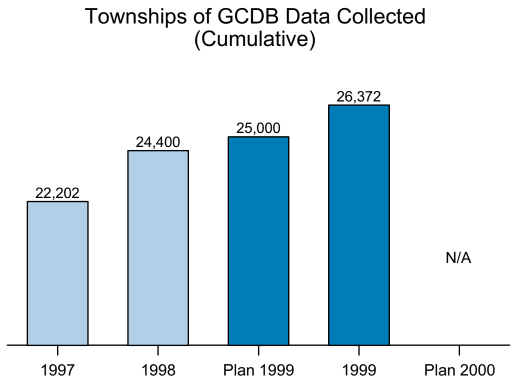
Improve Land, Resources, and Title Information

Desired Result: *Provide the public with improved information about the land, its resources, and land records.*

The Bureau of Land Management (BLM) has extensive historical and current information on land ownership, use, and condition in the United States. The agency maintains cadastral survey and historical data on patented lands, along with information on the mineral estate, resource conditions, and permits or leases on federal lands. Historical records are critical to resolving many ownership disputes and are increasingly recognized as an important source of both genealogical information and data about historic resource conditions in the United States.

With the release of Executive Order 12906, "Building a National Spatial Data Infrastructure," the BLM has strived to make survey information more readily accessible by other disciplines and the public. The BLM's national responsibilities include providing cadastral information for land title records to other agencies and the public. This information is fundamental to effective land management and, with the ever-growing access to technologies such as Geographic Information Systems, the demand for this information has increased dramatically. The BLM's Geographic Coordinate Database (GCDB) initiative provides cadastral information in a form that is more readily accessible and easily used with advanced technologies.

1999 Performance Indicator



In 1999, the collection of GCDB data continued in the areas of mineralization and the more complex land tenure areas of urban interface between federal and tribal lands. The total townships collected through the end of 1999 was 26,372, which slightly exceeded the performance target; data will be used for management of high priority areas.

The GCDB collection effort was augmented by leveraging resources through partnerships with other federal, tribal, state, and county agencies. This provided additional resources to collect more accurate and up-to-date GCDB data. Plan 2000 data is not available since revisions are anticipated for this performance measure.

BLM employees use global positioning system equipment to map abandoned mine sites on Winnemucca Mountain, Winnemucca, Nevada (photo by BLM).

Meet Our Trust Responsibilities to American Indians and Our Commitments to Island Communities

Today there are more than 550 federally recognized American Indian and Alaska Native tribal governments in the United States. Each possesses inherent governmental authority deriving from its original sovereignty, a long-recognized principle of U.S. Constitutional law. The federal Indian trust responsibility is a legal duty on the part of the United States to protect Indian land and resources, fulfill treaty obligations, and carry out the mandates of federal law for the benefit of American Indian and Native Alaska tribal members.

The Bureau of Indian Affairs (BIA) is the primary agency of the federal government charged with the responsibility for administering federal Indian policy and discharging the federal trust responsibility for American Indian tribes, Alaska Native villages, and tribal organizations. The BIA provides services directly, or through agreements with tribes, to approximately 1.4 million American Indians and Alaska Natives in 31 states. The extensive scope of BIA programs covers virtually the entire range of state and local government services, including:

- elementary, secondary, and post-secondary education;
- social services;
- law enforcement;
- judicial courts;
- business loans;
- land and heirship records;
- tribal government support;
- forestry, agriculture, and rangeland development;
- water resources;
- fish, wildlife, and parks;
- roads and housing;
- adult and juvenile detention facilities; and
- irrigation and power systems.

Under the self-determination and self-governance policies, tribes are increasingly assuming day-to-day management responsibilities over programs operated by the BIA. Achievement of self-determination demands a federal commitment that invests sufficient resources over the long term to assist tribes in developing self-government, an economic base, and social and educational institutions while preserving the tribal culture. In 1999, tribal governments received about $1 billion through contracts, grants, and compacts for operating programs and completing construction projects.

BIA programs are funded and operated in a highly decentralized manner. Nearly 90 percent of all appropriations now are expended at the local level, increasingly by tribes and tribal organizations operating under contracts or self-governance compacts. In addition, the BIA administers more than 43 million acres of tribally owned land, more than 11 million acres of individually owned land held in trust status, and 443,000 acres of federally owned land.

In 1996, the Office of the Special Trustee for American Indians (OST) was established to make the Department more effective in carrying out its federal Indian trust responsibility. This office assists Interior offices and bureaus in actions or proposals related to American Indian trust resources and supports the Secretary's trust responsibilities and implementation of Indian trust protection policies and procedures.

Interior also provides services related to energy and mineral development to tribes. The Bureau of Land Management is responsible for mineral leasing on tribal lands. The Minerals Management Service collects, accounts for, and distributes mineral revenues to tribes and allottees.

"Interior provides services to about 1.4 million American Indians and Alaska Natives in 31 states."

Figure 9

Goal 5 – Meet Our Trust Responsibilities to American Indians and Our Commitments to Island Communities	
GPRA Program Activity	***1999 Expenses ($ in millions)***
A. Tribal Government and Related Activities	
A1. Tribal government	$397
A2. Economic and Technical Assistance	244
Subtotal A	*641*
B. Tribal Quality of Life	
B1. Human Services	146
B2. Public Safety and Justice	102
B3. Community Development	283
B4. Administrative and Support Services	600
B5. Education	709
Subtotal B	*1,840*
C. Trust Services	
C1. Resources Management	282
C2. Trust Lands and Resources	129
C3. Trust Management	96
Subtotal C	*507*
D. Island Communities	
D1. Serving Island Communities	333
Subtotal D	*333*
Total – Goal 5	***$3,321***

In 1999, the Department employed the following strategies to achieve the goal of meeting our responsibilities to American Indians:

- Consulted on a government-to-government basis with tribal officials to ensure that the Department is an effective and responsive trustee;
- Supported private and public partnership initiatives to enhance tribal economic growth and opportunity;
- Reduced barriers and impediments to contracting and/or compacting of BIA programs;
- Provided the support necessary to improve the economic status of tribes through improved human capital and the promotion of self-sustaining businesses;
- Improved public safety in Indian communities through improved law enforcement services that reduced crime rates; and
- Developed conservation and management plans to protect and preserve the natural resources on tribal lands.

The Department also has administrative responsibility for coordinating federal policy in the territories of American Samoa, Guam, the U.S. Virgin Islands, and the Commonwealth of the Northern Marianas, and for overseeing federal programs and funds in the freely associated states of the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau. Interior's objective is to develop more efficient and effective government in the insular areas by recommending policies, providing financial and technical assistance, and strengthening federal-insular relationships.

The major departmental activities to achieve the goal of meeting our responsibilities to American Indians and island communities are summarized in *Figure 9*.

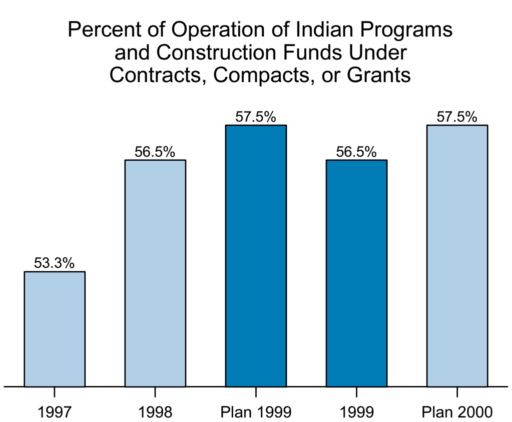
Tribal Government and Related Activities

Tribal Government

Desired Result: *Provide tribes with the resources they need to foster strong and stable tribal governments and exercise their rights as sovereign nations.*

The Bureau of Indian Affairs provides tribal government support under several broad and specific authorities that authorize the Secretary of the Interior to provide services to American Indians and Alaska Natives. This support includes technical assistance to tribal governments on matters such as membership criteria, enrollment, judgment funds, and recognition of Indian tribes. At one time, BIA provided virtually all services and programs directly to American Indians. Today, federal policy emphasis is on self-determination and self-governance. The goal of the Department is to provide tribes with the resources they need to foster strong and stable tribal governments and exercise their authority as sovereign nations. As a result of this policy, a significant portion of the Bureau of Indian Affairs' operations are now contracted by tribes, resulting in a reduction of BIA staffing levels to approximately 9,800 full-time equivalents.

1999 Performance Indicator



In 1999, the BIA was slightly below its target of 57.5 percent for this performance measure. The 1999 level was the same as 1998 due to a congressionally imposed moratorium prohibiting new contracts or compacts under Public Law 93-638.

Economic and Technical Assistance

Desired Result: *The Bureau of Land Management (BLM) will meet trust responsibilities while providing economic and other assistance to federally funded tribes.*

The BLM has a wide range of responsibilities in government-to-government relationships with Indian tribes and Alaska Native communities. These include:

- Disbursing payments of shared revenues derived from activities on the public lands;
- Disbursing payments-in-lieu of taxes (PILT);
- Conveying land to Alaska Native people, Native corporations, and the State of Alaska;
- Settling Alaska Native and American Indian allotment land claims;
- Providing tribes with technical assistance to develop leased energy and mineral resources;
- Providing fire suppression services on all federal and Native lands in Alaska; and
- Adjusting land tenure between federal agencies and states.

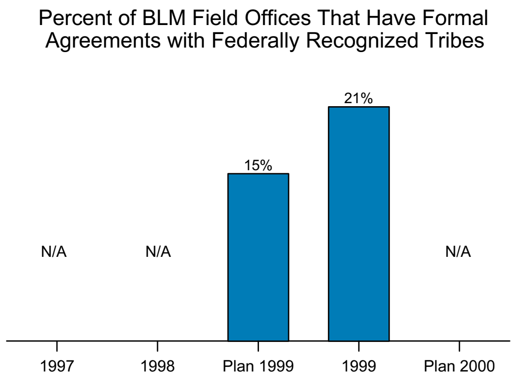
The BLM has several self-governance agreements with seven tribes under the Indian Self-Determination Act (Public Law 93-638) and agreements under the Federal Oil and Gas Royalty Management Act (FOGRMA) for the management of tribal

Nez Perce brave with war bonnet. The Nez Perce tribe lived primarily in the valleys, prairies, and plateaus of north-central Idaho and northeastern Oregon (photo by BIA).

"The American Indian and Alaska Native population now exceeds 2 million and represents one of the fastest growing minority populations in the United States."

mineral resources. Increasing BLM's capability to expand the number of agreements is expected to provide significant economic benefits to additional tribes.

1999 Performance Indicator



The Bureau of Land Management's number of field offices that have formal agreements with federally recognized tribes is 28. The Native American coordinators in each state are responsible for collecting and annually updating the list of formal agreements between field offices and federally recognized tribes. These numbers are then reported to the National Native American Liaison. The agreements include self-governance agreements, 638 contracts, cooperative agreements, Memorandums of Agreement, Memorandums of Understanding, and technical assistance agreements.
For 2000, this performance measure has been changed to reflect the number of formal agreements executed between BLM field offices and federally recognized tribes.

Tribal Quality of Life

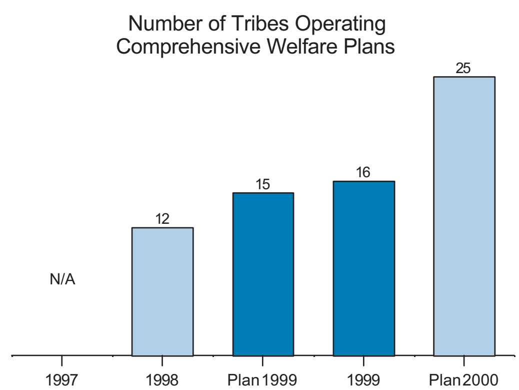
Human Services

Desired Result: *Ensure that individual Indians residing on or near reservations who need assistance receive aid for basic essential needs such as food, clothing, shelter, and other services that improve the conditions of families.*

The BIA strives to improve the quality of life in tribal communities by providing resources to meet the basic needs of tribal members. Resources are used to improve and develop housing, improve adult care facilities, and reform welfare which includes the redesign of the social services programs within BIA.

The goal of this program activity is to identify and provide services to every eligible Indian individual who qualifies for essential needs funding and to make the best use of the federal funds provided. To accomplish this, BIA is refining its federal regulations to close loopholes and address program gaps that will provide for flexibility to redesign welfare programs. The elimination of ineligibles will lead to an increase in the funding and services provided to eligible applicants being served.

1999 Performance Indicator



In 1999, the BIA exceeded the target established for this performance measure by one.

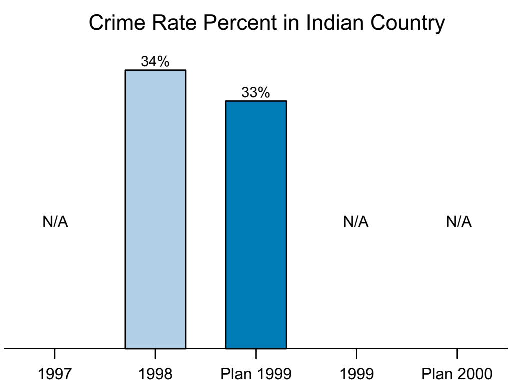
Public Safety and Justice

Desired Result: *Provide quality investigative and police services and technical expertise to Indian tribes.*

A reported crime in Indian country is twice as likely to be a violent crime as compared to crime reported elsewhere in the United States. In contrast, there are fewer than half as many law enforcement officers per capita. Pursuant to the Administration's directive of

August 25, 1997, the Secretary of the Interior and the United States Attorney General worked with Indian tribal leaders to analyze the law enforcement problems and to provide options to improve public safety in Indian Country. The resulting *"Presidential Initiative on Law Enforcement in Indian Country"* consolidated the existing three major law enforcement areas (uniformed police, criminal investigation, and detention services) under the authority of BIA's Office of Law Enforcement Services and provided for a considerable increase in the number of on-reservation officers. Additionally, it builds on the Department of Justice's (DOJ) successful grant programs such as the Community Oriented Policing Services (COPS) and expands DOJ grants to include Indian detention centers.

1999 Performance Indicator



Based on program and data reviews conducted in 1999, the Bureau of Indian Affairs concluded that it needed to refine its methods of collecting and processing crime rate data. The BIA has developed a new method of computing the crime rate based on formulas used by the Department of Justice. In 2000, the BIA will report a different performance measure that reflects the new method of computing the crime rate in Indian Country.

The BIA is establishing new reporting requirements for law enforcement agencies that would allow for the monthly collection of data. During 1999, the BIA's Office of Law Enforcement Services made considerable progress in improving services and public safety in Indian country. Areas of concentration include crime prevention programs, vehicle replacement, training and education, and hiring.

In the pre-reservation days, the failure of a tribal police society to carry out its duty would have meant the failure of the hunt for the whole tribe and raise the prospect of starvation. Today, the strength and health of Indian communities is no less dependent on the maintenance of safety and justice by Indian judges and law enforcement personnel.

Community Development

Desired Result: *Provide tribes with the resources necessary to develop a self-sustaining economic base, that, in turn, will work to empower tribes.*

Unemployment on Indian reservations is approximately 45 percent. Approximately 41,000 Indians on reservations receive welfare (general assistance) funds from BIA, and approximately 70 percent of these clients are looking for employment.

Implementation of Public Law 102-477 allows tribes to integrate all of their employment, training, education, child care, and other related programs into one single program to address the problem of unemployment on Indian reservations. Tribes voluntarily combine their existing resources from as many as 12 different programs from the Departments of Labor, Health and Human Services, and the BIA, into one coordinated effort. This program has reduced tribal reporting by 96 percent. Additionally, instead of maintaining 12 separate sets of financial and client records, the participants report and maintain only one set of each to satisfy all federal reporting requirements. Reduced administrative burdens increases the amount of time and resources devoted directly to clients, which results in increased completion of training objectives and more job placements.

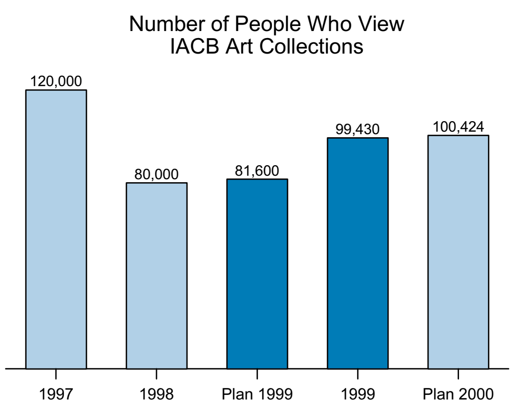
The Indian Arts and Crafts Board (IACB) provides for the economic development of American Indians and Alaska Natives through the implementation of Public Law 101-644, the Indian Arts and Crafts Act of 1990, a truth-in-marketing law. The Act protects Indian artists and artisans, busi-

American Indian dancers perform to assure the continuation of ancient life ways, to honor deities and each other, and to affirm their Indian identities (photo by BIA).

nesses, and tribes, as well as consumers, and supports the move by tribes and their members toward economic self-reliance.

Alaska Native and American Indian artists and artisans suffer significant losses of potential income from the growing sale of products misrepresented, or erroneously represented, as authentic Indian arts and crafts. Only a small portion of the billion dollar authentic American Indian and Alaska Native art and craftwork market and its lucrative profits is controlled by businesses owned and operated by individual Native Americans. This directly affects the overall BIA goal of self-determination.

1999 Performance Indicator



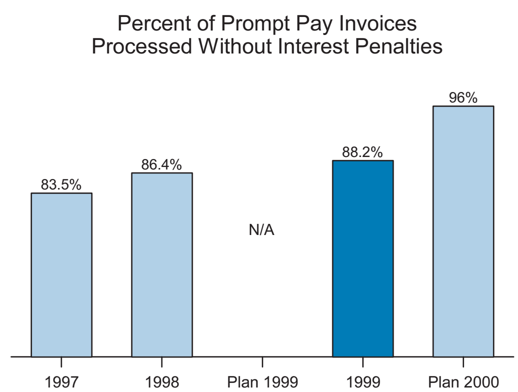
In 1999, the Indian Arts and Crafts Board exceeded its performance target as a result of loaning its artwork to other institutions.

Administrative and Support Services

Desired Result: *Reduce long-term costs and improve timeliness of services through the use of modern automated techniques and processes for management.*

The Bureau of Indian Affairs has deficiencies in several areas of administration that have resulted in material weaknesses in and qualifications of its Annual Financial Report. These deficiencies are in the areas of contracting, property, records management, debt collection, and revenue reporting. All of these deficiencies are documented either as material weaknesses with corrective action plans or as qualifications in the BIA Annual Financial Report. To meet all milestones within the established time frames, BIA is placing the highest priority on implementation of corrective action plans and on elimination of report qualifications by monitoring the work of staff assigned the responsibilities. Success is measured by reductions in costs and time for product delivery. For example, prompt pay statistics allow measurement of improved performance based on lower interest payments from timely payment. The BIA will develop baseline data for other areas.

1999 Performance Indicator



In 1999, the BIA improved its Prompt Pay performance compared to 1998. This improvement is due in part to implementation of remote data entry at Office of Indian Education Program sites and increased use of Interior's charge card payment system.

Education

Desired Result: *Provide quality education opportunities from early childhood throughout life in accordance with tribal needs for cultural and economic well-being.*

The federal government has a special, historic responsibility for the education of Indian children. In Executive Order 13096 on American Indian and Alaska Native Education, the Administration affirmed this responsibility by stating its commitment to improving academic performance and reducing the dropout rate of Indian students. The Order sets forth six goals, including improved reading and mathematics skills, increased high school completion, improved science education, and expanded use of education technology.

Nearly one-third of BIA's annual appropriations in the Operation of Indian Programs account support Indian education. These funds provide elementary and secondary education and residential care for some Indian students attending public schools, as well as special services to meet the needs of Indian students in such areas as early childhood development, bilingual education, counseling, and guidance. Johnson-O'Malley Education Assistance grants provide special education programs for Indian students attending public and private schools.

The BIA also operates two post-secondary schools, Haskell Indian Nations University and Southwestern Indian Polytechnic Institute, and provides financial support to 25 Tribally Controlled Community Colleges (TCCCs). Scholarship programs assist Indian students in pursuing undergraduate and graduate degrees at public and private colleges and universities. Adult education programs are also available for high school equivalency diplomas.

1999 Performance Indicators

	1997	1998	Plan 1999	1999	Plan 2000
Percent of student attendance	90%	90%	90.5%	91%	91.5%
Number of TCCC degrees conferred	1,387	1,179	1,214	1,105	1,138

The 1999 data excludes four schools that did not submit reports within the required time frame. To meet its 2000 performance targets, BIA's Office of Indian Education Programs will focus training and technical assistance on those schools that are making the least progress in meeting their goals. Schools with attendance rates of less than 85 percent will be targeted for assistance.

In 1999, the number of TCCC graduates was less than the performance target because of (1) a decrease in FTE staffing in Title II institutions funded by Public Law 95-471 and (2) delayed appropriations approval that resulted in classes not being offered at the beginning of the academic year, causing students to drop out and transfer to other schools.

Trust Services

Resources Management

Desired Result: *Assist American Indians and Alaska Natives in protecting and preserving their natural resources on trust lands and shared off-reservation resources.*

The BIA's trust lands and resources management programs protect, develop, and enhance the management of nearly 56 million acres of Indian trust lands, including all ownership interests and rights to surface and subsurface resources, for the benefit of tribes and their members.

A major responsibility of the BIA is maintaining Indian trust forest lands in a perpetually productive state. The BIA assists tribes and individual Indian forest land owners in

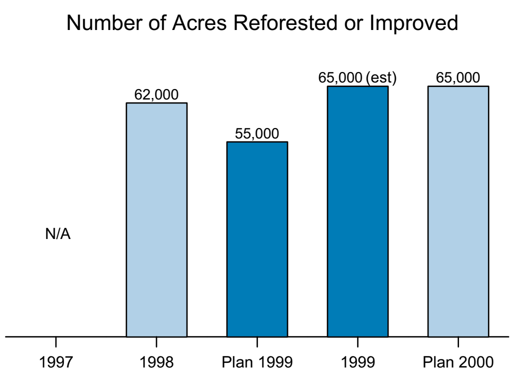
"Interior has a special, historic responsibility for the education of Indian children. The 185 Bureau of Indian Affairs day and boarding schools in Indian Country serve over 50,000 children."

The BIA administers more than 43 million acres of tribally-owned land, more than 11 million acres of individually owned land held in trust status, and 443,000 acres of federally-owned land (photo by Interior).

managing, developing, and protecting their forest resources through the use of sound ecosystem, silvicultural, and economic principles. These activities provide employment and revenue to Indian owners.

BIA participation in the Administration's Forest Plan has two main components: (1) ecosystem restoration projects; and (2) timber harvest initiatives in the Pacific Northwest and Northern California regions. The ecosystem restoration projects improve the quality of fish and riparian habitats in watersheds and streams. The harvesting of additional timber from Indian forests increases wood supplies for the domestic and export markets, as well as helps the Northwest commercial economy recover from the court ordered restrictions on timber harvests on federal lands.

1999 Performance Indicator



Final 1999 forestry data has not been fully collected and analyzed by the Bureau of Indian Affairs. Data collected at the time of report publication indicate that BIA exceeded its target level of 55,000 acres.

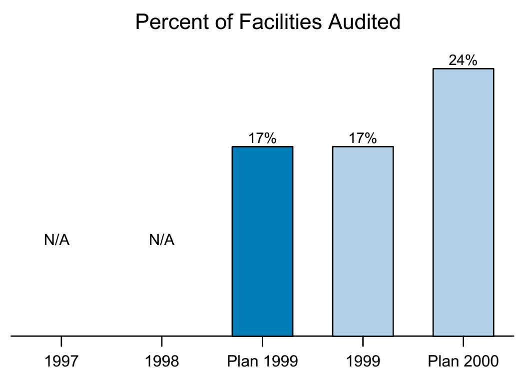
Trust Lands and Resources

Desired Result: *Ensure the trust responsibility to protect and preserve trust lands and trust resources.*

The Bureau of Indian Affairs strives to promote the protection and preservation of trust resources through tribal litigation and negotiation of land and water settlements, environmental audits, dispersion of real estate knowledge, and dam repair construction.

BIA strategies for meeting this goal include funding Interior water rights negotiation teams and tribal teams to conduct the legal and technical research needed to settle tribal water rights claims; funding historical and technical studies to support tribal land claims; conducting environmental audits in cooperation with tribes; developing and revisiting existing real estate manuals and handbooks regarding trust resource management to allow for efficient implementation of the BIA's trust responsibility to owners of trust resources; and completing dam repairs in accordance with the Department's Technical Priority Ranking list.

1999 Performance Indicator



In 1999, the Bureau of Indian Affairs met its target of 17 percent for this performance measure. In 2000, the BIA will accelerate efforts to audit and correct environmental deficiencies.

Trust Management

Desired Result: *Protect and preserve Indian trust assets and collect and accurately account for income due beneficiaries.*

The Office of the Special Trustee for American Indians is responsible for ensuring that Interior establishes appropriate policies and procedures, develops necessary systems, and takes affirmative action to reform the management of Indian Trust Funds to meet the objectives of the American Indian Trust Fund Management Reform Act of 1994. The Act directs the Special Trustee to consult with Indian tribes and Indian organizations and to develop a comprehensive strategic plan to reform the trust fund management system. This planning process, by law, is on a separate but parallel track toward developing a results-based strategic plan.

The Administration is working with Congress to develop two legislative proposals that comprehensively address many of the decades-old Indian trust funds problems. The first of these efforts addresses one of the root causes plaguing trust management: fractionation of Indian lands. The Administration submitted its initial legislative proposal to address fractionation to the Congress in June 1997. In this Congress, the Department has been working closely with Congress in developing consensus legislation. The Department's legislative proposal would (1) consolidate existing fractional interests through an acquisition program that conveys the interests to tribes with "liens" on future income generated on the property until the purchase price is recouped, and (2) prevent future fractionation through enactment of inheritance limitations.

The second effort addresses settling claims relating to past management of trust funds. Efforts are proceeding on three tracks: (1) legislative settlement for tribal accounts; (2) litigation for individual accounts; and (3) on administrative process for individual account discrepancies prior to 1994.

In November 1997, Interior submitted its final report detailing its recommendations on settling disputes of tribal trust fund accounts. The Department recommended a legislative approach that utilizes informal dispute resolution mechanisms. The Administration forwarded legislation implementing Interior's recommendations on April 23, 1998. New proposals are expected to be submitted to Congress in spring of 2000.

The federal Indian trust responsibility was first discussed by U.S. Supreme Court Chief Justice John Marshall in *Cherokee Nation v. Georgia, (1831).* Over the years, the trust doctrine has been the center of numerous other Supreme Court cases. It is one of the most important principles in federal Indian law (photo by BIA).

Problems concerning Individual Indian Monies (IIM) trust fund accounts are being addressed partly through litigation. In June 1996, plaintiffs brought a class action lawsuit against the Secretary of the Interior, the Department of the Interior's Assistant Secretary for Indian Affairs, and the Secretary of the Treasury, alleging breach of trust regarding the handling of nearly 300,000 IIM accounts. The court bifurcated the case into prospective ("fixing the system") and restrospective ("correcting the accounts") relief. Regarding prospective relief, the court held in a December 1999 decision that the Defendants breached certain statutory trust duties by failing to establish written policies and procedures in several areas necessary to render an accurate accounting. The court, which retained jurisdiction for five years, directed the Defendants to establish the necessary written policies and procedures, and it required that quarterly status reports be filed. The federal government has filed an appeal. Regarding retrospective relief, a date for trial has not yet been set. However, on April 3, 2000, Interior published a Notice in the Federal Register establishing a schedule for public meetings to solicit ideas on how to address the pre-1994 discrepancies.

1999 Performance Indicators

	1997	1998	Plan 1999	1999	Plan 2000
Percent of milestones of the 13 subprojects completed in the High Level Implementation Plan (see note below)	0	38%	N/A	63%	69%
Number of tribes with access to trust asset information (318 total)	0	0	N/A	159	286
Number of BIA Areas on Trust Asset and Accounting System for title functions (12 total)	0	0	N/A	1	12
Number of BIA Areas on Trust Funds Accounting System (TFAS)	0	3	N/A	11	12
Number of accounts in TFAS	0	39,000	N/A	197,000	275,000
Note – Plan revised and updated February, 2000. Performance indicator to be revised for future years.					

Island Communities

Serving Island Communities

Desired Result: *Assist island communities with improving their governmental operations to deliver more, better, and cost-effective programs and services to their people.*

Interior has had a long relationship with the four U.S. territories and three affiliated, autonomous nations. The Secretary of the Interior has responsibilities to the islands that are mandated in law and through Presidential Executive Orders. These are carried out by the Office of Insular Affairs (OIA). Four areas of responsibility are:

- Providing insular areas with financial assistance for government operations and infrastructure development;
- Providing technical assistance and advice to island governments;
- Coordinating with other federal agencies in providing services and developing policies; and
- Representing the Administration's policies and positions in discussion with Congress and four territorial governments.

Interior's relationship with the insular areas began in 1931 with the Navy Department's transfer to the Department of jurisdiction for the U.S. Virgin Islands (photo by Interior).

The OIA programs are funded through both discretionary and mandatory appropriations. OIA infrastructure improvement programs help ensure that island governments can construct, operate, and maintain schools, libraries, health care facilities, port facilities, roads, power, water, waste treatment facilities, prisons, government buildings, parks, recreation facilities, and libraries. Technical assistance programs help island governments provide adequate public services and conduct efficient government operations, including government operating grants, financial management, data management, health care, education programs, public safety, economic development, environmental restoration, and disaster relief.

In 1999, the Department employed the following strategies to meet its commitments and responsibilities to island communities:

- Streamlined internal procedures and created external incentives to accelerate the award of grant monies;
- Provided project management and other technical assistance to help island communities initiate and complete infrastructure construction;
- Helped island governments update and use multi-year capital infrastructure plans to assess operations and maintenance needs;
- Provided financial and technical assistance to support long-term financial planning by island governments to improve fiscal management;
- Promoted effective communications and between island governments and other federal agencies to improve governmental relations; and
- Used survey and assessment tools to assess and monitor how satisfied island governments are with federal-island governmental relations.

In 1999, financial management improvement plans were scheduled to be completed for three of seven insular governments. This performance target was exceeded as four governments currently have financial management plans.

Departmental Management

Introduction

Interior bureaus provide the on-the-ground effort needed to accomplish the Department's mission. Departmental Offices provide the executive leadership, policy, guidance, independent program evaluation, and coordination needed to manage the diverse, complex, and nationally significant programs that are the Department's responsibilities. They provide support services used by the bureaus to accomplish their work on a reimbursable basis. These include legal services through the Solicitor's Office, the audits and investigations of the Inspector General, environmental damage coordination, administrative hearings and appeals, and aviation and air safety services through Departmental Management.

Departmental Management also guides and coordinates all of Interior's administrative activities such as finance, information resources, procurement and acquisition, human resources, and budgeting.

Within the Departmental Offices are several other significant programs. These include the Office of Insular Affairs (OIA), which provides assistance to insular areas; the Office of the Special Trustee for American Indians (OST), which manages and discharges the Secretary's responsibilities for about $3.1 billion in trust assets of American Indians; the Natural Resources Damage Assessment and Restoration program, which coordinates the Department's natural resources damage assessment and restoration effort; and the National Indian Gaming Commission, which regulates certain Indian gaming activities. These activities relate to specific departmental strategic goals and are discussed in the related sections of the report.

The Department's Working Capital Fund provides common administrative and support services efficiently and economically on a reimbursable basis. Activities financed through the Fund include administrative support services such as accounting, property management and purchasing, drug testing, training, security, printing, communications, and computer systems operations and maintenance. The Department's bureaus and offices comprise most of the Fund's customers. Several commissions, other federal agencies, and in the case of aircraft services, state governments and cooperators are also customers.

The Department is one of six executive branch agencies authorized to establish a franchise fund pilot under the Government Management Reform Act. The Interior Franchise Fund (IFF) provides commonly required administrative systems and systems support, administrative operations, and information technology services on a competitive, fee-for-service basis to other federal agencies with the goal of reducing administrative costs to the taxpayer.

The resources expended for Departmental Management are shown in *Figure 10.*

"Departmental Offices provide executive leadership, policy, guidance, and coordination to manage Interior's diverse, complex, and nationally significant programs."

Figure 10

Departmental Management	
Activity	***1999 Expenses ($ in millions)***
1. Departmental Management (Policy)	$186
2. Working Capital Fund	547
3. Interior Franchise Fund	44
4. Other	171
Total Departmental Management	***$948***

Departmental Management Activities

Desired Results: *Build and manage for departmental excellence and accountability in the areas of human resources, service and technology, procurement and property management, financial and managerial accountability, and facilities maintenance and capital improvements.*

Interior has taken great strides in recent years to becoming a more mission-focused, efficient organization. From 1993 to 1996, the Department reduced its workforce by more than 13 percent. It has reduced supervisory positions by 29 percent, headquarters staff by 27 percent, and management control positions by 21 percent. At the same time, our dedicated work force has allowed us to continue to provide high-quality goods and services to the American public.

Building The Workforce of the Future

Interior requires a dedicated, diverse, highly qualified workforce to accomplish its mission and achieve its goals. To ensure that a quality workforce is in place, our long-range goal is to create a work environment in which our employees are valued, motivated, developed, and rewarded for excellent, customer-focused performance. To accomplish this goal, the Department strives to develop and implement a comprehensive, integrated approach that addresses all levels of career management.

A diverse workforce enables the Department to provide a measure of understanding to its customers by relating to the diverse backgrounds of those customers. By including employees of all backgrounds, all Interior employees gain a measure of knowledge, background, experience, and comfort in serving all the Department's customers.

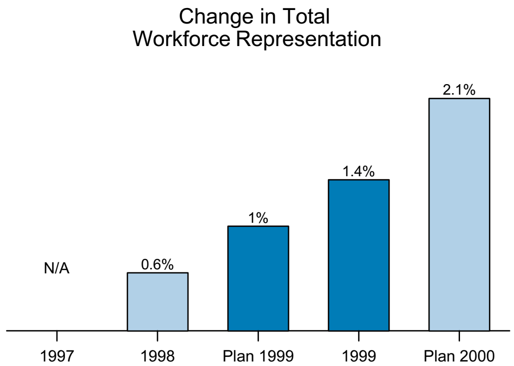
Critical to these efforts is the need to train and develop our employees for both mission and career advancement. Our focus is on developing and implementing effective training and development programs that emphasize career management throughout the Department and also on achieving levels of diversity for the Department's workforce that are reflective of the Nation's citizenry.

In 1999, the Department's Office of Personal Policy established a Training and Development Counterpart Group that consisted of one representative from each bureau/office. This group is responsible for (1) assessing current departmentwide and bureau/office-specific career development programs; (2) determining and prioritizing bureau/office career development needs not being met by the current programs; and (3) proposing new departmentwide career development programs to meet bureau/office needs. The Counterpart Group recommended a training and development program that was implemented by the Department in 1999.

Interior's Strategic Plan for Improving Diversity was signed by the Secretary in December 1997. All bureaus established implementation plans which were signed by their respective agency heads.

The Department strives to achieve diversity goals through increasing the awareness of diversity issues, by improving targeted recruitment to increase the diversity of the applicant pool, and by improving the quality of work life to reduce pre-retirement separations. Selections are made solely on the basis of merit. The measurement focus is on increasing the general diversity of the workforce, not on quotas, numeric targets, or specific vacancies. Percentages are calculated as portions of the total workforce rather than the growth rate of specific groups; for example, if a group moves from five percent to six percent, it is reported as having increased one percent of the total workforce rather than as a 20 percent increase in the group. Thus an increase of one percent is significant progress given the limited turnover. The chart on the next page shows the Department's change in total workforce representation.

Performance Indicator



In 1999, diverse representation in Interior's workforce increased by 1.4 percent from the 1997 baseline, exceeding the performance target of one percent.

Year 2000 Computer Readiness - Major Management Challenge Resolved

The Year 2000 (Y2K) computer problem presented a very real threat to the Department of the Interior's computers and information systems. While possible disruption of programs and service delivery were the primary issues, additional concerns related to the health and safety of our employees.

In 1999, the Department addressed the Y2K problem through the replacement or modification of existing systems and technology-dependent equipment using the five-step approach adopted by the General Accounting Office: (1) awareness, (2) assessment, (3) renovation, (4) validation, and (5) implementation. All components of the Department dedicated both human and fiscal resources to the Y2K problem to minimize or eliminate potential disruptions.

During the 16 months prior to December 31, 1999, the Department demonstrated considerable progress in identifying and remediating the Year 2000 computer problem. In November 1997, only 21 mission critical systems were Y2K compliant. As of March 22, 1999, all 90 mission critical systems were Y2K compliant. All of these mission critical systems were independently verified and validated. In partnership with the Office of the Inspector General, the Department conducted additional reviews to validate Y2K management activities in each bureau.

Exhaustive discovery procedures implemented by the Chief Information Officer's office in cooperation with bureaus led to identifying Y2K problems in embedded microchips, telecommunications, and non-mission critical systems; these systems and facilities were repaired and tested. Subsequent analyses pinpointed the resource requirements for remediation efforts, and the Department was successful in obtaining emergency supplemental funds for these efforts. The Department was a leader among federal agencies in awareness training for employees, business partners, and customers, and in "Day One" and continuity of business operations planning. Congress consistently awarded the Department top grades for work on Y2K. The greatest testament, however, to the planning and personnel involved in the Department's Y2K initiative was the smooth and uneventful transition of its systems, facilities, equipment, and personnel to the new millennium.

Establishing Faster, More Cost-Effective Goods, Services, and Facilities

Procurement and property management play important roles in virtually all activities and programs of the Department. The procurement of goods and services is a critical support element in accomplishing mission objectives. By improving the quality and price of procured items, as well as the timeliness and productivity of our procurement staff, Interior saves scarce dollars and improves the Department's services to the American people.

The management of personal, real, and museum property is also critical to Interior's mission of protecting and preserving federal assets. As the largest landholder within the

"The purchase card program has allowed the Department to provide better service and achieve cost savings."

Grand Canyon National Park visitors learn about the electric truck and alternative transporation options (photo by Interior).

federal government, Interior has a unique responsibility to conserve approximately 113 million cultural artifacts, pieces of artwork, and other museum properties. Interior also manages personal property assets valued at more than $1.7 billion, more than 37,500 buildings and facilities, and a fleet of more than 31,500 vehicles. Interior's property management community carries out a vital function by balancing public access to land and property against protection of those assets for the benefit of future generations.

The Department strives to provide better service and cost savings through use of the governmentwide purchase card. In 1998, approximately 40 percent of the dollars spent and 76 percent of the transactions for procurement under $25,000 were purchased through Interior's charge card program. In 1999, the percent of dollars under $25,000 expended using the charge card increased to 53 percent. Interior's strong growth performance in the use of charge cards was part of our effort to replace more costly and less efficient paper purchase orders. This momentum was negatively impacted by the General Services Administration's recompetition of the charge card contract and difficulties experienced by Interior's selected vendor, Bank of America (formerly NationsBank), in 1999.

The performance target for 1999 was to increase the use of purchase card transactions to over $275 million. The Department's actual results for 1999 totaled $312 million, which was $37 million or approximately 13 percent above our target. This growth is expected to continue in 2000.

The charge card program, when fully implemented, will increase efficiencies by eliminating slow, paper-based purchasing processes. It will also increase accountability by making more information readily available to managers.

Interior is responsible for 69 million artifacts and specimens and 44 million documents, a collection that is second in total size only to those managed by the Smithsonian Institution. Our museum collections include important artifacts of our national cultural and natural heritage. Careful documentation of these museum collections establishes accountability for their management and use in preserving our Nation's natural and cultural resources, supporting our science activities, and providing heritage recreation and education for the public.

The Department strives to preserve, protect, and provide access to cultural and natural museum collections belonging to the American people. In 1998, Interior established a baseline of 36.4 million accurately documented objects. By the end of 1999, 41.7 million museum objects were inventoried by Interior. In 1999, the Department inventoried 5.3 million museum objects, exceeding its 1999 performance target by 3.5 million, or approximately 194 percent. This exceptional performance is attributable to (1) outstanding performance by curatorial staff in the Bureau of Reclamation and the National Park Service, (2) improved communication and coordination with 400 nonfederal institutions with whom we partner to manage our collections, and (3) increased resources available to document collections. As more of the collections are documented, they become available for use in our resources management, research, interpretation, and exhibition programs at public-contact points throughout the country.

Facilities Maintenance and Capital Improvements

Interior is committed to improving its infrastructure for the next century. In recent years, increasing deferred maintenance and capital improvement needs have threatened Interior's infrastructure and natural resource protection efforts. Additions to Interior's infrastructure inventory have further stretched maintenance and capital improvement dollars. A 1998 Interior study, *"Facilities Maintenance Assessment and Recom-*

mendations," provided the basis for proposed increases in maintenance and capital improvement funding, development of a Five-Year Maintenance and Capital Improvement Plan, and a number of other improvements.

Interior bureaus identify their highest priority projects within the universe of deferred maintenance requirements set forth by the Federal Accounting Standards Advisory Board (FASAB) Standard Number 6. In response to FASAB No. 6, the bureaus reported a range of $7.8 billion to $13.7 billion in deferred maintenance. Critical health, safety, and resource protection needs are given highest priority for deferred maintenance funding.

In 1999, Interior accomplished the following:

- Completed the Five-Year Plan for 2000 and initiated development of the Plan for 2001;
- Issued guidance for conducting facilities condition assessment surveys; and
- Established standard facilities-related data elements and definitions for use in bureau systems. Interior also established a partnership to coordinate the development and use of departmental facilities management systems.

In 1999, Interior also developed a set of common definitions for maintenance and capital improvement functions, made adjustments to its budget and accounting structures to better reflect those definitions, developed Five-Year Maintenance and Capital Improvement Plans, and developed a system for implementing a five-year condition assessment process to identify maintenance and capital improvement needs.

In 1999, approximately $1 billion was budgeted for critical infrastructure improvements and maintenance. Funding for 2000 is also expected to be about $1 billion.

Reliable and Accurate Financial Information

Key laws such as the Chief Financial Officers Act, the Government Management Reform Act, the Government Performance and Results Act, the Debt Collection Improvement Act, and the Federal Financial Management Improvement Act, have established new standards and high expectations for government operations. Within this framework, Interior strives to provide timely and reliable financial and performance information to allow decision-makers to track progress and evaluate the results of Interior's programs.

To strengthen the integrity of financial operations and ensure the accuracy of financial data, the Department produces audited consolidated financial statements for the Department as well as audited financial statements for each of the bureaus. The goal is to achieve unqualified (clean) audit opinions on all financial statements as well as internal controls and Federal Financial Management Improvement Act requirements.

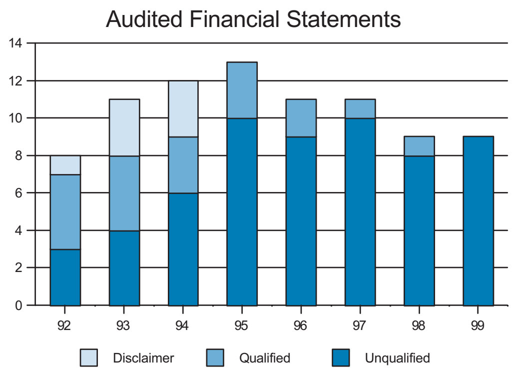
Unqualified audit opinions provide independent assurance to external users that the information being provided is reliable. The benefits of conducting financial statement audits and obtaining unqualified opinions are twofold: (1) ensuring that quality data is provided to external parties; and (2) ensuring that books and records used by management can withstand the rigors of the audit process. Moreover, the discipline required to produce annual financial statements and audits demands that proper management attention and direction be given to improving financial management and complying with applicable laws and regulations.

In 1999, the Department's consolidated financial statements and all bureaus that published financial statements received unqualified audit opinions on their financial statements. The Minerals Management Service did not publish 1999 financial

"Timely, reliable financial and performance information allows decision-makers to track and evaluate the results of Interior's programs."

statements due to operational issues. *Figure 11* summarizes the results of financial statement audits since 1992.

Figure 11



Limitations of Financial Statements

Responsibility for the integrity and objectivity of the financial information presented in the financial statements lies with Interior management. The financial statements and supplemental financial schedules included in this report reflect the financial position and results of operation of the Department pursuant to the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. While these statements have been prepared from the books and records of Interior in accordance with guidance provided by the Office of Management and Budget and the Federal Accounting Standards Advisory Board, the statements differ from financial reports used to monitor and control budgetary resources that are prepared from the same books and records. The financial statements should be read with the realization that Interior is an agency of the executive branch of the United States government, a sovereign entity. Accordingly, unfunded liabilities reported in the statements cannot be liquidated without the enactment of an appropriation, and ongoing operations are subjected to enactment of appropriations.

Interior Franchise Fund

The Interior Franchise Fund (IFF) offers a diverse suite of administrative products and services for financial management, procurement and property management, personnel and payroll management, and general office services to other federal agencies, including:

- Administrative Systems and Related Support Services
- Administrative Operations
- Electronic Commerce
- Consulting
- Drug and Alcohol Testing
- Training
- Office Services
- Audio Visual Services

Major accomplishments achieved in 1999 by the IFF include:

- Increasing the number of customers from 231 in 1998 to 379 in 1999 (a 64 percent increase).

- Increasing gross revenues by 100 percent over the previous year, resulting in a 1999 net profit of $147,000. This was the first year that the IFF realized a profit from operations.

The IFF's competitive strengths lie in its ability to attract and retain external customers and its ability to quickly garner the necessary staff to meet customer needs. The creative concept of using Interior resources on a reimbursable basis allows the IFF to keep personnel and fixed costs to a minimum and precludes the need for maintaining permanent staff.

Analysis of Financial Statements and Financial Performance

The Department prepares financial statements that include (1) a Statement of Financial Position, (2) a Statement of Net Cost, (3) a Statement of Changes in Net Position, (4) a Statement of Custodial

Activity, (5) a Statement of Budgetary Resources, and (6) a Statement of Financing. Overall, these statements summarize the financial activity and financial position of the Department. Additional financial information is also presented in the Supplemental Financial Schedules of the report.

The Department monitors financial management performance through periodic collection and reporting of Prompt Payment Act, Electronic Funds Transfers, and Debt Collection Improvement Act data.

Operating Expenses

As indicated in the Statement of Net Cost, the 1999 net cost of Interior operations, after earned revenue, is approximately $9.2 billion. In comparison, the federal government expended approximately $390 billion for Social Security payments and almost $230 billion in interest payments on Treasury securities during 1999.

The largest expense of the Department is salaries and benefits. In terms of personnel, Interior is the sixth largest of the 15 Cabinet agencies, with approximately 3.8 percent of total Executive Branch civilian employment. During 1999, Interior's full-time equivalent (FTE) usage level was 66,956, an increase of 468, or 0.7 percent, over 1998. Since 1993, Interior has decreased staffing by 9,924 FTEs, a decline of approximately 13 percent.

Revenues

In general, Interior's missions are intended to be funded by general government funds derived from tax receipts and other sources. However, an increasing number of departmental activities are being supported by other fees and collections.

Federal government revenue is classified as either Exchange Revenue or Non-Exchange Revenue. Exchange Revenue occurs when both parties to the transaction receive value (e.g., the government sells maps or other products and services to the public for a price). Non-Exchange Revenue occurs when only one party receives value (e.g., donations to the government from the public or government demands for payment through taxes, fines, and penalties). Only Exchange Revenues are presented on the Statement of Net Cost so that the statement reflects, to the extent possible, the net cost to the taxpayer of agency operations.

Interior's revenues from the public derive from sales of hydroelectric power, entrance fees at parks and wildlife refuges, sales of maps, and other products and services are directly related to the operating responsibilities of the Department. Approximately $1.4 billion of revenues were collected from the public and were either retained in the Department after congressional appropriation to further Interior's mission, or were returned to the General Fund of the Treasury. These revenues offset the taxpayers' investment in the Department. In addition, Interior earned $886 million from other federal agencies, primarily from cross-servicing agreements or reimbursable services to other agencies. These efforts help reduce the total cost of government operations by sharing expertise among agencies.

During 1999, the Department collected over $4.4 billion in revenue (see Statement of Custodial Activity) from Outer Continental Shelf and onshore oil, gas, and mineral lease sales and royalties, making Interior one of the largest collectors of revenue in the federal government. These receipts are presented on the Department's Statement of Custodial Activity since these collections, under federal accounting rules, are considered to be revenue of the government as a whole rather than of the Department. These revenues are distributed primarily to federal and state treasuries, Indian tribes and allottees, the Land and Water Conservation Fund, and the Historic Preservation Fund.

Budgetary Resources

The Department receives most of its funding from general government funds administered by the Treasury Department and appropriated for Interior's use by Congress.

Interior's 1999 budget authority was approximately $10.5 billion. This represents very little change from 1998. The $10.5 billion is greater than the $10.3 billion in budgetary authority reported in the Statement of Budgetary Activity because of differences between budgetary and federal accounting guidance. The most significant difference relates to the treatment of tribal and Individual Indian Trust funds, assets which do not belong the federal government. These amounts, which are discussed in detail in Note 17 of the consolidated financial statements, are excluded from Interior's financial statements but are included in Interior's budget requests through 2000.

Measured in terms of dollar resources, the Department, with one-half of one percent of the entire federal budget, spends fewer taxpayer dollars than all but two of the Cabinet agencies. Despite its relatively low funding, the Department touches the lives of most citizens, often on the person-to-person level through its responsibility for the national parks, wildlife refuges, public land recreation areas, topographic maps, dams, and water projects. Its operations are located throughout the country and have an immense impact on individuals throughout America. Interior programs provide a tangible return to taxpayers.

Since budgetary accounting rules and financial accounting rules may recognize certain transactions and events at different points in time, Appropriations Used in any given period as reported on the Statement of Changes in Net Position will not exactly match expenses for that period.

Assets

Approximately 10 percent of Interior's assets are held on behalf of others and are not available for departmental use. Approximately 33 percent of the Department's $50.7 billion in assets (see Statement of Financial Position) is composed of General Property, Plant, and Equipment.

Most of Interior's Buildings, Structures, and Facilities are composed of dams and power and irrigation facilities managed by the Bureau of Reclamation. The remainder consists of buildings and other structures and facilities used in the Department's operations (e.g., visitor centers, fish hatcheries, and Bureau of Indian Affairs schools).

Interior's reported values for Property, Plant, and Equipment (PP&E) exclude stewardship property, such as land for national parks and national wildlife refuges, public domain land, historic buildings, and national monuments. Although these stewardship assets are priceless, they do not have an identifiable financial value and therefore cannot be adequately presented on a numerically based Statement of Financial Position. An in-depth discussion of these assets is presented in the Stewardship Assets, Investments, and Deferred Maintenance section of the report.

The Fund Balance with Treasury, which is essentially the amount of funding made available to the agency by congressional appropriation, is $5.6 billion; these funds are in agency accounts maintained by Treasury. The Treasury Department functions like a bank, and Interior's Fund Balance with Treasury is analogous to a checking account. The portion of Fund Balance with Treasury available to the Department for spending at any point in time depends on the terms of appropriation language and other factors.

The Department has Restricted Assets in Conservation and Reclamation Funds. These amounts derive primarily from royalties and lease payments generated from oil and gas extracted from the Outer Continental Shelf.

The restricted asset Conservation account includes the Land and Water Conservation Fund and the Historic Preservation Fund. Spending authority for the conservation accounts is approved in subsequent years through congressional appropriations.

Liabilities and Net Position

Federal agencies, by law, cannot make any payments unless funds have been appropriated by Congress. The Department's unfunded liabilities (approximately $1.6 billion, or 15 percent of total liabilities) consist primarily of legal and environmental contingent liabilities and unfunded annual leave, both of which are considered expense and liability in the current period, but which will be paid out of funds made available to the agency in future years.

Contingent liabilities reflect Interior's potential responsibility for cleanup of contaminated sites and for legal claims brought against the Department. The Department's liability for financial statement purposes for environmental cleanup is limited to those sites where Interior is or may be held to be legally liable for remediation of the hazard; for example, underground fuel tanks installed by the Department. In addition, there are numerous sites, including abandoned mines and illegal waste dumps, where other parties have caused contamination on lands managed by the Department. Although Interior bears no legal responsibility for these hazards, the Department will often, in its stewardship capacity, correct the environmental hazard. Wherever feasible, Interior will initiate collection efforts against the responsible parties. The Department has recognized $163 million for potential environmental cleanup liabilities and $627 million related to other claims and litigation.

The Net Position of the Department consists of three components: (1) Unexpended Appropriations, (2) Cumulative Results of Operations, and (3) Restricted Equity. The Unexpended Appropriations account reflects spending authority made available to the Department by congressional appropriation that has not yet been used by Interior. Cumulative Results of Operations reflects the net results of the Department's operations over time. Restricted Equity reflects funds in the Land and Water Conservation Fund, Historic Preservation Fund, and Reclamation Fund; these amounts have not yet been made available for departmental use by congressional appropriation. In total, Interior's Net Position is $40.2 billion, of which $16.8 billion is Restricted Equity.

Prompt Payment

The Prompt Payment Act requires that payments be made within 30 days of receipt of invoice; otherwise, the federal government is required to pay interest. The Department's objective is to reduce the percentage of payments with interest penalties to a level at or below the governmentwide goal of three percent.

In January 1997, the Department established an initiative to reduce the number and dollar amount of interest penalties paid and improve its overall on-time payment performance. The initiative has paid dividends with noticeable improvement in a number of Prompt Pay measures. Interior's on-time payment percentage increased from 82 percent in 1998 to 85.8 percent in 1999. Since 1997, Interior has improved its prompt pay performance by almost nine percent. The dollar amount of late payment interest penalties decreased from $900,000 in 1998 to $600,000 in 1999 (a decrease of 33 percent), while the number of occurrences decreased from 31,752 to 22,264 (a decrease of 30 percent) during the same time period.

Over the past several years, the number of payments subject to the Prompt Payment Act has shown a steady decline. This decrease is attributable to the Department's increased use of the governmentwide purchase card. *Figures 12 and 13* show selected prompt pay statistics for 1997 to 1999.

Figure 12

Timeliness of Vendor Payments			
	Percent of Payments		
	1999	**1998**	**1997**
On-time	85.8%	82.0%	77.1%
Early	0.7%	0.6%	0.6%
Late	13.5%	17.4%	22.3%
Interest penalty paid	(4.0%)	(6.0%)	(8.8%)
Interest not due *	(8.7%)	(10.8%)	(12.9%)
Interest due but not paid	(0.8%)	(0.6%)	(0.6%)

** Interest was not due because interest was less than $1*

Figure 13

Selected Prompt Pay Data	**1999**	**1998**	**1997**
Invoices paid:			
Dollar amount (millions)	$2,031	$1,901	$1,810
Number	561,526	530,915	534,099
Interest penalties:			
Dollar amount (millions)	$0.6	$0.9	$1.2
Number	22,264	31,752	46,797
Interest penalties as a percent of invoices paid:			
Dollar amount	0.032%	0.047%	0.067%
Number	4.0%	6.0%	8.8%

This improvement effort will continue. In 2000, the Department expects to achieve significantly better payment performance as a result of using new technologies and best practices.

Electronic Funds Transfer (EFT)

The Debt Collection Improvement Act (DCIA) of 1996 requires that all payments be made by Electronic Funds Transfer by January 2, 1999, unless covered by a waiver. The Department's goal is to use electronic funds transfer to the maximum extent possible, except for payments covered by waivers.

Over the past three years, Interior has increased the percentage of payments made by EFT. *Figure 14* shows EFT performance over the past three years for salary payments, vendor payments, and miscellaneous payments.

Figure 14

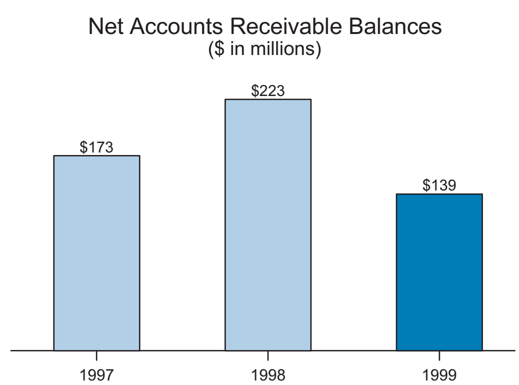
Electronic Funds Transfer Payments	**1999**	**1998**	**1997**
Salary	97.9%	90.2%	85.8%
Vendor	61.1%	25.3%	14.4%
Miscellaneous	83.5%	56.4%	34.6%

Debt Collection

The collection of delinquent debt due from the public is a major goal of the Debt Collection Improvement Act. Interior's objective is to refer all 180-day and older eligible delinquent debt to the U.S. Treasury for cross-servicing and refer delinquent debts to the Treasury Offset Program as required by law. In an effort to fulfill its statutory obligations, the Department has issued debt management policies that are intended to control and manage debt due from the public and to ensure that future delinquencies are held to a minimum. The Department's debt management policies are designed to (1) provide complete and accurate management information, (2) help bureaus become more effective in their debt collection efforts, and (3) initiate appropriate litigation as necessary. With the new legal mandates and policies now being implemented, the Department expects a greater rate of collection in the years ahead.

In 1999, approximately $92 million (66 percent) of the Department's $139 million in accounts receivable due from the public were considered delinquent. The nature of this debt, comprising fines and penalties, has a historically high rate of write-offs. *Figure 15* shows the Department's accounts receivable balances (net of allowance for doubtful accounts) due from the public for 1997 to 1999.

Figure 15

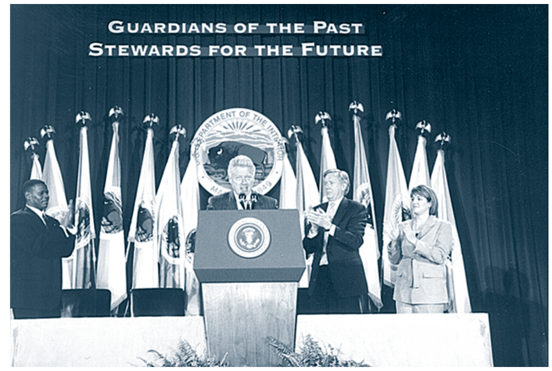


Looking to the Future

Changes in the Department reflect a significant shift in the attitudes and interests of Americans toward protection of the environment, preservation of the Nation's natural and cultural resources, and a greater realization of the implications of the federal government's longstanding trust responsibilities to American Indians. This new attitude builds on the past, incorporating the ideals of great conservationists while reflecting a sophistication and improved understanding of the natural landscape and the need for restoration.

Guardianship and stewardship will earmark Interior's efforts to restore resources. Watershed scale approaches will seek to restore and preserve the Nation's natural and cultural bounty, while ensuring that economic development needs are met. The Florida Everglades, the California Bay-Delta, and the President's Pacific Northwest Forest Plan are tangible evidence of 21st century approaches to resource restoration.

The Department's 2000 budget focuses on key initiatives for restoration including restoring the natural and cultural resources legacy of national parks, rebuilding our wildlife and fisheries resources, sustaining productive landscapes on the public lands, restoring lands and streams to health, and taking care of our vast facility infrastructure thereby ensuring the safety of our employees and visitors. Further, the 2000 budget provides significant funding increases to meet the Department's trust and other responsibilities to American Indians. The President's 2000 budget, subject to annual appropriation by the Congress, was $8.7 billion or $832 million above the 1999 appropriation estimate. The enacted 2000 appropriation was $8.3 billion or $408 million below the requested amount. The actual increase will be about $178 million. The increased 2000 funding will address critical issues such as management of Indian Trust Funds, land acquisition, endangered species programs, improved operation maintenance for all land management agencies, Indian education construction, and sustaining programs against inflation.



President Clinton joins in the celebration of Interior's 150th anniversary. Guardianship and stewardship will earmark Interior's efforts to restore resources in the new millennium (photo by Interior).

Interior's 2001 budget request has three themes: (1) instilling hope in Indian Country by providing better education resources to Indian children, improving living conditions on reservations, and strengthening trust management; (2) fulfilling America's commitment to its natural environment through the President's Lands Legacy Initiative; and (3) sustaining America's magnificent natural and historical resources and taking care of what we have. The 2001 President's budget, subject to annual appropriation by the Congress, is $9.2 billion. This is an increase of $980 million above the 2000 appropriation.

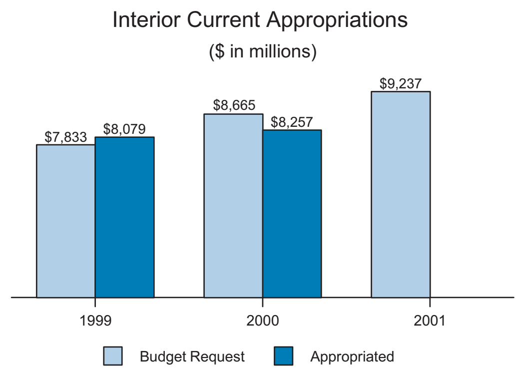
In support of the first theme delineated above is a request for $332 million for Indian programs including replacement of six schools, major repair and maintenance of existing schools, and improved maintenance of roads, bridges, and housing on Indian reservations. Funding is also requested to improve Indian trust management services, enhance law enforcement, provide for settlement of water rights, and consolidate fractionated interests in Indian lands.

A total of $391 million is requested for the Lands Legacy Initiative to fund the protection of precious lands through federal land acquisition and partnerships with states and local governments aimed at promoting conservation, urban recreation, and open space planning.

Funds totaling $214 million are requested in support of the third initiative to stabilize and restore natural and cultural resources on federal lands and in federal facilities. This funding will provide operational increases to bureaus to enhance safety for both visitors and Interior employees by correcting known hazards. It also increases support for the commemoration of the Lewis and Clark bicentennial, and focuses resources on protection of species and natural communities that are at risk, such as amphibians and coral reefs.

A summary of the Department's current and proposed appropriations funding is provided in *Figure 16*. The future of the diverse programs of the Department and the maintenance of the infrastructure for these programs is dependent on steady funding levels and investments in critical areas. These investments and maintenance of Interior programs are necessary to conserve, restore, and protect the Nation's precious natural and cultural heritage for future generations, and at the same time, continue to develop resources in a sustainable manner; honor past commitments and trust responsibilities to Indian tribes and Alaska Natives; use science to support management of lands and resources; and improve communities through improved science and technical assistance.

Figure 16



Validation of Performance Measures

Introduction

Data accuracy, collection, and monitoring is an important aspect of implementing the Government Performance and Results Act (GPRA).

In 1999, the Department made significant progress in improving its data collection, verification, and validation strategies. Interior bureaus have improved their performance measures and the Department has developed an internal reporting and tracking system and improved oversight of performance management activities. While progress has been made, the Department realizes that more work needs to be done to further improve the Department's performance data and systems. Interior is currently developing new self-assessment tools and approaches to improve our data systems.

As the Department developed its strategic plans and annual performance plans, the focus was on constructing the goals and measures that are appropriate for Interior programs, are outcome oriented, and produce measurable results. As these initial plans were prepared, Interior bureaus and offices had considerable discretion to develop the necessary means to verify and validate the performance measures, data, and data collection systems. Our bureaus and offices developed a variety of approaches to determining the accuracy and reliability of performance data. Information collection and reporting systems were developed to accommodate the specific types of data and mission information needs of each bureau. For example, some bureaus developed and re-engineered physical data monitoring systems and electronic databases to capture and record data that is necessary for GPRA reporting and provides critical information for decisionmakers. Data captured at the field level in many instances was recorded electronically on laptop computers for easy downloading and verification at the regional and national levels. This allowed for data discrepancies to be more easily identified and resolved between regional and field personnel.

Quarterly Data Reporting

In 1999, the Department developed a quarterly data reporting system to track progress in achieving GPRA goals. Interior bureaus are required to electronically submit performance data on a quarterly basis to the Department. The data is then reviewed and entered into a central database containing all Department and bureau performance data. The quarterly submittal schedule provides the ability to measure progress towards individual performance goals throughout the annual performance planning period. The database is presently being upgraded to allow bureaus to provide updates through the Internet. Departmental managers will also be able to access performance information more easily through this new system.

Self Assessments

The Department is developing new tools to help improve the accuracy and reliability of performance information. The Department has developed a verification and validation matrix for use by Interior bureaus and offices as a self-assessment tool to evaluate the controls in place for determining the accuracy and reliability of the performance information. The matrix involves a five-tiered process to determine the accuracy of reporting the data; data standards and definitions; management checks and reviews; system integrity; and, system security. As the majority of the data is collected by the bureaus at the field level, the matrix additionally helps define and track the data collection and reporting process by identifying the primary data sources and gathering efforts; data entry; how the data is aggregated and reported; and how that data is to be utilized for GPRA and other documents.

Program Evaluations

Program evaluations are an important tool in analyzing the effectiveness and efficiency of our programs and evaluating whether they are meeting their intended objectives. Interior programs are evaluated through a variety of means, including performance audits, financial audits, management control reviews, and external reviews from Congress, OMB, and other organizations such as the National Academy of Public Administration and the National Academy of Science. We use self-assessments to verify that performance information and measurement systems are accurate and supportive of our strategic direction and goals. Data collection and reporting systems processes are reviewed and improved through the use of customer and internal surveys.

Interior also relies on outside reviews and audits of our strategic planning and performance management processes by the General Accounting Office (GAO) and the Office of Inspector General (OIG). GAO has conducted several reviews of Interior's strategic plans and annual performance plans as well as more specific reviews of individual bureau GPRA implementation efforts. These reviews have been very helpful in identifying best practices and focusing departmental attention on areas needing improvement. For example, GAO's report "National Park Service–Efforts to Link Resources to Results Suggest Insights for Other Agencies" (GAO/AIMD-98-113) commended the Park Service's approach of combining a bureauwide plan with individual plans for each park unit, while recognizing the difficulty that many bureaus, including the Park Service, have had in linking performance goals to budget and accounting systems. In its 2000 Audit Plan, the OIG has identified performance measures that are related to the areas or programs being examined. The OIG plans to incorporate analyses of performance measures as a part of their ongoing audit processes.

The table below (*Figure 17*) provides examples of selected current or planned program evaluations and performance audits and how they relate to Interior's five broad mission goals.

Figure 17

Selected Examples of Program Evaluations

Program Evaluations	Methodology and Purpose	Dept Goal Number
Fire management program	General program evaluation by team.	1
Small Operator Assistance Program (SOAP) grants	Questionnaire to states with SOAP grants to determine proper program administration.	1
Quality recreation at Bureau of Reclamation (BOR) sites	Office of Inspector General audit on whether BOR maintained facilities in accordance with departmental and bureau requirements.	2
Grazing permit renewals	Team evaluation of progress toward meeting congressional mandate on permit renewal.	3
Follow-up audit of Royalty Management Program	Office of Inspector General audit to determine whether the Minerals Management Service implemented recommendations in prior OIG audit reports on controls for automated information systems.	3
Hydrologic hazards	An external review of the program by the National Research Council.	4
Upper Midwest Environmental Sciences Center	An Office of Inspector General audit of U.S. Geological Survey support for the U.S. Corps of Engineers.	4
Native American technical assistance program	Internal program evaluation of technical assistance and other accomplishments.	5
Indian Direct Payments Program	An internal, alternative management control review.	5

Compliance With Legal and Regulatory Financial Requirements

Introduction

This section of the report provides information on Interior's compliance with the:

- Federal Managers' Financial Integrity Act (FMFIA);
- Federal Financial Management Improvement Act (FFMIA);
- Inspector General Act Amendments (Audit Follow-Up);
- Biennial Review of User Fees; and
- Other Key Legal and Regulatory Requirements

Federal Managers' Financial Integrity Act (FMFIA)

The FMFIA requires agencies to annually provide a statement of assurance regarding the effectiveness of management, administrative and accounting controls, and financial management systems. The Secretary's 1999 Annual Assurance Statement is provided in *Figure 18*.

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

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

Figure 18

FISCAL YEAR 1999
ANNUAL ASSURANCE STATEMENT

Based upon the results of its annual assessment process, with the exception of the Office of the Special Trustee and certain administrative program areas within the Bureau of Indian Affairs, the Department can provide reasonable assurance that its systems of management, accounting and administrative control, taken as a whole, achieve the objectives of Section 2 of the FMFIA. The Department can also provide reasonable assurance that its accounting and financial systems generally conform to the Comptroller General's principles, standards, and related requirements and achieve the objectives of Section 4 of the FMFIA.

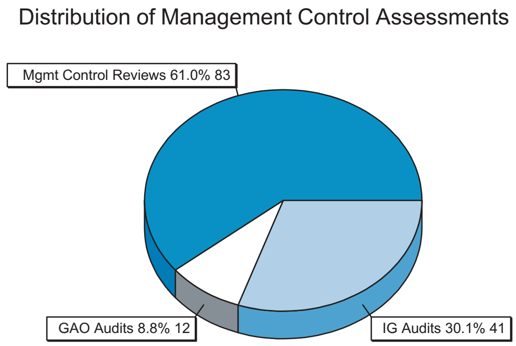
Secretary of the Interior

"The Management Control Reengineering Laboratory received a Hammer Award in 1999 for streamlining the management control assessment process."

Management Control Program Highlights

Interior's management control program ensures full compliance with the goals, objectives, and requirements of the FMFIA and Office of Management and Budget (OMB) Circular A-123, Management Accountability and Control. Interior conducted its annual assessment of the effectiveness of its management, administrative, and accounting systems controls in accordance with the FMFIA and OMB guidelines. Interior conducted assessments of management controls in its programs and administrative functions, as well as relying on the findings and results of Office of Inspector General (OIG) internal program audit reports and General Accounting Office (GAO) program audit reports issued during the year. In addition, Interior relied on the results of the financial statement audits conducted by the OIG under the auspices of the Chief Financial Officers (CFO) Act of 1990 and the Government Management Reform Act of 1994. *Figure 19* summarizes the distribution of 1999 management control assessments.

Figure 19



Streamlined Approach to Management Control Assessments

In October 1996, Interior completed a Management Control Reengineering Laboratory that among other things, produced a new automated, less resource-intensive approach for targeting and conducting management control assessments. This automated approach is built around eight management integrity measures that are supported by the general and specific management control standards prescribed in OMB Circular A-123. A unique feature of the automated approach is that it provides for identifying areas of both potential material deficiencies and best practices.

The automated approach utilizes a comprehensive questionnaire developed by the Lab Team and refined by a departmental customer focus group. The questionnaire is modified to provide additional program-specific questions for each individual program assessment. The assessment is conducted electronically over the Internet or e-mail network using an off-the-shelf surveying and analytical software tool.

In 1997, the Department implemented a multi-year pilot test program that concluded in 1999. During that time, 21 different bureau program and administrative functions were successfully assessed using the automated approach. The automated assessments conducted by fiscal year are noted in *Figure 20*:

Figure 20

Automated Assessment Pilot Test by Fiscal Year				
Bureau	**1997**	**1998**	**1999**	**Total**
MMS	1	2	2	5
BLM	-	1	-	1
NPS	-	1	1	2
BIA	-	4	-	4
OSM	-	2	1	3
FWS	-	1	1	2
BOR	-	1	1	2
USGS	-	1	1	2
Total	1	13	7	21

The results of these assessments met and or exceeded expectations in each instance. Using the automated assessment approach resulted in a 90 percent overall reduction in staff time required for planning, conducting, analyzing, and reporting the results of the assessment. The automated assessment approach also resulted in the identification of both potential material weaknesses and best practices, and provided much improved diagnostic and executive-level reporting. The consolidated summary report for the seven 1999 automated assessments is presented in *Figure 21 (Spider Diagram)*.

Because of the significant resource savings and results achieved in the automated assessment approach pilot test program, the Lab Team received Vice President Gore's prestigious "Hammer Award" in February 1999. Beginning in 2000, the Department is recommending use of the automated assessment approach for all bureau management control assessments.

Results of the 1999 Management Control Program

Since the inception of the FMFIA in 1982, Interior has identified and reported 166 material weaknesses and 64 accounting system non-conformances. By the end of 1999, Interior had corrected 149 of the material weaknesses (90 percent) and all 64 accounting system non-conformances. As shown in *Figures 22 and 23*, Interior has reduced the total number of reported material weaknesses over the last several years from 21 to 17 and the number of accounting system non-conformances from 6 to 0.

While Interior has corrected all previously reported accounting system non-conformances, and provided assurance that its financial systems generally conform to governmentwide standards, Interior is still aggressively pursuing initiatives to ensure that:

- All financial systems are linked electronically;
- The migration to a single, primary accounting system is achieved; and
- Data integrity and consistency are provided for all financial system components.

Figure 21

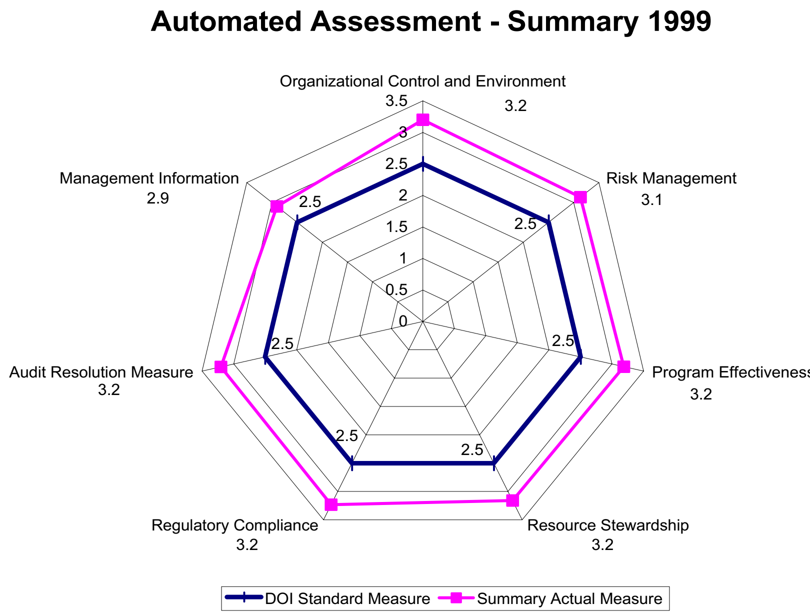


Figure 22

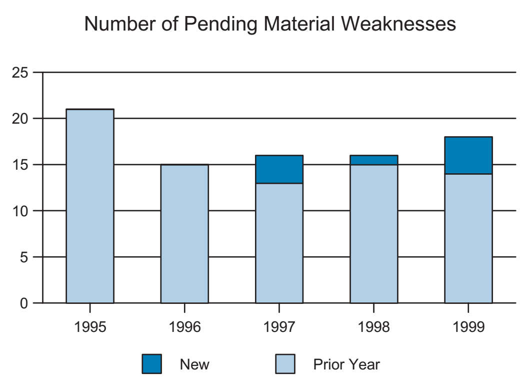


Figure 23

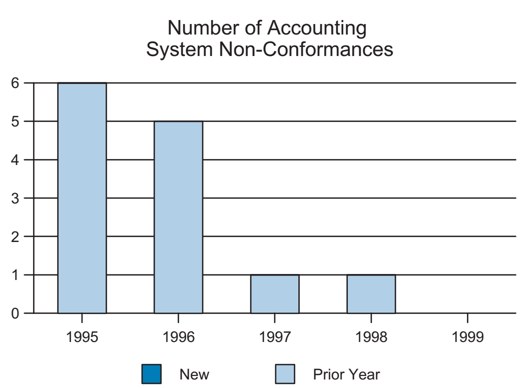


Figure 24

Number of Material Weaknesses			
Period Reported	**Reported**	**Corrected**	**Pending**
Prior Years	158	148	10
1996	0	0	0
1997	3	0	3
1998	1	1	0
1999	4	0	4
Total	166	149	17

Figure 25

Number of Material Non-Conformances			
Period Reported	**Reported**	**Corrected**	**Pending**
Prior Years	64	64	0
1996	0	0	0
1997	0	0	0
1998	0	0	0
1999	0	0	0
Total	64	64	0

Progress in correcting material weaknesses and accounting system non-conformances exemplifies Interior's strong commitment to improving integrity and accountability in all programs, organizations, and functions. This commitment is further demonstrated by the establishment of new accountability goals for the timely correction of material weaknesses and timely implementation and closure of audit recommendations. These new goals are included in the Department's 2001 Annual Performance Plan.

The Department's progress in correcting material weaknesses and accounting system non-conformances since 1996 is presented in *Figures 24 and 25*.

Interior will carry forward 17 pending material weaknesses to 2000. A description of these 17 pending material weaknesses, planned corrective actions, and targeted completion dates is presented in *Figure 26*. Interior expects to complete corrective actions on five of these material weaknesses (30 percent) during 2000.

Material Weaknesses Corrected

During 1999, Interior completed corrective actions on two pending material weaknesses, one of which was a mission-critical material weakness that was corrected one year ahead of schedule. In addition, the remaining milestones for the former material weakness concerning inaccurate and incomplete data in BIA's procurement data systems were merged into the pending BIA material weakness, "Inadequate Acquisition Management Program."

1. Needs Assessment and Cost of Constructing New Housing (NPS): This material weakness, which was first reported in 1997 as a mission critical weakness, was originally scheduled for completion in 2000. In the past, the National Park Service (NPS) did not assess housing needs throughout the National Park System in a consistent manner. Concerns were raised about the high cost of new housing constructed and about providing housing in parks where it was not mission critical. To resolve this weakness, the NPS conducted a national housing needs condition and assessment survey at all parks with five or more housing units. In addition, the National Academy of Public Administration (NAPA) conducted a study to review and recommend appropriate revisions to all NPS policies, organizations, procedures, and practices associated with construction. This assessment identified the major contributing factors to the high costs of construction, and highlighted the reforms needed to improve management, reduce costs, and improve accountability. The NAPA study's eleven recommendations, which will strengthen program management and organizational accountability as well as increasing public and private sector involvement in the construction program, were deemed appropriate and implemented.

2. Deficiencies in the Administration of Miscellaneous Revenues (BOR): This material weakness was first reported in 1995. To correct this weakness, the Bureau of Reclamation established an appropriate organizational unit to oversee the administration of miscellaneous revenues. BOR also developed and published final revenue management rules in the Federal Register to prevent improper accounting and or unauthorized use of miscellaneous revenues.

Figure 26

Bureau	*Material Weakness*	*Corrective Actions*	*Target Correction Date*
Mission Critical Material Weaknesses			
OST	Inadequate Management of Trust Funds: The management of Indian Trust Funds needs to be improved. The trust funds lack effective internal controls, dependable accounting systems, and reliable accounting information.	The Trust Fund Accounting System and the Trust Asset and Accounting Management System will be extended to all locations. Departmental trust policies and procedures will be developed, internal controls enhanced, and training provided.	FY 2004
BIA and OST	Inadequate Records Management: The records management system has made it difficult to properly administer the records management function.	A joint plan will be developed under the High Level Implementation Plan (being revised) for the Trust Management Improvement Project. Initiatives will include cleaning up disposition backlog, developing policies, records manuals and training aids, providing technical assistance, implementing electronic records and imaging technology, developing record control schedules, conducting program evaluations, and publishing an Indian Trust Desk Guide with history, processes, and record-keeping requirements.	FY 2002
BLM	Inadequate Range Monitoring: Inadequate range monitoring and unreliable monitoring data has delayed grazing decisions involving Federal lands.	Rangeland health standards assessments and allotment evaluations will be conducted to determine the need for management adjustments in livestock grazing use.	FY 2001
BOR	Irrigation of Ineligible Land: Adequate attention was not given to identifying and resolving instances of Federal water being delivered to ineligible lands on 24 projects in eight States. As a result, the Federal government has provided unintended benefits to water users who did not pay the full cost of supplying the water used to irrigate ineligible lands.	Develop an alternative plan to resolve the issue of ineligible lands that receive Federal irrigation water.	FY 2001
DEPT	Lack of Accountability and Control Over Artwork and Artifacts: The accountability and control over artwork and artifacts needs to improved.	Implement bureau plans for eliminating the backlog in inventorying museum property.	FY 2001
DEPT	Inadequate Departmentwide Maintenance Management Capability: Interior lacks consistent, reliable, and complete information to plan for, budget, and account for resources dedicated to maintenance activities.	Implement a comprehensive maintenance management system with an appropriate linkage to the accounting system.	TBD
Other Material Weaknesses			
BIA	Irrigation Operations and Management: The establishment of irrigation assessment rates, collection, recording, investment, and utilization of irrigation receipts are inadequate. Operation and maintenance (O&M) receivable balances have not been kept current, and billing and debt collection processes have not been consistently followed.	Publish 25 CFR 171 A and B as a Final Rule. Reconcile past O&M receivables and bring all accounts to current status. Develop Operations Handbook regarding project operation and keeping O&M assessments and collection processes current.	FY 2000
BIA	Deficiencies in Real Property Management: There are deficiencies in real property management and accounting. Differences between balances reported in the general ledger and balances in the subsidiary ledger for real property are unreconciled. The Bureau has not completed real property inventories or adjusted the subsidiary ledger. There are no written policies and procedures to ensure accuracy of real property accounts.	Inventories have been taken and accounting adjusting entries made. The BIA will verify data, maintain records, and enhance documentation. Develop new procedures on construction-in-progress data. Finalize computer screens and software implementation, revise procedural handbooks, and develop additional procedures needed.	TBD
BIA	Inadequate Acquisition Management Program: The Bureau' s Acquisition Management organization, policies, procedures, and guidelines are inadequate.	Guidance has been developed. The BIA will establish performance appraisal standards for contracting personnel, establish a BIA Acquisition Review Board, perform administrative management reviews and follow-up Quality in Contracting Review, and publish regulations on Buy Indian Act.	TBD

Figure 26 continued

Bureau	Material Weakness	Corrective Actions	Target Correction Date
BIA	Inadequate Facilities Program: The lack of proper maintenance and repair of facilities has created health and safety hazards in BIA schools, employee housing, and other facilities.	Complete backlog validation and condition assessment project. Set guidelines and standards for operation and maintenance of employee housing program. Complete inventory and assessment of conditions of BIA owned employee quarters. Complete testing and implement facilities management computer system.	FY 2000
BIA	Inadequate General Controls Over Automated Information Systems *: An effective security program has not been implemented; there is a lack of adequate controls over access, software development/changes, segregation of duties, and system software; and there is no service continuity plan.	Develop an approved BIA information technology security plan and a strategic plan for the Information Resources Management Division. Develop and issue formal policies, standards, and procedures for computer operations.	TBD
BLM	Management and Oversight of the Land Exchange Program: Policy guidance and procedures, and personnel training, do not ensure that appropriate appraisals are being developed and used in land exchange determinations.	BLM's Land Exchange Handbook is being revised to incorporate the new policies and procedures identified in the Appraisal Manual for land exchanges and the land exchange training modules.	FY 2001
BLM	Administration and Oversight of the Wild Horse and Burro Program *: Implementation of the strategic plan for the management of wild horses and burros has not achieved the appropriate herd management levels on public lands.	The strategic plan for the management of wild horses and burros is being revised. Implement long-term recommendations from the Adoption Market Strategy to increase the number of animals adopted.	FY 2000
BLM	Insufficient Safety Management Program: Supervisory oversight of the Safety Management Program needs to be improved.	Schedule and provide all required safety training for state safety managers and collateral duty safety officers. Allocate appropriate funding in the budget to effectively manage the Safety Management Program.	FY 2001
BIA	Inadequate Debt Collection: Bureau regulations, procedures, and guidelines are inadequate and obsolete to properly administer current debt collection functions.	Set time frame to run periodic delinquent debt referral to Treasury with automated interface program. Convert irrigation projects to National Irrigation Information Management System with Federal Financial System interface. Routinely reconcile Irrigation and Power subsidiary ledgers and general ledger. Complete construction debt reconciliation.	FY 2002
MMS	Inadequate Internal Controls Over Accounting Operations *: Ineffective controls have prevented the timely reconciliation of general ledger accounts and production of timely, accurate and reliable financial data required for annual audited financial statement preparation (exclusive of the Royalty Management Program).	MMS will reassign and segregate duties and responsibilities within the Financial Management Branch, implement a plan to ensure specific individuals and officials are held accountable for non-compliance with established internal controls, establish a special project team in conjunction with the Department and the OIG to complete year-end account reconciliations, develop and enter correcting adjusting journal entries and produce reliable and accurate financial statements in accordance with governmentwide standards.	FY 2000
FWS	Inadequate Management Controls and Audit Follow-up in the Federal Aid Program *: The absence of effective management controls, a centralized audit follow-up program, and guidance governing the administration of the Federal Aid Program has resulted in the ineffective management oversight and accountability for Federal Aid grant funds on a Servicewide basis.	Federal Aid process improvement teams will review reported program deficiencies in the Federal Aid Information Management System, Financial Reconciliation, Safety Margin, Grant Operations, Audit Review and Resolution, and Organization Function and Staffing Review. FWS management will evaluate the findings and recommendations of the process improvement teams and develop and implement comprehensive guidelines and organizational changes to govern the administration of the Federal Aid Program	TBD

TBD – To be determined

* New

New Material Weaknesses

Interior's Management Control Audit Follow-up (MCAF) Council reviewed and analyzed the results of the 1999 management control assessment process and concluded that four new material weaknesses should be reported. The new material weaknesses are:

1. Inadequate Supervisory Oversight of the Safety Management Program (BLM): Management has not assigned appropriate resources to required safety training for state safety managers and collateral duty safety officers, and needs to intensify its monitoring of the Safety Management Program.

2. Inadequate Internal Controls Over Financial Operations and Data Managed by the Financial Management Branch (MMS): Ineffective controls have prevented the timely reconciliation of general ledger accounts and production of timely, accurate, and reliable financial data required for annual audited financial statement preparation (exclusive of the Royalty Management Program).

3. Inadequate Management Controls and Audit Follow-up in the Federal Aid Program (FWS): The absence of effective management controls, a centralized audit follow-up program, and guidance governing the administration of the Federal Aid Program has resulted in ineffective management oversight and accountability for grant funds on a Servicewide basis.

4. Inadequate General Controls Over Automated Systems (BIA): An effective security program has not been implemented. As a result, there is a lack of adequate internal controls over system access, software development/changes, segregation of duties, and system software. In addition, there is no service continuity plan.

A description of these weaknesses, planned corrective actions, and targeted completion dates is presented in *Figure 26.*

Mission Critical Weakness

Definition: Material weaknesses that prevent Interior from fulfilling a programmatic mission or strategic goal, and that warrant senior management focus and attention and resource priorities throughout the corrective action process. A mission critical weakness could adversely impact the safety of employees and other citizens, prevent the collection and distribution of royalties and other funds owed to the federal government and Native Americans, prevent the efficient use of programmatic resources, damage the environment, place financial resources at risk, prevent the timely repair and maintenance of government property, and preclude the identification, collection, and preservation of irreplaceable historical artwork and artifacts.

Mission Critical Material Weaknesses

OMB Circular A-123 reporting guidance requests that each agency identify and report on the most critical material weaknesses affecting the agency. In response to this reporting requirement, Interior's MCAF has identified six of its seven pending material weaknesses as "mission critical weaknesses."

Interior recognizes the importance of correcting these mission critical weaknesses in a timely manner. Corrective action plans with key milestones, target dates, and accountable officials have been established and approved by Interior. The MCAF Council and senior program management officials continuously monitor corrective action progress for each mission critical weakness. The six mission critical material weaknesses and corrective action progress to date are as follows:

1. Inadequate Management of Trust Funds: Management of Individual Indian Monies (IIM), Tribal Trust Funds, and other Special Trust Funds is insufficient to properly maintain and administer the approximately $3 billion fund. The trust funds lack effective internal controls, dependable accounting systems, and reliable accounting information. The Office of Trust Funds Management has been reorganized to allow for more effective management improvements through establishment of a Quality Assurance Division and consolidation of accounting functions under the Accounting Division. There is an ongoing effort to standardize and verify Individual Indian Monies system data from trust resource records.

There are currently a number of major initiatives underway to systematically address the decades-old Indian Trust Funds problems.

- *Legislative Proposal to Address Fractionated Ownership:* One of the root causes plaguing trust fund management is the fractionation of Indian lands. The Administration submitted its legislative proposal addressing fractionation to the Congress in June 1997. The proposal intends to consolidate existing fractional interests through an acquisition program that conveys the interests to tribes with "liens" on future income generated by the property to recoup the purchase price, and aims to prevent future fractionation through enactment of inheritance limitations.

  While the Administration's proposal was not enacted, Congress did provide $5 million in 1999 to fund the cost of an Indian land consolidation pilot designed to purchase small, highly fractionated individual interests in trust lands in Wisconsin and return those interests to the tribes.

  The Department continues to work with allottee groups and congressional staff in an effort to develop a consensus bill.

- *Comprehensive Plan for Strengthening the Trust Funds Infrastructure:* The Department has developed a High Level Implementation Plan that provides a "general roadmap" to the 11 related projects that collectively comprise the Department's Trust Management Improvement Project.

In 1999, the Department made substantive progress along several fronts in carrying out important initiatives identified in the High Level Implementation Plan.

(1) Following a successful pilot in the Western, Pacific, and Alaska Regions, the Office of the Special Trustee for American Indians (OST) is implementing a new commercial off-the-shelf Trust Funds Accounting System to administer all 300,000 tribal and Individual Indian Monies accounts and investments. As of October 1999, nine of the twelve Regional Offices and the tribal accounts had been converted to the new system. The remaining accounts will be converted in spring of 2000.

(2) The Bureau of Indian Affairs has contracted for a new Trust Asset and Accounting Management System (TAAMS) to replace BIA's aging and antiquated automated systems for land title operations and land and lease management functions. A pilot test of the system was initiated in the Rocky Mountain Region in June 1999. TAAMS will be ready to be considered for Secretarial certification for deployment at the remaining Land Title and Records Offices shortly.

(3) BIA awarded a data cleanup contract for the Rocky Mountain and Alaska Regions in February 1999. The pre-implementation data cleanup effort in the Rocky Mountain Region has been completed, and the post-implementation phase is now underway to ensure that existing data is accurate and complete. Site assessments were completed in all Regional Offices as of October 1999.

2. Inadequate Records Management: The Bureau of Indian Affairs records system is inadequate to properly administer the records management function. As part of a comprehensive corrective action plan, the Office of the Special Trustee for American Indians initiated a process for ensuring the proper handling of all agency records, with an emphasis on trust records.

BIA and OST have established a combined records management program office, the Office of Trust Fund Litigation and Support, with line responsibility over records management policy, guidance, training, and evaluation nationwide. The office is responsible for developing and implementing a uniform records management program with authoritative policies, guidance, and training requirements for BIA and OST.

In addition, OST, BIA, the Minerals Management Service (MMS), the Bureau of Land Management (BLM), and the Office of Hearings and Appeals (OHA) will actively interact and work together to develop an agreed-upon approach to managing Indian trust records.

3. Inadequate Range Monitoring: The Bureau of Land Management has recognized that not all high priority allotments have been monitored; many grazing decisions have been delayed; and, as a result, the condition of some rangelands has continued to deteriorate. To address this weakness, BLM has issued Standards and Guidelines for Rangeland Health and Grazing Management, conducted the Guidelines Implementation Workshop, and developed the final Standards and Guidelines Implementation Policy. BLM completed the Healthy Rangelands National Validation Review in September 1999 and will carefully assess the results to determine what additional actions (if any) are necessary to correct this material weakness.

4. Irrigation of Ineligible Land: The Bureau of Reclamation has not given sufficient priority to identifying and resolving instances of federal water being delivered to ineligible lands on at least 24 projects in eight states. Consequently, the federal government has provided unintended benefits to water users who did not pay the full cost of supplying the water used to irrigate ineligible lands.

The Bureau of Reclamation has completed an internal assessment of unauthorized use of federal project water to define the data requirements needed to ascertain the extent to which ineligible lands receive federal project water. Seven of the 24 projects have resolved the unauthorized water use issue. Ten projects have made significant progress and have plans in place to correct the unauthorized water use issue through a combination of land classification, water conservation, environmental assessments, prioritization of projects within regions, and compliance enforcement on contract violation issues. A methodology for repayment of financing costs for supplying water to ineligible beneficiaries is under development, including expansion of programs and policies promoting efficient district water use and pricing.

5. Inadequate Departmentwide Maintenance Management Capability: Interior lacks consistent, reliable, and complete information to plan for, budget, and account for resources dedicated to maintenance activities. As a result, Interior does not have ready access to the information needed to report on deferred maintenance in its financial statements as required by the Statement of Federal Financial Accounting Standard (SFFAS) No. 6, "Accounting for Property, Plant, and Equipment." The Department has established a Facilities Management Systems Partnership that provides a forum for the Department and its facilities-managing bureaus to coordinate the development and use of facilities management systems.

To address substantive issues in a systematic manner, the Department conducted a departmentwide review of maintenance and repair issues to reduce financial, health, and safety liability to Interior; increase the effectiveness and awareness of facilities maintenance; manage deferred maintenance; and ultimately improve the stewardship of Interior's constructed assets.

Based on this review, the Department has established the following three facilities maintenance objectives: (1) to properly manage and account for maintenance and construction funds from appropriations and fee receipts; (2) to identify the highest priority facilities maintenance and construction needs of the Department by using standard definitions and data; and (3) to formulate and implement a Five-Year Maintenance and Capital Improvement Plan (Five-Year Plan) for infrastructure, beginning with the 2000 Budget.

Concurrent with the development of the Five-Year Plan, improvements to the Department's budget structure and accounting systems are being made to enable the Department to measure the effectiveness of its facilities management programs more accurately.

6. Lack of Accountability and Control Over Artwork and Artifacts: Accountability, control, and protection of artwork and artifacts administered by the bureaus and offices throughout Interior are inadequate to ensure the preservation of these objects. Until improved policies, procedures, and controls are implemented, the risk of significant loss of or damage to irreplaceable artwork and artifacts will remain high.

Interior has developed and implemented a revised museum property strategy and related policies and procedures. In addition, plans to implement appropriate infrastructure in each bureau have been developed and approved. Progress in implementing Bureau plans has not proceeded at the pace originally anticipated due to resource restrictions. As a result, Interior's strategy has been revised, and each bureau is expected to implement its plan within broad targets defined by Interior. The current strategy for correcting this weakness is to give priority to completing basic inventories of all museum property and to addressing the most sensitive portions of the collections first. Basic inventories establish accountability and improve security. The most sensitive collections are those subject to possible repatriation to tribes under the Native American Graves Protection and Repatriation Act (NAGPRA). Additional funds have been requested in 2001 to accelerate progress on completing inventories of all museum property and to achieve full compliance with NAGPRA. By focusing on these two priorities, Interior expects to exceed the specified improvement goal on a departmentwide basis.

Other Management Challenges Confronting Interior

Recently, the Office of Inspector General and the General Accounting Office have advised Congress about what they consider to be the major management challenges and other issues facing the Department. Most of these issues have met the FMFIA criteria for and been reported as material weaknesses in the Department's Annual Accountability Report. The others, while not meeting the FMFIA material weakness criteria, are receiving priority management attention.

Financial Management in the Bureau of Indian Affairs: The Department has reported several material weaknesses related to BIA financial management in recent Annual Accountability Reports, including weaknesses relate to debt collection, accounts receivable, property, and acquisition management. These and other reported material weaknesses formed the basis for the qualification about the effectiveness of Departmental management controls in the Secretary's 1998 Annual Assurance Statement to the President and the Congress, as required by the Federal Managers' Financial Integrity Act, and also contributed to the qualification of the auditor's opinion on BIA's 1998 audited financial statements.

The BIA has a number of internal and external improvement initiatives underway to address these weaknesses and related issues. The National Irrigation Information

Management System (NIIMS) has been implemented at all but two sites. A Power and Irrigation Reconciliation Team has completed work at five irrigation projects, and new regulations for administering and recovering the full cost of operations on projects have been developed and submitted for Solicitor approval. Debt collection deficiencies identified in the 1998 financial statement audit process are being addressed through implementation of centralized billing and collection functions for irrigation and power projects, and by accelerating the amount of eligible delinquent debt referred to the U.S. Treasury for collection. The National Academy of Public Administration (NAPA) has provided a comprehensive, independent assessment of BIA's administrative operations, processes, and staffing. A number of NAPA recommendations are currently being implemented by Interior.

Financial Management and Audit Resolution in the Insular Area Governments: The Department and the OIG have been working cooperatively to address the resolution of long-standing financial management and other audit issues involving the insular area governments. These efforts have focused on compliance with responsibilities under the Single Audit Act and more timely implementation of audit recommendations concerning federal programs and funds. In 1999, the Department, the OIG, and OMB mutually agreed to an administrative solution to address the growing backlog of open audits of local insular area programs and non-federal funds, and provide greater focus and oversight to open audits involving federal programs and or funding. Since the Secretary has limited executive authority to direct the implementation of local insular area program audit recommendations, it was agreed that these audit recommendations will no longer be referred to the Department for tracking of implementation and follow-up actions. Instead, Department follow-up actions for insular area governments will be directed to open insular area audit recommendations involving federal programs and or funding. The new guidelines are effective for 2000.

Waste Management: In recent years, the Department has developed a comprehensive plan (1) to identify public lands contaminated by hazardous materials, abandoned mines, oil and gas wells, leaking underground storage tanks and pipelines and illegal dumping, and (2) to assess environmental cleanup costs. Based on this assessment, the Department recognized an estimated liability of $163 million in its 1999 consolidated financial statements for environmental cleanup of these lands. This estimate is reassessed annually as part of the audited financial statement process. Funding to implement clean-up of these sites is regularly requested through the Department's budget process.

Revenue Collections: The Department is actively involved in a significant number of program activities that generate annual revenues in excess of $6 billion annually. These include a diverse range of user charge programs, such as oil and gas bonus bids and royalties, reclamation fees, water use repayments, and recreational use fees. In addition, the Department manages a cost recovery program that generated in excess of $500 million during 1998. Revenue and cost recovery programs are reviewed on a regular basis (as part of the CFO Act requirement to conduct biennial reviews of user charge programs) to ensure that opportunities for enhanced revenue collection are assessed. The Department continues to improve its performance and has a good record of taking timely and responsive actions on Inspector General audit recommendations involving revenue and fee collections.

Audited Financial Statement Results

As required by the Government Management Reform Act, Interior prepares consolidated financial statements for the Department. These financial statements are audited by the Office of Inspector General. Additionally, almost every individual bureau prepares financial statements that are also audited by the Office of Inspector General. The preparation and audit of financial statements is an integral part of the Department's centralized process to ensure the integrity of financial information maintained by the Interior.

The results of the 1998 and 1999 audited financial statement process are summarized in *Figure 27*. As shown in the table, there were instances where exceptions on internal controls and material weaknesses/reportable conditions were noted with respect to internal controls and compliance with laws and regulations.

Figure 27

Summary of FY 1998 and FY 1999 Financial Statement Audits

	Unqualified Opinion on Financial Statements		Report on Internal Control		Report on Compliance with Laws and Regulations		Compliance with FFMIA	
	1998	1999	1998	1999	1998	1999	1998	1999
Department	Yes	Yes	No	No	No	No	No	Yes
FWS	Yes	Yes	No	No	Yes	Yes	Yes	Yes
USGS	Yes	Yes	No	No	Yes	No	Yes	Yes
BIA	No	Yes	No	No	No	No	No	No
BLM	Yes	Yes	No	No	Yes	No	Yes	No
MMS	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
NPS	Yes	Yes	No	No	Yes	No	Yes	No
BOR	Yes	Yes	No	No	Yes	No	Yes	No
OSM	Yes	Yes	Yes	No	Yes	Yes	Yes	No
OS	Yes	Yes	No	Yes	Yes	No	Yes	Yes

No – Indicates a qualified audit opinion or exceptions noted.
(1) Audited financial statements were not issued.

Resolution of Internal Control Weaknesses Reported in 1998 Audited Financial Statements

The following section summarizes actions taken to resolve material internal control weaknesses reported in the 1998 audited consolidated financial statements.

National Park Service (NPS): The auditors identified the need to improve controls over construction-in-progress. NPS did not have sufficient internal control procedures to ensure that the general ledger control account for construction-in-progress was accurately stated and properly supported. Appropriate adjustments were made to the 1998 financial statements, and NPS established a project team to improve the process in 1999.

Internal Control Material Weakness

Definition: Material weaknesses are reportable conditions in which internal control processes do not reduce to a low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected in a timely manner.

Bureau of Indian Affairs (BIA): The auditors identified material weaknesses related to controls over property management accounts, general controls over automated information systems, and controls over financial information integrity reviews. During 1999, BIA improved controls over property management accounts by developing policies and changing procedures for buildings; land improvements, other structures and facilities; and construction-in-progress. BIA also implemented procedural changes to properly adjust the financial statements for erroneous data received from field locations. Steps were also taken to improve controls over automated information systems, including the reorganizing of the information resource management functions of BIA. Further, BIA completed three of four planned management control reviews during 1999 and is currently implementing a program for 2000 to continue its expansion of financial information integrity reviews.

Resolution of Reportable Conditions Related to Internal Controls Reported in 1998 Audited Financial Statements

The following section summarizes actions taken to resolve reportable conditions related to internal controls identified in the 1998 audited consolidated financial statements.

Deferred Maintenance Management and Reporting: The auditors found that policies and procedures for conducting periodic

Reportable Condition Related to Internal Controls

Definition: Reportable conditions are those matters coming to the auditor's attention, that in the auditor's judgement, should be communicated to management because they represent significant deficiencies that could adversely affect the entity's ability to meet specified internal control objectives.

condition assessment surveys and computing deferred maintenance funding estimates needed to be established by the Department and the bureaus to promote consistency and accuracy. They also noted that supervisory and monitoring controls over deferred maintenance reporting required strengthening to ensure that the deferred estimates are supported by adequate documentation to comply with OMB Bulletin 98-08, "Audit Requirements for Federal Financial Statements, as amended." Technical Amendments to OMB Bulletin 97-01, "Form and Content of Agency Financial Statements" changed the deferred maintenance reporting pursuant to SFFAS No. 14, "Amendments to Deferred Maintenance Reporting." The Department is in compliance with the revised reporting requirements for 1999. In addition, the Department has improved its guidance for deferred maintenance data collection as part of the 2001 budget process and has identified maintenance management as a material weakness to improve overall management of maintenance within the Department.

Improved Controls Over the Data Process Environment at the Reston Enterprise Data Services Center: In November 1998, 46 weaknesses and problems were identified in the general controls of the Reston Data Processing Center. During 1999, these issues have been addressed through correction of all identified recommendations.

Controls Over Summarizing Transactions as Government and Non-Government and Trading Partner Data: The auditors found that internal controls were not sufficient to provide reasonable assurance that transactions were properly summarized as federal or public or that transactions with other federal agencies (Trading Partner data) were properly summarized as required by the Treasury Financial Manual. Steps were taken by the Department to address these deficiencies to improve the reporting of this information for 1999.

Resolution of Compliance with Laws and Regulations Reported in 1998 Audited Financial Statements

Compliance tests were run for certain provision of laws and regulations, noncompliance with which could have a direct and material effect on amounts contained in the principal financial statements and several other laws and regulations specified in OMB Bulletin 98-08, including the requirements referred to in the Federal Financial Management Improvement Act of 1996. The auditors found that the Bureau of Indian Affairs (1) had not effectively established and implemented general and financial management practices and had not improved its systems of accounting, financial management, and internal controls to ensure the issuance of reliable financial information and to provide for the production of complete, reliable, timely and consistent financial information, (2) was not in compliance with the Debt Collection Improvement Act, (3) was not in full compliance with the Credit Reform Act, (4) was not in full compliance with the Prompt Payment Act, and (5) was not in full compliance with the Federal Financial Management Improvement Act related to general controls of automated information systems. In 1999, the BIA made significant progress in correcting the auditor findings, including the closeout of the Credit Reform Act issue.

Federal Financial Management Improvement Act (FFMIA)

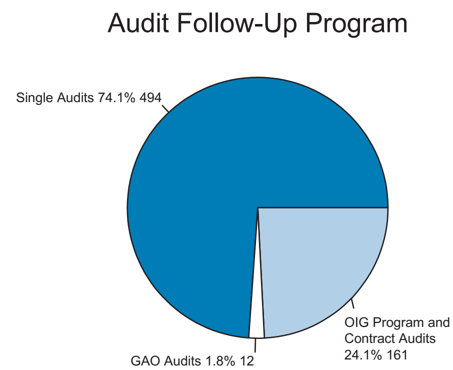
The Federal Financial Management Improvement Act of 1996 (FFMIA) builds upon and complements the CFO Act, the Government Performance and Results Act, and the Government Management Reform Act. The FFMIA requires that federal agencies conform to the governmentwide Standard General Ledger, comply with all applicable federal accounting standards, and establish financial management systems that support full disclosure of federal financial data, including the full costs of federal programs and activities. The auditor is to include a statement regarding compliance with these provisions in the audit report on agency financial statements. If an agency is not in compliance with these requirements, the FFMIA requires that the agency head establish a remediation plan to bring the agency's financial management systems into substantial compliance.

For 1998, the Office of the Inspector General reported in its opinion on the Department's consolidated financial statements that one bureau, the Bureau of Indian Affairs, was not in compliance with the FFMIA. The OIG found BIA's automated information system did not comply with the FFMIA because of departures from several requirements set forth in OMB Circulars A-127, "Financial Management Systems," and A-130, "Management of Federal Information Resources." Corrective actions are underway by BIA to comply with these requirements.

Inspector General Act Amendments (Audit Follow-Up)

Interior firmly believes that the timely implementation of OIG and GAO audit recommendations is essential to improving efficiency and effectiveness in its programs and operations, as well as achieving integrity and accountability goals. As a result, Interior has instituted a comprehensive audit follow-up program to ensure that audit recommendations are implemented in a timely and

Figure 28



cost-effective manner, and that disallowed costs and other funds due from contractors and grantees are collected or offset.

In 1999, Interior's Audit Follow-up Program monitored a substantial amount of Single Audit, OIG, and GAO audit activity, including 494 Single Audits, 161 OIG program and contract audits, and 12 GAO audits (see *Figure 28*). Audit follow-up actions included tracking the implementation of audit recommendations, monitoring the recovery of disallowed costs, and resolving disputed findings and recommendations.

Interior also continued to make significant progress in implementing audit recommendations, closing audits, and recovering disallowed costs and other funds owed the government. Interior achieved a 38 percent overall closure rate on OIG audit reports and a 51 percent recovery rate on disallowed costs, which represented improvements over the prior fiscal year.

Single Audits

Interior provides over $2 billion each year in funding for grants, cooperative agreements, Indian self-determination contracts, and self-governance compacts to state and local governments, Indian tribes, colleges and universities, and other nonprofit organizations. Under the provisions of the Single Audit Act, the grantees' financial operations, management control structure, and level of compliance with applicable laws and regulations must be audited each year. All

Single Audit reports are now forwarded to and screened by the Federal Single Audit Clearinghouse (Clearinghouse). Those Single Audit reports, with findings and recommendations requiring OIG review and audit follow-up actions, are then forwarded to the OIG for review and distribution to the appropriate bureaus (*Figure 29*). Each bureau is responsible for meeting with grantees and negotiating resolution of the deficiencies identified in the audit reports, and for determining the allowability of any expenditure of federal funds which has been questioned by the auditors.

Figure 29

1999 Single Audit Workload Data	
Reports Issued To:	***No. of Single Audits***
Department/Office of the Secretary	4
Fish and Wildlife and Parks	59
Indian Affairs	337
Office of Insular Affairs	34
Land and Minerals Management	29
Water and Science	31
Total	494

** Of the 494 single audits processed during 1999, 17 (8 percent) were referred to the Assistant Secretary for Policy, Management, and Budget for tracking of final action. The referred audits were assigned as follows: Office of Insular Affairs (9), Bureau of Indian Affairs (6), and Fish and Wildlife Service (2).*

Reaching Timely Management Decisions on Single Audits

Management decisions (agreement on actions to implement audit recommendations between the bureau and grantee) are expected to be agreed to within six months from receipt of the audit report. If an audit results in disallowed costs, bureaus are responsible for collecting the disallowed costs from the grantees.

During 1999, no single audit reports were referred from the OIG for resolution exclusive of Insular Affairs audits. Nine audit reports related to Insular Affairs were referred for resolution and were assigned to the Office of Insular Affairs (OIA); no management decisions were reached for these reports during 1999. However, OIA's efforts to achieve management decisions were hindered by the Department's limited executive authority to direct resolution of these audits. As previously mentioned, the Department, the OIG, and OMB mutually agreed to an administrative solution to address the growing backlog of open audits of local insular area programs and non-federal funds. Management decision and closure rates on future audits involving federal programs or funding should attain more acceptable levels as a result of this action.

Collecting and Offsetting Disallowed Costs

As noted in *Figure 30*, Interior made good progress during 1999 in closing single audits and recovering disallowed costs.

Figure 30

1999 Summary of Actions Taken on Single Audits with Disallowed Costs			Number of Reports	Disallowed Costs
(A) Reports on Hand at Beginning of Period			17	$737,970
(B) New Reports			8	4,024,839
Total reports in tracking			25	4,762,809
(C) Final action taken during period			14	4,573,111
Collected	4	$1,797,798		
Written Off	0	0		
Offset	1	500,842		
Reinstated	2	1,745,439		
Referred to Treasury For Collection Action	7	$529,032		
(D) Reports in Progress at end of period			11	$189,698
Mgmt dec < 1 yr old	2	$18,109		
Mgmt dec > 1 yr old	9	171,589		
Mgmt decision under formal appeal	0	0		

Internal Audits

Internal audits are audits conducted by the OIG of the programs, organizations, and financial and administrative operations of Interior. During 1999, 108 audits were in progress or being tracked, and 38 of those audits were closed (35 percent). More importantly, for the audits in progress or being tracking during the period, there were 439 recommendations, of which 269 were closed (61 percent).

One category of these internal audits are those audits where the OIG presents recommendations to improve efficiency and where funds can be put to better use (FBU audits). Interior tracks the successful implementation of all FBU audit recommendations and

FBU dollar estimates agreed to by management. Interior progressed in implementing recommendations and closing FBU audits during 1999, with 34 of 93 (36 percent) audits being closed (*Figure 31*).

Figure 31

Summary of Actions Taken on Audits with Funds To Be Put to Better Use (FBUs)		
		Number Of Reports
(A) Reports on hand at beginning of report period		55
(B) New reports received during the report period		38
Total reports in tracking		93
(C) Reports closed during the report period		34
(D) Reports in progress at the end of the report period		59
	No. of reports	
Mgmt dec < 1 year old	31	
Mgmt dec > 1 year old	25	
Mgmt dec under formal appeal	3	

General Accounting Office Audits

GAO audits are a major component of Interior's audit follow-up program workload (*Figure 32*). In 1999, a total of 95 GAO reviews were in process, of which 14 were terminated without issuance of a letter report or other work product. In addition, there were 32 draft reports in process and 12 final audit reports issued with 18 recommendations. Interior successfully implemented 72 percent (13 of 18) of these recommendations by the end of 1999. The remaining recommendations involve actions that could be cost prohibitive or require long-term implementation plans. These recommendations are being evaluated at this time.

Figure 32

Departmental Summary of Actions Taken on Reports Issued by the GAO			
			Number Of Reports
Active Reviews			
Reviews active at beginning of reporting period			60
New reviews initiated during the reporting period			32
Reviews terminated without product during the reporting period or issued as Fact Sheets or other reports requiring DOI action			14
Total reviews in progress at the end of the reporting period			78
Draft/Final Reports			
Draft/Final Reports in tracking at the beginning of the reporting period			22
Draft Reports issued during the reporting period			9
Final Reports closed during the reporting period			1
Total Draft/Final Reports in tracking at the end of the reporting period			14
Draft Reports in tracking at the end of the reporting period			2
Final Reports in tracking at the end of the reporting period			12
Code		No. of Final Reports	
D1	Mgmt dec < 1 year old	4	
D2	Mgmt dec > 1 year old	8	
D3	Mgmt dec under formal appeal	0	

Biennial Review of User Fees

The Chief Financial Officers Act of 1990 requires biennial reviews of agency fees, rents, and other charges imposed for services and things of value provided to specific beneficiaries, as opposed to the American public in general. The objective of these reviews is to identify such activities and begin charging fees, if permitted by law, and to periodically adjust existing fees to reflect current costs or market value. This minimizes general taxpayer subsidy of specialized services or things of value (such as rights or privileges) provided directly to identifiable non-federal beneficiaries.

As part of the 1998 Management Control Program, Interior conducted a biennial review of its fee programs and concluded that user charge revenues had substantially increased. The next biennial review is scheduled for 2000.

Other Key Legal and Financial Regulatory Requirements

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

On November 10, 1998, the Administration enacted the Federal Reports Elimination Act of 1998 (P.L. 105-362). This Act eliminated (1) the requirement to report Civil Monetary Penalties to the Department of the Treasury and (2) the requirement to submit Prompt Payment Act compliance reports to OMB.

Interior continues to monitor its performance under the Prompt Payment Act and the Debt Collection Improvement Act. Performance results are provided in the Departmental Management section of this report.

Inspector General Audit Report

E-IN-MOA-006-00-M

United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

MAY 10 2000

INDEPENDENT AUDITORS REPORT

Memorandum

To: Assistant Secretary for Policy, Management and Budget and Chief Financial Officer

Subject: Independent Auditors Report on Department of the Interior Annual Report for Fiscal Year 1999 (No. 00-I-429)

SUMMARY

In our audit of the Department of the Interior's (DOI) annual report for fiscal year 1999, we found the following:

- The principal financial statements were fairly presented in all material respects. The Department of the Interior's principal financial statements consist of the Consolidated Statement of Financial Position as of September 30, 1999; the Consolidated Statement of Net Cost of Operations, Consolidated Statement of Changes in Net Position, and Consolidated Statement of Custodial Activity for the fiscal year ended September 30, 1999; and the Combined Statement of Budgetary Resources and Statement of Financing for the fiscal year ended September 30 1999.

- Our tests of the internal controls identified weaknesses in the following areas that we consider to be material: U.S. Fish and Wildlife Service (FWS) and Bureau of Indian Affairs (BIA) construction-in-progress accounts; BIA property, plant and equipment accounts, automated information systems, and financial information integrity reviews; Minerals Management Service (MMS) financial management and accounting processes; BIA and Bureau of Reclamation (BOR) financial information related to lands; DOI and bureau trading partner data and intra-Departmental eliminations; BIA, U.S. Geological Survey (USGS), and FWS unliquidated obligations; and USGS and BOR accrued liabilities. In addition, we believe that the weaknesses in the following areas are reportable conditions: Departmental and bureau management and reporting of deferred maintenance and summarizing transactions as Government or non-Government and FWS Federal aid grants to states.

- Our tests of compliance with laws and regulations identified specific noncompliance issues for the Department and certain bureaus that are required to be reported concerning the Chief Financial Officers Act of 1990, the Debt Collection Improvement Act of 1996, the Prompt Payment Act of 1990, the Government Management Reform Act of 1994, and the Federal Financial Management Improvement Act of 1996. In addition, our tests of compliance with laws and regulations identified noncompliance with Statement of Federal Financial Accounting Standards No. 4, "Managerial Cost Accounting Standards," by BIA, USGS, and the Bureau of Land Management (BLM).

Our conclusions are detailed in the sections that follow. At the Department's request, the Department's responses to each finding are presented verbatim.

OPINION ON PRINCIPAL FINANCIAL STATEMENTS

In accordance with the Chief Financial Officers Act of 1990, we audited DOI's principal financial statements for the fiscal year ended September 30, 1999 as contained in DOI's accompanying 1999 Annual Report. DOI is responsible for these principal financial statements, and we are responsible for expressing an opinion, based on our audit, on these principal financial statements. We did not audit the information contained in Note 17 relating to Indian Trust Funds. The information in this note was audited by a certified public accounting firm, whose report has been provided to us. The information contained in Note 17 is based solely on the report of the other auditors.

Our audit was conducted in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States, and with Office of Management and Budget Bulletin (OMB) 98-08, "Audit Requirements for Federal Financial Statements," as amended, and was completed on April 20, 2000. These audit standards require that we plan and perform the audit to obtain reasonable assurance as to whether the accompanying principal financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the principal financial statements and the accompanying notes. An audit also includes assessing the accounting principles used and the significant estimates made by management. We believe that our audit work provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors on the Indian Trust Funds, the principal financial statements (pages 89-120) present fairly, in all material respects, the consolidated statement of financial position of DOI as of September 30, 1999, its consolidated statement of net cost, consolidated statement of changes in net position, and consolidated statement of custodial activity for the fiscal year ended September 30,1999, and the combined statement of budgetary resources and statement of financing for the fiscal year ended September 30, 1999 on the basis of accounting described in Note 1 to the principal financial statements.

Our audit was conducted for the purpose of forming an opinion on the consolidated and combined principal financial statements taken as a whole. The accompanying consolidating and combining information is presented for purposes of additional analysis of the consolidated and combined principal financial statements. The consolidating and combining information for fiscal year 1999 (pages 121-133) was subjected to the auditing procedures applied in the audit of the consolidated and combined principal financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated and combined principal financial statements taken as a whole.

In addition, the deferred maintenance and supplementary stewardship information that follows the supplemental financial statements (pages 135-152) is not a required part of the principal financial statements but is supplementary information required by the Federal Accounting Standards Advisory Board. We have applied certain limited procedures, including discussions with management, on the methods of measurement and presentation of the supplementary information to ensure compliance with the OMB guidance and consistency with the financial statements. However, we did not audit the information and therefore do not express an opinion on this supplementary information.

REPORT ON INTERNAL CONTROLS

Our audit was conducted in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States, and with OMB Bulletin 98-08.

Management of DOI is responsible for establishing and maintaining an internal control structure which provides reasonable assurance that the following objectives are met:

- Transactions are properly recorded, processed, and summarized to permit the preparation of the principal financial statements and required supplementary stewardship information in accordance with Federal accounting standards.

- Assets are safeguarded against loss from unauthorized acquisition, use, or disposition.

- Transactions are executed in accordance with laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the principal financial statements or required supplementary stewardship information and any other laws, regulations, and Governmentwide policies identified by the OMB.

- Transactions and other data that support reported performance measures are properly recorded, processed, and summarized to permit the preparation of performance information in accordance with criteria stated by management.

Because of inherent limitations in any internal control structure, errors or fraud may occur and not be detected. Also, projections of any evaluation of the internal controls over financial reporting to future periods are subject to the risk that the internal controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

In planning and performing our audit, we considered DOI's internal controls over financial reporting by obtaining an understanding of DOI's internal controls, determining whether these internal controls had been placed in operation, assessing control risks, and performing tests of controls to determine our auditing procedures for the purpose of expressing an opinion on the principal financial statements and not to provide assurance on the internal controls over financial reporting. Accordingly, we do not provide an opinion on internal controls.

Our consideration of the internal controls over financial reporting would not necessarily disclose all matters in the internal control structure over financial reporting that might be reportable conditions. Under standards established by the American Institute of Certified Public Accountants and by OMB Bulletin 98-08, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls that, in our judgment, could adversely affect DOI's ability to record, process, summarize, and report financial data consistent with the assertions made by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted matters involving the internal controls and their operation that we consider to be reportable conditions as described by the American Institute of Certified Public Accountants and OMB Bulletin 98-08.

Material Weaknesses

We discovered material weaknesses as discussed in the paragraphs that follow.

A. BIA and FWS Need Improved Controls Over the Construction-in-Progress Account

BIA did not have sufficient internal control procedures to ensure that the general ledger control account for construction-in-progress was accurately stated and properly supported. Our test on the completeness of the account showed that BIA did not identify and record all projects that should have been included in the account, timely transfer completed projects from the account, or remove invalid projects from the account. We brought this deficiency to the attention of BIA management, and as of September 30, 1999, net adjustments totaling $69.2 million had been made to the construction-in-progress account.

In addition, FWS did not have sufficient internal control procedures to ensure that the general ledger control account for construction-in-progress was accurately stated and properly supported. Our test of the reasonableness of the account indicated that the account was overstated by approximately $114.5 million. This condition occurred because FWS did not implement procedures to ensure that the charges to the account were reviewed promptly and that the charges were for FWS building and structure assets (real property) that would meet the FWS capitalization threshold of $50,000. When we brought this deficiency to the attention of FWS management, they made the proper adjustments.

Departmental Response: The Department concurs with this finding. BIA is currently implementing a plan to improve controls over Construction-in-Progress (CIP) including the issuance of a new CIP Manual during the first quarter of FY 2000. In addition, BIA has completed a new physical inventory of CIP projects and will conduct a bureauwide training program for individuals involved in Construction-in-Progress activities in June, 2000.

FWS implemented several corrective actions during fiscal year 1999 to improve procedures over CIP. In the fall of 1999, FWS issued a second set of procedures to improve CIP practices. The Department believes that the implementation of these new procedures will resolve this issue.

B. BIA Needs Improved Controls Over Management of its Property, Plant and Equipment Accounts

BIA did not have sufficient internal control procedures to ensure that the buildings subsidiary ledger, other structures and facilities subsidiary ledger, and equipment subsidiary ledger were stated in accordance with Statement of Federal Accounting Standards No. 6, "Accounting for Property, Plant and Equipment." For example, we identified items that had incorrect acquisition costs, items that had been demolished but not removed from the ledgers, and items that had not been included in the ledger.

When these deficiencies were brought to the attention of BIA management, adjustments were made totaling $82.1 million to acquisition costs, accumulated depreciation, depreciation expense general ledger control accounts, other related control accounts, and the subsidiary ledgers.

Departmental Response: The Department concurs with this finding. The BIA completed a new physical inventory as of March 31, 2000. In addition to this inventory, BIA is currently photographing all real property; these photographs will be loaded into a database that will be linked to the Fixed Asset System.

C. BIA Needs Improved General Controls Over its Automated Information Systems

BIA continued to have ineffective general controls over the automated information systems of its Operations Service Center and was not in compliance with OMB Bulletin 98-08. Specifically, BIA did not (1) have an effective system security program and had not enforced personnel policies and procedures to ensure adequate system security, (2) classify its resources to determine the level of security needed, (3) monitor visitor activities and perform adequate housekeeping to safeguard computer hardware, (4) perform periodic reviews to ensure that users' access levels were appropriate, (5) ensure that the proper version of an application was used in production, (6) have segregation of duties for the system support functions, (7) have controls over system software to effectively detect and deter inappropriate use, and (8) have an effective means of recovering or of continuing computer operations in case a system fails.

Departmental Response: The Department concurs with this finding. As a result of the 1999 management control assessment process, the Department identified inadequate general controls over automated systems in BIA and has a plan to resolve these inadequate general controls.

D. MMS Needs Improved Controls Over Financial Management and Accounting Processes

MMS's Financial Management Branch did not have financial data that were accurate, complete, and timely for fiscal year 1999. OMB Bulletin No. 98-08, "Audit Requirements for Federal Financial Statements," states that internal controls are designed to provide reasonable assurance that transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with Federal accounting standards. OMB Circular No. A-123, "Management Accountability and Control," states that managers are responsible for the quality and timeliness of program performance and for ensuring that programs are managed with integrity and in compliance with applicable laws. However, control deficiencies occurred because MMS personnel did not follow established internal controls, such as performing account reconciliations and providing management oversight of the financial management and accounting processes. Also, MMS did not establish adequate internal controls which ensured that transactions were properly classified during the conversion to the new standard general ledger required by the Federal Financial Management Improvement Act of 1996.

Departmental Response: The Department concurs with this finding, and as a result of the 1999 management control assessment process, identified inadequate internal controls over financial operations and data managed by the Financial Management Branch (MMS) as a new material weakness. MMS is working to improve internal controls through organizational changes, improved procedures, and better oversight.

E. BIA Needs Improved Controls Over Financial Information Integrity Reviews

BIA did not have sufficient internal control procedures to ensure that errors and invalid transactions contained in its general and subsidiary ledgers, listings, and reports were timely identified and corrected at September 30, 1999. This occurred because BIA had not developed and implemented an effective financial information integrity review, reconciliation, and correction process.

Departmental Response: The Department concurs with this finding. The BIA has implemented a two level review process for all journal vouchers that are to be entered into the accounting system. This change, along with management changes currently underway, should result in improved controls over financial information.

F. BIA and BOR Need Improved Controls Over Financial Information Related to Land

BIA did not have sufficient internal controls to ensure that errors and omissions related to the land improvements and the land rights subsidiary ledgers were timely identified and corrected. This occurred because BIA had not developed and implemented an effective financial information integrity review, reconciliation, and correction process. Our tests disclosed the following: one land improvement totaling $676,000 was erroneously recorded in the ledger; three land improvements totaling $465,000 were recorded in the ledger with no useful lives; three parcels of land were erroneously recorded in the ledger; and five athletic fields and seven parcels of land were not recorded in the ledger.

BOR did not have a complete and accurate inventory system to account for land and land rights data. This occurred because BOR's land and land rights subsidiary ledger had not been reconciled with the individual project plat books and land purchase contracts. During our audit, we found that the inventory system used to account for the $1.7 billion in land and land rights contained costs for lands that were previously transferred to project beneficiaries and/or other Federal agencies, project plat maps that did not include all related costs and acres, and project plat maps that were not reconciled to BOR's financial accounting system.

Departmental Response: The Department concurs with this finding. The BIA has completed a comprehensive physical inventory of all bureau property, including land, and is testing the inventories that were taken at their Regional Offices. BIA land amounts to less than .04% of total BIA Property, Plant and Equipment.

Reclamation agrees with the findings that some of its land records were not current and that reconciliations with the financial accounting system were not performed. To address this problem, Reclamation will develop an action plan by September 30, 2000, that will contain milestones and actions to: 1) conduct reconciliations and research to validate the accuracy of its land records; 2) populate its new real property system (FIRM) with such data; 3) develop and issue policy and procedures to ensure future quality, accuracy and completeness of data captured in the lands and finance systems; and 4) conduct an initial and periodic reconciliations between the detailed land data maintained in FIRM and the financial accounting system to ensure the quality of information contained in both systems.

G. DOI and Bureaus Need Improved Controls Over Trading Partner Data and Intra-Departmental Eliminations

DOI's and the bureaus' internal controls were not sufficient to provide reasonable assurance that transactions with other Federal agencies and within DOI were properly summarized as required by the Treasury Financial Manual and that the intra-Departmental transaction amounts were accurately identified. In addition, DOI and the bureaus did not adequately reconcile the trading partner data to the eliminations data. The intra-Departmental trading partner amounts should be the same as the intra-Departmental eliminations amount; thus, after the elimination of intra-Departmental transactions and the reconciliation of intra-Departmental trading partner data, the balances should be zero. An analysis by DOI showed that differences in individual bureaus ranged from minimal differences to over $60 million. We also observed a number of differences between these two data segments. For example, BIA showed $66.7 million in expenses with its trading partner, USGS, but the elimination data between the two bureaus was only $3.7 million.

Departmental Response: The Department concurs with this finding. In fiscal year 1999, the Department did not rely on trial balance trading partner data to identify intra-departmental transactions to be eliminated in reporting consolidated financial statement information. Bureaus followed alternative procedures to identify and certify the accuracy of intra-departmental transactions. This data was used in preparing the Department's consolidated financial statements. Beginning in fiscal year 2000, the Department expects to base intra-departmental elimination information on trial balance trading partner information to ensure the accuracy and consistency of trading partner data.

H. BIA, USGS, BOR, and FWS Need Improved Controls Over Their Respective Unliquidated Obligations Account and/or Accrued Liabilities

BIA, USGS, and FWS did not have adequate controls to ensure that unliquidated obligations were timely deobligated and adequately supported. In general, this occurred because management of the respective bureaus either did not (1) implement adequate policies and procedures to ensure that periodic assessments of the validity and accuracy of the unliquidated obligation transactions were conducted, (2) have procedures to update the general ledger undelivered orders account, or (3) timely remove or deobligate the unliquidated obligation. During our testing, we found that the unliquidated obligations balance at September 30, 1999 was overstated for all three bureaus by a total of about $46.6 million. Once informed, management of the three bureaus made the necessary adjusting entries.

In regard to accrued liabilities, BOR did not properly estimate or record its year-end accruals for liabilities owed others for fiscal years 1998 and 1999. This occurred because BOR's procedures did not include a complete analysis of payments, which may have affected the liability amount at year end but occurred after year end; its regional offices did not follow existing procedures or lacked the understanding of the procedures; and its management did not provide sufficient oversight. As a result, BOR failed to identify liabilities totaling approximately $14 million attributable to fiscal year 1999. Once informed of our conclusions, BOR management made the proper adjustments. USGS failed to establish adequate internal control procedures to ensure that its accrued expenses were valid. This occurred because USGS management had not enforced the existing bureauwide policy on when to realize an accrued liability. When we informed USGS of our finding, management conducted a review and made a $70 million adjustment to accrued liabilities and unexpended appropriations.

Departmental Response: The Department recognizes the need to continue to improve controls over unliquidated obligation accounts. Building on the review process instituted as a result of the FY 1999 financial statement audits, the Department will continue to review unliquidated obligations periodically during the year and at year end to support the preparation of annual financial statements and to ensure that the data is reliable.

Reclamation and USGS agree with the finding that they did not properly estimate or record year-end accruals for some liabilities owed to others. To preclude this from occurring again, these bureaus will re-emphasize the need to properly accrue liabilities, and continue to address these procedures in the year-end closing guidance. Moreover, to ensure that liabilities are properly accrued, the bureaus will perform year-end analytical reviews. The FWS is addressing Federal Aid Grant Program unliquidated obligation accounts in the context of a comprehensive review of Federal Aid accounting. In addition, FWS has taken steps to develop additional grant accounting expertise within its finance operation.

Reportable Conditions

We discovered the reportable conditions discussed in the paragraphs that follow.

I. DOI and Bureaus Need Improved Controls Over Deferred Maintenance Management and Reporting

In accordance with OMB Bulletin 98-08, we reviewed the internal controls related to transactions and other data that support the reported information on deferred maintenance in the bureaus to determine whether the transactions were properly recorded, processed, and summarized. We found that formal policies and procedures for conducting periodic condition assessment surveys and for computing, compiling, and reporting deferred maintenance funding estimates needed to be established by DOI and the bureaus to promote consistency and accuracy. In addition, the supervisory and monitoring controls over deferred maintenance reporting requires strengthening to ensure that deferred maintenance estimates are accurate, complete, and supported by adequate documentation.

Departmental Response: The Department recognizes the need to continue to improve controls over deferred maintenance management and reporting. The Department has identified inadequate maintenance management capability as a material weakness through out the Department. Progress is being made to correct the material weakness. The Department issued comprehensive facilities condition assessment guidelines in December, 1999 and bureaus are in the process of developing programs to implement these guidelines. Work is also in progress on new maintenance management systems, including a pilot system at the National Park Service. The Department has instituted a five-year capital planning process to improve facilities maintenance and construction planning and ensure that high priority deferred maintenance needs are addressed.

J. DOI and Bureaus Need Improved Controls Over Summarizing Transactions as Government or Non-Government

DOI and the bureaus did not properly summarize transactions as Government or non-Government. This occurred because internal controls were not sufficient to provide reasonable assurance that transactions were properly summarized as Federal (Government) or Public (non-Government) in the general ledger accounts, as required by OMB Bulletin 97-01, "Form and Content of Agency Financial Statements," as amended.

Departmental Response: The Department agrees that it needs to continue to improve internal controls over the classification of transactions as Federal or Public. Additional training is scheduled for staff managing these transactions and quarterly reviews of these accounts will be performed in 2000.

K. FWS Needs Improved Controls Over its Federal Aid Grants to States

FWS did not have adequate controls to ensure that grantee-approved drawdown amounts were for costs incurred. The draft "Grant Financial System Requirements Manual," published by the Joint Financial Management Improvement Program, requires an agency's grant financial management system to include documentation on the timing of a grantee's cash flow, the amounts disbursed to the grantee during the year, and the amounts actually expended by the grantee. FWS did not establish a system to obtain documentation from grant recipients to support costs incurred during the year. Thus, FWS could not verify that the drawdowns were for costs that the grantee incurred during fiscal year 1999.

Departmental Response: The Department and FWS recognized the existence of inadequate management controls and audit follow-up in the Federal Aid Program in fiscal year 1999, and reported it as a new material weakness under the Federal Managers' Financial Integrity Act (see page 59, Compliance with Legal and Regulatory Financial Requirements). To address the material weakness, the FWS Director established five Federal Aid Process Improvement Teams to review every aspect of the program and provide recommendations to enhance program accounting compliance and strengthen overall program accountability and management. The findings and recommendations were reported to the Department on February 15, 2000, and have been incorporated into a comprehensive correction action plan with appropriate milestones and target dates.

STEWARDSHIP AND PERFORMANCE MEASURES

We reviewed DOI's internal controls over the required supplementary stewardship information (pages 135-152) by obtaining an understanding of DOI's internal controls relating to the preparation of the required supplementary stewardship information, determining whether these internal controls had been placed in operation, assessing control risk, and performing tests of these controls as required by OMB Bulletin 98-08. However, providing assurance on these internal controls was not an objective of our audit, and accordingly, we do not provide assurance on such controls.

With respect to the internal controls related to the performance measures reported in DOI's Management Discussion and Analysis section (pages 1-68), we obtained an understanding of significant internal controls related to the existence and completeness assertions as required by OMB Bulletin 98-08. Our procedures were not designed to provide assurance on the internal controls over reported performance measures, and accordingly, we do not provide an opinion on such controls.

We also identified other issues that, in our judgment, were not required to be included in this audit report but that should be communicated to management. We will report these issues in a separate management letter.

REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

We conducted our audit in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States, and with OMB Bulletin 98-08.

Management of DOI is responsible for complying with applicable laws and regulations. As part of obtaining reasonable assurance as to whether DOI's principal financial statements are free of material misstatement, we performed tests of DOI's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of amounts contained in the principal financial statements and certain other laws and regulations specified in OMB Bulletin 98-08, including the requirements referred to in the Federal Financial Management Improvement Act of 1996. However, providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests of compliance with laws and regulations discussed in the preceding paragraphs, exclusive of the Federal Financial Management Improvement Act, disclosed instances of noncompliance that are required to be reported under "Government Auditing Standards" and/or OMB Bulletin 98-08 as follows:

- Chief Financial Officers Act of 1990. BIA did not effectively establish and implement general and financial management practices and improve its systems of accounting, financial management, and internal controls to ensure the issuance of financial information related to the production of complete, reliable, timely, and consistent financial reports. As such, BIA was not in compliance with the Act.

Departmental Response: The Department concurs with this finding. The National Association of Public Administration (NAPA) undertook a study of BIA administrative operations. The bureau has implemented the recommendations included in the NAPA Report and is reorganizing the Division of Accounting Management to include professional positions to improve its financial information systems and internal controls. Implementation of these recommendations should substantially improve the management over financial management practices and internal controls.

- Debt Collection Improvement Act of 1996. BIA was not in compliance with the Debt Collection Improvement Act, which requires that all receivables delinquent for more than 180 days be referred to the U.S. Treasury for collection. BIA had accounts receivable of about $22.8 million that were delinquent for more than 180 days and were eligible for referral at September 30, 1999.

Departmental Response: The Department concurs with this finding. The BIA is referring delinquent debt to Treasury as required by the Debt Collection Improvement Act and expects to be current with the transfer of eligible receivables, including power and irrigation receivables, by the end of the fiscal year 2000.

- Prompt Payment Act. BIA was not in compliance with the Prompt Payment Act, which requires that Federal agencies pay their bills on time, pay interest penalties when payments are made late, and take discounts only when payments are made within the discount period and are advantageous to the Government. A January 24, 2000 quality control report prepared by the Chief, Accounting Operations Branch, National Business Center, for the fourth quarter of fiscal year 1999 stated that the overall accuracy of BIA's prompt pay report was not acceptable because of the number of payment processing errors found.

Departmental Response: The Department recognizes that the BIA needs to continue to improve its prompt payment performance. As part of this process, the BIA conducts periodic quality assurance reviews of payment packages prepared in the field and paid under the BIA Remote Payment Process. BIA is making progress in the internal auditing of payment packages and currently reports that over 90% of all potential errors are corrected at the Regional Offices before payment is made. The Department realizes that this performance needs to continue to improve, and we are working with BIA to achieve an accuracy rate that approaches 100%.

- Government Management Reform Act of 1994. DOI was not in compliance with the Government Management Reform Act, which requires that Federal agencies submit audited financial statements to OMB no later than March 1 of the following year. DOI did not comply with this requirement because it was unable to complete the analyses of all accounts necessary for the preparation of the financial statements in a timely manner. Since the primary financial statement analyses occurred after the fiscal year-end and the closing of the bureaus' general ledgers, more than 750 financial data adjustments totaling over $120 billion were required to be posted for DOI's consolidated financial statements to be presented fairly.

Departmental Response: The Department concurs with this finding. In Fiscal Year 1999, the Department focused its attention on resolving known issues related to specific detail accounts, such as Property Plant and Equipment, Construction in Progress and Undelivered Orders. Further, the Department required bureaus to record all adjustments in the consolidated financial statement data base to enable the Department and the Office of the Inspector General to improve the analysis of bureau level adjustments. This process delayed the completion of the final financial statements. In Fiscal Year 2000, the Department will begin preparing quarterly financial statements, which will allow analytical reviews to be performed prior to fiscal year end. Further, the system capabilities established in Fiscal Year 1999 will be expanded in Fiscal Year 2000 to ensure consistent application of accounting principles and standards.

- Under the Federal Financial Management Improvement Act (FFMIA), we are required to report whether DOI's financial management system is in substantial compliance with requirements for Federal financial management systems, Federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level. To meet these requirements, we performed tests of compliance using the implementation guidance for the Act included in Appendix D of OMB Bulletin 98-08. We identified instances in BLM where the bureau did not comply with the requirements for Federal financial management systems and Federal accounting standards in processing assembled land exchanges.

Departmental Response: The Department does not concur with this finding. After analysis, BLM identified several instances totaling less than $4.5 million for FY 1999 where cash used in assembled land exchanges was determined to be public money that should have been properly deposited in the U.S. Treasury and recorded in the BLM accounting system. Instead, these funds were held by custodians in financial institutions that were not designated as depositories of the Secretary of the Treasury. BLM is modifying its policies and procedures related to assembled land exchange transaction to improve this process. The Department does not believe this represents a substantial non-compliance with requirements for Federal financial management systems, Federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level.

OIG Reply: Although DOI disagreed with the finding, BLM management concurred with the finding in its April 24, 2000 response to the BLM report and has developed a corrective action plan to address the issue. Executive agencies are required by 31 U.S.C. § 3512b to establish and maintain systems of accounting that provide "complete disclosure of the financial results of the activities of the agency, adequate financial information the agency needs for management purposes, effective control over and accountability for assets for which the agency is responsible, and reliable accounting results that will be the basis for . . . suitable integration of the accounting of the agency with the central accounting and reporting responsibilities of the Secretary of the Treasury." In addition, custodians of public money are required by 31 U.S.C. § 3302 to deposit monies with the U.S. Treasury or with a depository designated by the Secretary of the Treasury. At the end of fiscal year 1999, we identified $4.3 million of cash held in escrow accounts or by other third parties that was used in assembled land exchanges but was not recorded in BLM's financial management system. The $4.3 million was reflected in BLM's financial statements. However, because BLM has been designated as a custodian of this public money but did not deposit the cash in the U.S. Treasury or in a designated depository of the Secretary of the Treasury, the Bureau was not in compliance with the requirements for Federal financial management systems.

- As discussed in the Report on Internal Controls section of this report, we believe that the material internal control weaknesses concerning the ineffective general controls over BIA's automated information systems and MMS's financial management and accounting processes are instances of noncompliance with FFMIA.

Departmental Response: The Department concurs with this finding. Both BIA and MMS are taking steps to improve general controls over automated information systems. BIA is in the process of implementing several NAPA recommendations related to computer operations. These changes should result in improved general controls over automated information systems. In addition, MMS is taking steps to improve controls over its automated financial accounting operations.

- Our tests of compliance with laws and regulations disclosed that DOI was not in full compliance with managerial cost accounting standards. This occurred because DOI (1) did not, in all cases, have support for the assignment of costs to responsibility segments when two or more responsibility segments shared resources and (2) did not report the costs of outputs and unit costs of outputs. Statement of Federal Financial Accounting Standards No. 4 requires agencies to establish responsibility segments and to measure and report the full costs of resources consumed by the segment in producing each segment's outputs. Appendix E to the Statements of Federal Financial Accounting Concepts and Standards defines outputs as "a tabulation, calculation, or recording of activity or effort that can be expressed in a quantitative or qualitative manner. They shall have two characteristics: (1) they shall be systematically or periodically captured through an accounting or information management system, and (2) there shall be a logical connection between the reported measures and the program's purpose." The full costs of outputs produced by a responsibility segment are to be assigned by the following methods listed in order of preference: directly tracing costs wherever feasible and economically practicable; assigning costs on a cause-and-effect basis; and allocating costs on a reasonable and consistent basis. Full costs include the direct and indirect costs that contribute to the output regardless of funding sources. Standard No. 4 further provides that in cases where resources are shared by two or more activities, the common costs are to be assigned to activities either on a cause-and-effect basis, if feasible, or through reasonable allocations. BIA did not allocate over $114 million in indirect costs (shared resources) to its segments. BLM allocated about $470 million in indirect costs based on percentages supported by "professional judgement," which we do not consider a reasonable or consistent basis for assigning costs because the percentages were not verifiable.

According to Standard No. 4, "outputs produced by responsibility segments should be accumulated and, if practicable, measured in units [and] the full costs . . . should be assigned to outputs . . .." However, DOI has not identified the costs of all outputs and the costs per unit. For example, one of the performance measures reported by DOI is the number of acre-feet of water delivered by BOR (an output); however, no information is presented on the cost per acre-foot of water delivered.

Departmental Response: The Department does not concur with this finding. During fiscal year 1999, the Department took aggressive steps to align cost information with GPRA information to comply with the Managerial Cost Accounting Standard, SFFAS No. 4. Specifically, the Department required that the responsibility segments identified by bureaus be directly related to the GPRA Program Activities and aligned with the mission goals of the Department. This correlates with the Managerial Cost Accounting Standard requirement which defines a responsibility segment as a component of a reporting entity that is responsible for carrying out a mission, conducting a major line of activity, or producing one or a group of related products and services. The Department reported full cost for individual responsibility segments and presented performance measures for each GPRA Program Activity which align with these responsibility segments. These performance measures are an appropriate reflection of the results or outputs of the GPRA Program Activity for which the costs are reported. Both positive and negative results were reflected.

The official cost records for responsibility segments are the core accounting records of the bureaus and are reflected in the data used to prepare the Department's consolidated financial statements. In cases where costs accumulated in the core accounting records relate to more than one responsibility segment, such costs were assigned to the appropriate responsibility segments. As permitted by SFFAS No. 4, the cost assignments were made by directly mapping accounting data to responsibility segments or by other "cost finding" techniques; for example, by assigning costs to segments on a percentage basis.

All bureaus followed the Department's guidance to report full cost by responsibility segment as described above. The Department is committed to continue improving this process to meet financial statement reporting and management objectives.

***OIG Reply*:** The OIG agrees that DOI took steps to align cost information with Government Performance and Results Act (GPRA) information in order to comply with Standard No. 4. We disagree, however, that DOI has fully complied with the standard because, according to the standard, "the purpose of cost accounting by a responsibility segment is to measure the costs of its outputs." Although DOI has assigned full costs to responsibility segments and aligned the responsibility segments with GPRA program activities, it has not fully identified all the outputs of the responsibility segments or the costs of those outputs, as shown in the BIA, BLM and BOR examples discussed in the finding paragraph.

CONSISTENCY OF OTHER INFORMATION

We reviewed the financial information presented in DOI's Management Discussion and Analysis section (pages 1-68) and Supplementary Information section (pages 135-152) to determine whether the information was consistent with the principal financial statements. Based on our review, we determined that the information in the management discussion and analysis and in the required supplementary information was consistent with the principal financial statements.

PRIOR AUDIT COVERAGE

Based on our review of prior Office of Inspector General audit reports, we found that the material internal control weaknesses for BIA identified in the Report on Internal Controls section of this report were also identified as internal control weaknesses in the following reports:

- The September 1999 report "Deferred Maintenance, National Park Service, U.S. Fish and Wildlife Service, U.S. Geological Survey, Bureau of Indian Affairs, Bureau of Land Management, and Bureau of Reclamation" (No. 99-I-874) stated that the bureaus needed to implement actions to ensure that deferred maintenance information is reliable for budgetary and accounting purposes.

- The June 1998 report "Followup of General Controls Over Automated Information Systems, Operations Service Center, Bureau of Indian Affairs" (No. 98-I-483) stated that the general control weaknesses and risks identified in our audit for fiscal year 1996 continued to exist during fiscal year 1997.

- The May 1997 report "Bureau of Indian Affairs Consolidated Financial Statements for Fiscal Years 1995 and 1996" (No. 97-I-834) stated that BIA's internal control structure was not sufficient to support the balances for the other buildings and structures.

- The April 1997 report "General Controls Over Automated Information Systems, Operations Service Center, Bureau of Indian Affairs" (No. 97-I-771) stated that BIA's general controls over its automated information systems at the Center were not effective. Specifically, according to the report, BIA did not (1) have an effective security program and had not enforced personnel policies and procedures to ensure adequate system security, (2) classify its resources to determine the level of security needed, (3) monitor visitor activities and perform adequate housekeeping to safeguard computer hardware, (4) perform periodic reviews to ensure that users' access levels were appropriate, (5) ensure that the proper version of an application was used in production, (6) have segregation of duties for the system support functions, (7) have controls over system software to effectively detect and deter inappropriate use, and (8) have an effective means of recovering or of continuing computer operations in case a system fails.

OBJECTIVE, SCOPE, AND METHODOLOGY

Management of DOI is responsible for the following:

- Preparing the principal financial statements and the required supplementary information referred to in the Consistency of Other Information section of this report in conformity with generally accepted accounting principles and for preparing the other information contained in the 1999 Annual Report.

- Establishing and maintaining an internal control structure over financial reporting. In fulfilling this responsibility, estimates and judgments are required to assess the expected benefits and related costs of internal control structure policies and procedures.

- Complying with applicable laws and regulations.

We are responsible for the following:

- Expressing an opinion on DOI's principal financial statements.

- Obtaining an understanding of the internal controls based on the internal control objectives in OMB Bulletin 98-08, which require that transactions be properly recorded, processed, and summarized to permit the preparation of the principal financial statements and the required supplementary information in accordance with Federal accounting standards; that assets be safeguarded against loss from unauthorized acquisition, use, or disposal; and that transactions and other data that support reported performance measures be properly recorded, processed, and summarized to permit the preparation of performance information in accordance with criteria stated by management.

- Testing DOI's compliance with selected provisions of laws and regulations that could materially affect the principal financial statements or the required supplementary information.

To fulfill these responsibilities, we took the following actions:

- Examined, on a test basis, evidence supporting the amounts disclosed in the principal financial statements.

- Assessed the accounting principles used and the significant estimates made by management.

- Evaluated the overall presentation of the principal financial statements.

- Obtained an understanding of the internal control structure related to safeguarding assets; compliance with laws and regulations, including the execution of transactions in accordance with budget authority; financial reporting; and certain performance measures reported in the section "Management Discussion and Analysis" of DOI's 1999 Annual Report.

- Tested relevant internal controls over the safeguarding of assets; compliance with laws and regulations, including the execution of transactions in accordance with budget authority; and financial reporting.

- Reviewed the internal controls related to the existence and completeness assertions for systems producing the performance measures information reported in the section "Management Discussion and Analysis" of DOI's 1999 Annual Report.

- Tested compliance with selected provisions of laws and regulations.

We did not evaluate all of the internal controls relevant to the operating objectives as broadly defined by the Federal Managers' Financial Integrity Act, such as those controls related to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to those controls needed to achieve the objectives outlined in our report on internal controls.

Section 5(a) of the Inspector General Act (5 U.S.C. app. 3) requires the Office of Inspector General to list this report in its semiannual report to the Congress. In addition, the Office of Inspector General provides audit reports to the Congress.

This report is intended for the information of management of DOI and OMB and the Congress. However, this report is a matter of public record, and its distribution is not limited.

Earl E. Devaney
Inspector General

Audited Consolidated Financial Statements

U.S. Department of the Interior
Consolidated Statement of Financial Position
September 30, 1999

(dollars in thousands)

ASSETS	
Assets of the Department	
Current Assets	
Fund Balance with Treasury (Note 2)	$ 5,638,996
Cash and Other Monetary Assets	45,952
Investments (Note 3)	
Treasury Securities	2,387,873
Public Securities	237,142
Accounts Receivable (Note 4)	
Public, Net of Allowance for Doubtful Accounts	139,180
Due from Federal Agencies	523,419
Inventory (Note 5)	386,612
Total Current Assets	9,359,174
Property, Plant and Equipment, Net of Depreciation	
Bldgs, Structures and Facilities, Net	13,533,325
Construction in Progress	2,611,703
Equipment, Vehicles and Aircraft, Net	556,528
Other Plant Equipment, Net	63,092
Total Property, Plant and Equipment (Note 6)	16,764,648
Stewardship Assets (Note 7)	
Other Assets - Federal	
Receivable from Appropriations	298,162
Other Assets - Public	
Loans and Interest Receivable (Note 8)	172,641
Advances and Prepayments	62,488
Investigations and Development	654,007
Other Assets	208,028
Total Other Assets	1,395,326
Restricted Assets	
Conservation Funds - Fund Balance with Treasury (Note 2)	14,457,518
Reclamation Fund - Fund Balance with Treasury (Note 2)	2,071,844
Reclamation Fund - Long Term and Other Accounts Receivable	1,556,240
Total Restricted Assets (Note 9)	18,085,602
Total Department Assets	45,604,750
Assets Held on Behalf of Others	
Royalty Management:	
Fund Balance with Treasury (Note 2)	433,248
Escrow Investments (Note 3)	1,737,026
Accounts Receivable	591,620
Non-Royalty Management:	
Funds Transferable to Treasury (Note 2)	271,012
Non-Current and Unmatured Receivables	1,908,641
Other Assets	202,323
Total Assets Held on Behalf of Others	5,143,870
TOTAL ASSETS	$ 50,748,620

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

U.S. Department of the Interior
Consolidated Statement of Financial Position
September 30, 1999

(dollars in thousands)

LIABILITIES AND NET POSITION	
Liabilities	
Liabilities Covered by Budgetary Resources	
Liabilities to the Public:	
Accounts Payable	$ 454,737
Accrued Payroll and Benefits	206,359
Advances and Deferred Credits	367,348
Deferred Revenue (Note 10)	3,454,557
Custodial Receipts Payable to the Public	143,480
Total liabilities to the Public	4,626,481
Liabilities to Federal Agencies:	
Accounts Payable	42,301
Deferred Revenue and Other	57,036
Notes Payable to Treasury (Note 11)	1,463,403
Undistributed Royalty Collections	2,618,414
Receipts Transferable to Treasury	65,544
Other Amounts Payable to Federal Agencies	127,944
Total liabilities to Federal Agencies	4,374,642
Total Covered by Budgetary Resources	9,001,123
Liabilities Not Covered by Budgetary Resources	
Unfunded Payroll Costs, payable to the Public	307,920
Contingent Liabilities, payable to the Public (Note 12)	790,387
Actuarial Liabilities, payable to Federal Agencies	453,790
Other Unfunded Liabilities, payable to Federal agencies	31,311
Total Not Covered by Budgetary Resources	1,583,408
Total Liabilities	10,584,531
Net Position	
Unexpended Appropriations (Note 13)	5,685,996
Cumulative Results of Operations	17,691,913
Restricted Equity - Conservation and Reclamation Funds	16,786,180
Total Net Position	40,164,089
TOTAL LIABILITIES AND NET POSITION	$ 50,748,620

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

U.S. Department of the Interior
Consolidated Statement of Net Cost of Operations
for the year ended September 30, 1999

(dollars in thousands)

Expenses	
Operating Expenses (Note 14)	$ 10,832,948
Other Expenses	
Depreciation and Amortization	426,283
Net Loss on Disposition of Assets	37,322
Bad Debt Expense	(5,272)
Interest on Borrowings from Treasury	12,872
Other Interest Expense	15,217
Contingent Expense	267,886
Total Other Expenses	754,308
Total Expenses	11,587,256
Revenues	
Sales of Goods and Services to the Public	1,401,442
Sales of Goods and Services to Federal Agencies	885,573
Other Revenues	
Interest, Penalties and Premiums-Federal	20,763
Interest, Penalties and Premiums-Public	36,496
Total Revenues	2,344,274
NET COST OF OPERATIONS	$ 9,242,982

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

U.S. Department of the Interior
Consolidated Statement of Changes in Net Position
for the year ended September 30, 1999

(dollars in thousands)

Change in Net Position from Entity Operations	
Net Cost of Operations	$ (9,242,982)
Financing Sources Other than Revenue	
Appropriated Capital Used (Note 16)	10,064,480
Abandoned Mine Land Fees and Other Taxes	603,583
Imputed Financing Sources	388,874
Donated Revenue	40,210
Custodial Revenue Transferred to Reclamation Fund and Other	411,240
Changes from Financing Sources Other than Revenue	11,508,387
Transfers Out and Other Changes in Equity	
Transfers, Net	(1,762,697)
Other Non-Op Changes in Net Position	(6,543)
Changes from Transfers and Other Changes	(1,769,240)
Total Change in Net Position from Entity Operations	496,165
Change in Net Position from Non-Entity Operations	
Custodial Activity (Note 16)	
Collection of Custodial Revenue	4,549,650
Custodial Revenue Transferred to Others	(4,652,641)
Net Change in Royalties to be Transferred	102,991
Net Change from Custodial Activity	0
Conservation Fund Activity	
Conservation Fund Revenues	907,977
Conservation Fund Disbursements	(446,484)
Net Change from Conservation Fund Activity	461,493
Net Results of Operations	957,658
Prior Period Adjustments (Note 15)	(419,587)
Change In Net Position from Operations	538,071
Increase (Decrease) in Unexpended Appropriations	(411,999)
Total Change In Net Position	126,072
Net Position - Beginning of Year	40,038,017
Net Position - End of Year	$ 40,164,089

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

U.S. Department of the Interior
Consolidated Statement of Custodial Activity
for the year ended September 30, 1999

(dollars in thousands)

Collections on Behalf of the Federal Government	
Mineral Lease Collections	
Rents and Royalties	$ 3,854,095
Offshore Lease Sales	588,953
Other	1,097
Total Mineral Lease Collections	4,444,145
Earnings on Escrow Investments	
Interest Earned - Federal Investments	46,388
Amortized Discount on Federal Investments (Note 3)	37,218
Total Earnings on Escrow Investments	83,606
Receivable Accrual Adjustment	21,899
Total Collections on Behalf of the Federal Government	$ 4,549,650
Disposition of Collections	
Transferred to Others (Note 16)	
Department of the Treasury	$ 2,498,631
National Park Service Conservation Funds	898,978
States	575,588
Bureau of Reclamation	370,923
Minerals Management Service Offshore Program	100,000
Indian Tribes and Agencies	60,562
Other Federal Agencies	20,445
Other Transfers	127,514
Total Transferred to Others	4,652,641
Decrease in Collections Pending Transfer	(102,991)
Total Disposition of Collections	$ 4,549,650

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

U.S. Department of the Interior
Combined Statement of Budgetary Resources
for the year ended September 30, 1999

(dollars in thousands)

Budgetary Resources	
Budget Authority	$ 10,259,314
Appropriations Avail for Investment, Not Obligation	1,443,912
Unobligated Balances - Beginning of Period	3,483,856
Spending Authority from Offsetting Collections	2,814,837
Total Adjustments	137,509
Total of Budgetary Resources	$ 18,139,428
Status of Budgetary Resources:	
Obligations Incurred	$ 13,296,818
Unobligated Balances - Available	3,061,790
Available for Investment, Not obligation	1,443,912
Unobligated Balances - Not Available	336,908
Total Status of Budgetary Resources	$ 18,139,428
Outlays	
Total Obligations Incurred	$ 13,296,818
Spending Authority from Offsetting Collections and Adjustments	(3,022,137)
Obligated Balance, Net - Beginning of Period	3,473,374
Obligated Balance Transferred, Net	(5,771)
Obligated Balance, Net - End of Period	(3,692,518)
Total Outlays	$ 10,049,766

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

U.S. Department of the Interior
Combined Statement of Financing
for the year ended September 30, 1999

(dollars in thousands)

Obligations and Nonbudgetary Resources:		
Obligations Incurred	$ 13,296,818	
Spending Authority from Offsetting Collections and Adjustments	(3,073,682)	
Subtotal	10,223,136	
Revenue Not in the Budget	(764,278)	
Transfers to Treasury or Other Agencies	(868,284)	
Imputed Financing	366,336	
Other Financing Sources	342,417	
Total Obligations as Adjusted, and Nonbudgetary Resources		$ 9,299,327
Resources That Do Not Fund Net Cost of Operations:		
Change in Goods and Services Ordered But Not Yet Received	(149,099)	
Costs Capitalized	(223,593)	
Purchase of Non-Government Securities	(137,383)	
Other	(14,204)	
Total Resources That Do Not Fund Net Costs of Operations		(524,279)
Costs That Do Not Require Resources:		
Depreciation	426,283	
Financing Sources that Fund Costs of Prior Periods	(259,680)	
Other	44,718	
Total Costs That Do Not Require Resources		211,321
Financing Sources Yet to Be Provided		256,613
Net Cost of Operations		$ 9,242,982

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

U.S. Department of the Interior
Notes to Principal Financial Statements
as of September 30, 1999

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The U.S. Department of the Interior is a Cabinet agency of the Executive Branch of the United States Government. Created in 1849 by Congress as the Nation's principal conservation agency, Interior has responsibility for most of the Nation's publicly-owned lands and natural resources. Interior's mission is (a) to encourage and provide for the appropriate management, preservation and operation of the Nation's public lands and natural resources for use and enjoyment both now and in the future; (b) to carry out related scientific research and investigations in support of these objectives; (c) to develop and use resources in an environmentally sound manner and provide equitable return on these resources to the American taxpayer; and (d) to carry out the trust responsibilities of the federal government with respect to American Indians and Alaska Natives.

The accompanying financial statements include all federal funds under Interior's control, including the Land and Water Conservation Fund, the Historic Preservation Fund and the Reclamation Fund. The financial statements do not, however, include trust funds, trust related deposit funds or other related accounts which are administered, accounted for and maintained by Interior's Office of Trust Funds Management on behalf of Native American tribes and individuals. Interior issues financial statements for Indian Trust Funds under separate cover. The financial statements included herein also do not include the effects of centrally administered assets and liabilities related to the federal government as a whole, such as public borrowing or tax revenue, which may in part be attributable to Interior.

B. Organization and Structure of Interior

At September 30, 1999, Interior was comprised of the following eight operating bureaus and offices (Bureaus) and Departmental Offices:

- National Park Service
- U.S. Fish and Wildlife Service
- Bureau of Land Management
- Bureau of Reclamation
- Office of Surface Mining
- Minerals Management Service
- U.S. Geological Survey
- Bureau of Indian Affairs
- Departmental Offices

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

C. Basis of Accounting and Presentation

These financial statements have been prepared to report the financial position, net cost of operations, custodial activities, changes in net position, and budgetary resources of the U.S. Department of the Interior (Interior or the Department) as required by the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. These financial statements have been prepared from the books and records of Interior in accordance with generally accepted accounting principles (GAAP) using guidance issued by the Federal Accounting Standards Advisory Board (FASAB) and the Office of Management and Budget (OMB) and Interior's accounting policies which are summarized in this note. These financial statements present proprietary and budgetary information while other financial reports also prepared by the Department pursuant to OMB directives are used to monitor and control the Department's use of budgetary resources.

The financial statements should be read with the realization that they are for a component of the United States Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources and legal authority to do so.

The accounting structure of federal agencies is designed to reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned, and expenses are recognized when incurred, without regard to receipt or payment of cash. The budgetary accounting principles, on the other hand, are designed to recognize the obligation of funds according to legal requirements, which in many cases is prior to the occurrence of an accrual-based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of federal funds.

D. Fund Balance with Treasury, Cash, and Other Monetary Assets

Interior maintains all cash accounts with the U.S. Treasury except for imprest fund accounts. The account, Fund Balance with Treasury, primarily represents appropriated, revolving, and trust funds available to pay current liabilities and finance authorized purchases. Cash disbursements are processed by Treasury, and Interior's records are reconciled with those of Treasury on a regular basis. Note 2 provides additional information concerning Fund Balance with Treasury.

E. Investments

Interior invests funds in federal government securities on behalf of various Interior programs and for amounts held in certain escrow accounts. In addition, the Bureau of Indian Affairs is authorized by law to invest irrigation and power receipts in federal and non-federal securities. Investments in non-federal securities consist of certificates of deposit from insured institutions. Note 3 provides additional information concerning investments.

F. Accounts Receivable

Accounts Receivable consist of amounts owed to Interior by other federal agencies and the public. Federal accounts receivable arise generally from the provision of goods and services to other federal agencies and, with the exception of occasional billing disputes, are considered to be fully collectible. Receivables from the public generally arise either from the provision of goods and services or from the levy of fines and penalties resulting from Interior's regulatory responsibilities. An allowance for doubtful accounts is established for reporting purposes based on past experience in the collection of accounts receivable and analysis of outstanding balances. Note 4 provides additional information concerning accounts receivable.

G. Inventory

Interior's inventory is primarily composed of maps for sale, helium for sale, and helium stockpile inventory. See Note 5 for information concerning inventory valuation and accounting methods.

H. Property, Plant and Equipment

General Purpose Property, Plant and Equipment

General purpose Property, Plant and Equipment consists of buildings, structures, and facilities used for general operations, power, irrigation, fish and wildlife enhancement, and recreation; land acquired for general operating purposes; equipment, aircraft and vehicles; and construction in progress. The capitalization and depreciation policies for property, plant and equipment are determined individually by Interior bureaus. In general, buildings and structures are capitalized at acquisition cost and depreciated using the straight-line method over a useful life of from 20 to 50 years with the exception of dams and certain related property which is depreciated over useful lives of up to 100 years. Equipment is capitalized at acquisition cost and is depreciated using the straight-line method over the useful lives generally ranging from 5 to 20 years. Capitalization thresholds are determined by the individual bureaus and generally range from $50,000 to $500,000 for real property and from $5,000 to $15,000 for equipment.

Stewardship Assets

Statement of Federal Financial Accounting Standards (SFFAS) No. 6, "Accounting for Property, Plant and Equipment," established various categories of Stewardship Assets, including stewardship land and heritage assets.

The vast majority of public lands presently under the management of the Department were acquired by the federal government as public domain land during the first century of the Nation's existence and are considered to be stewardship land. A portion of these lands have been set aside as national parks, wildlife refuges and wilderness areas, while the remainder are managed for multiple use. Heritage assets are assets with historical, cultural or natural significance. The Department is responsible for maintaining a vast array of heritage assets, including national monuments, historic structures, archeological artifacts and museum collections.

While the stewardship assets managed by the Department are priceless and irreplaceable, no financial value can be placed on them. Thus, in accordance with federal accounting standards, Interior assigns no financial value to the stewardship land or heritage assets it administers, and the Property, Plant and Equipment capitalized and reported on the Statement of Financial Position excludes these assets.

The Stewardship Assets section of this report provides additional information concerning stewardship land and heritage assets.

I. Loans and Interest Receivable

Loans are accounted for as receivables after the funds have been disbursed. For loans obligated after the effective date of the Credit Reform Act, October 1, 1990, the amount of the federal loan subsidy is computed. The loan subsidy includes estimated delinquencies and defaults net of recoveries, the interest rate differential between the loans rates and Treasury borrowings, offsetting fees, and other estimated cash flows associated with these loans. The value of loans receivable is reduced by the present value of the expected subsidy costs. For loans obligated prior to October 1, 1990, principal, interest and penalties receivable are presented net of an allowance for estimated uncollectible amounts. The allowance is based on past experience, present market conditions, an analysis of outstanding balances and other direct knowledge relating to specific loans. Note 8 provides additional information concerning loans receivable.

J. Receivable from Appropriations

These amounts represent the funds obligated by the Department of Transportation for the use of the Bureau of Indian Affairs in its road construction program.

K. Investigations and Development

Investigations and development comprise reimbursable and non-reimbursable investigation and development costs incurred by the Bureau of Reclamation and related entities for water management projects that are not yet under construction. These costs are accumulated until the project is either authorized for construction or the decision is made not to undertake the project. When a project is authorized, the costs are moved to the construction in progress account, and upon project completion, to a completed asset account. Costs related to projects which will not be undertaken are written off.

L. Liabilities and Contingent Liabilities

Liabilities represent the amount of monies or other resources that are likely to be paid by Interior as the result of a transaction or event that has already occurred. The financial statements should be read with the realization that the Department of the Interior is a component of a sovereign entity, that no liability can be paid by the Department absent an appropriation of funds by Congress, and the payment of all liabilities other than for contracts can be abrogated by the sovereign entity. Liabilities for which an appropriation has not been enacted are, therefore, classified as liabilities not covered by budgetary resources, or unfunded liabilities, and there is no legal certainty that the appropriations will be enacted.

Contingent liabilities are those where the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. Interior recognizes contingent liabilities when the liability is probable and reasonably estimable. In accordance with federal accounting guidance, the liability for future clean-up of environmental hazards is "probable" only when the government is legally responsible for creating the hazard or is otherwise related to it in such a way that it is legally liable to clean-up the contamination. Thus, expected future payments for the clean-up of environmental hazards caused by others are not recognized as liabilities by Interior. Rather, these payments arise out of Interior's sovereign responsibility to protect the health and safety of the public, and are recognized in the accounting records as remediation work performed. See Note 12 for additional information regarding contingent liabilities.

M. Personnel Compensation and Benefits

Annual leave is accrued as it is earned by employees and is included in personnel compensation and benefit costs. An unfunded liability is recognized for earned but unused annual leave, since from a budgetary standpoint, this annual leave will be paid from future appropriations when the leave is used by employees, rather than from amounts which had been appropriated to Interior as of the date of the financial statements. The amount accrued is based upon current pay of the employees.

The Department of Labor (DOL) administers the Workers' Compensation Program on behalf of the federal government, and all payments to workers' compensation program beneficiaries are made by DOL. At any point in time, the Department will have two types of liabilities related to workers' compensation. First, the Department will have a known, unfunded payable to DOL for the amount of actual payments made by DOL but not yet reimbursed by the Department. The Department reimburses DOL for these payments as funds are appropriated for this purpose, and, there is generally a two to three year time period between payment by DOL and receipt of appropriations by the Department. Second, the Department has an estimated, unfunded liability for future payments to existing beneficiaries as a result of past events. This estimated liability is computed by DOL using a method that considers historical benefit payment patterns, wage inflation factors, medical inflation factors and other variables. These actuarially computed projected annual benefit payments are discounted to present value using the Office of Management and Budget's economic assumptions for ten-year Treasury notes and bonds. This unfunded liability is recognized in accordance with SFFAS No. 4, "Managerial Cost Accounting".

Unemployment compensation insurance is paid by the Department to the Office of Personnel Management annually. Sick leave and other types of leave are expensed when used, and no future liability is recognized for these amounts.

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

For FERS employees, Interior contributes an amount equal to one percent of the employee's basic pay to the tax deferred thrift savings plan and matches employee contributions up to an additional four percent of pay. FERS employees can contribute 10 percent of their gross earnings to the plan. CSRS employees are limited to a contribution of five percent of their gross earnings and receive no matching contribution from Interior.

The Office of Personnel Management is responsible for reporting assets, accumulated plan benefits and unfunded liabilities, if any, applicable to CSRS participants and FERS employees governmentwide, including Interior employees.

N. Revenues and Financing Sources

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

Appropriations: The vast majority of Interior's operating funds are appropriated by Congress to the Department from the general receipts of the Treasury. These funds are made available to the Department for a specified time period, usually one fiscal year, multiple fiscal years or indefinitely, depending upon the intended use of the funds. For example, funds for general operations are generally made available for one fiscal year; funds for long term projects such as major construction will be available to the Department for the expected life of the project; and funds used to establish revolving fund operations are generally available indefinitely.

Exchange and Non-Exchange Revenue: In accordance with federal government accounting guidance, Interior classifies revenues as either exchange revenue or non-exchange revenue. Exchange revenues are those that derive from transactions in which both the government and the other party receive value, including park entrance fees; map sales; reimbursements for services performed for other federal agencies and the public; reimbursements for the cost of constructing and maintaining irrigation and water facilities; and other sales of goods and services. These revenues are presented on Interior's Statement of Net Cost of Operations and serve to reduce the reported cost of operations borne by the taxpayer. Non-exchange revenues derive from the government's sovereign right to demand payment, including fines for violation of environmental laws, and Abandoned Mine Land duties charged per ton of coal mined. These revenues are not considered to reduce the cost of Interior's operations and are reported on the Statement of Changes in Net Position.

With minor exceptions, all receipts of revenues by federal agencies are processed through the Department of the Treasury central accounting system. Regardless of whether they derive from exchange or non-exchange transactions, all receipts that are not earmarked by congressional appropriation for departmental use are deposited in Treasury and become part of the general receipts used to fund all federal operations. Amounts not retained for use by the Department are reported as transfers to other government agencies on Interior's Statement of Changes in Net Position.

In certain cases, the prices charged by Interior are set by law or regulation, which for program and other reasons, may not represent full cost (e.g., grazing fees, park entrance, and other recreation fees). Prices set for products and services offered through working capital funds are intended to recover the full costs incurred by these activities.

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

Custodial Revenue: Interior's Royalty Management Program, administered by the Minerals Management Service, collects royalties, rents, bonuses and other receipts from federal and Indian oil, gas, and mineral leases, and distributes the proceeds to the Treasury, other federal agencies, states, Indian tribes, and Indian allottees, in accordance with legislated allocation formulas. The amounts collected and transferred are disclosed in the Statement of Custodial Activities and are not considered to be revenue of Interior or of the Minerals Management Service.

Aquatic Resources Trust Fund: The Department derives benefits from the Aquatic Resources Trust Fund maintained by the U.S. Treasury, which collects and invests those funds. These funds are used to make grants available to states for support projects that restore, conserve, manage, protect, and enhance sport fish resources and coastal wetlands and projects that provide for public use and benefits from sport fish resources. The Appropriations Act of 1951 authorized amounts equal to revenues credited during the year to be used in the subsequent fiscal year. This inflow is recorded as permanent appropriations to remain available until expended. These statements do not reflect the amounts collected and held by Treasury in this fiscal year for reporting in subsequent years.

O. Federal Government Transactions

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

All identified intra-departmental transactions have been eliminated from Interior's consolidated financial statements.

P. Income Taxes

As an agency of the federal government, Interior is exempt from all income taxes imposed by any governing body, whether it be a federal, state, commonwealth, local or foreign government.

NOTE 2. FUND BALANCE WITH TREASURY

A. Current Assets

Treasury performs cash management activities for all federal agencies. The Fund Balance with Treasury under Current Assets represents the right of Interior to draw on Treasury for allowable expenditures.

B. Assets Held on Behalf of Others

The Fund Balance with Treasury classified as Assets Held on Behalf of Others represents royalty collections received by the Minerals Management Service, and held by it as custodian, until disbursed to recipients.

Fund Balance with Treasury

(dollars in thousands)	1999
Entity Assets	
Appropriated	$5,053,896
Revolving	496,684
Trust Funds	88,416
Subtotal	5,638,996
Restricted	
Conservation Funds	14,457,518
Reclamation Funds	2,071,844
Total Entity Assets	22,168,358
Non-Entity Assets	
Other Fund Types	
Royalty Management	433,248
Other	271,012
Total Non-Entity Assets	704,260
Total Fund Balance with Treasury	$22,872,618

NOTE 3. INVESTMENTS

A. Current Assets

1. Investments in Federal Securities

The Office of Surface Mining, the Fish and Wildlife Service, the Bureau of Indian Affairs, the National Park Service, and Departmental Offices invest funds in federal government securities on behalf of various Interior programs.

Treasury Securities as of September 30, 1999

(dollars in thousands)	Par Value	Unamortized Discount	Net Book Value
Office of Surface Mining	$1,764,997	($13,032)	$1,751,965
U.S. Fish and Wildlife Service	426,361	-	426,361
Departmental Offices	204,278	1,838	206,116
Bureau of Indian Affairs	2,026	(7)	2,019
Bureau of Land Management	1,358	(11)	1,347
National Park Service	65	-	65
Total Treasury Securities	$2,399,085	($11,212)	$2,387,873

Office of Surface Mining: Effective October 1, 1991, the Office of Surface Mining was authorized to invest available Abandoned Mine Land (AML) trust funds in non-marketable federal securities. The Bureau of Public Debt is the sole issuer of authorized non-marketable federal securities which are available for purchase through Treasury. Surface Mining has authority to invest AML trust funds in Treasury bills, notes, bonds, par value special issues, and one-day certificates. Presently, all earnings from AML investments are reinvested, providing a source of continuous funding to further enhance AML trust fund equity.

A portion of the investment interest earned is transferred to the United Mine Workers of America Combined Benefit Fund to provide health benefits for certain eligible retired coal miners and their dependents. A total of $82 million was transferred to this fund in 1999.

U.S. Fish and Wildlife Service: The U.S. Treasury collects, invests, and maintains on behalf of the Fish and Wildlife Service (FWS) the Aquatic Resources Trust Fund, which includes FWS's Sport Fish Restoration Account. Amounts equal to revenues credited during the year may be used in subsequent fiscal years for specified purposes. The FWS investment amount does not include 1999 collections held by Treasury for reporting in subsequent years.

Departmental Offices: Effective 1994, the Office of the Secretary (part of Departmental Offices) was delegated responsibility for investing funds contributed to the Utah Reclamation Mitigation and Conservation Account. These amounts are invested in Treasury securities.

Bureau of Indian Affairs: The Bureau of Indian Affairs (BIA) invests irrigation and power receipts in U.S. Government and public securities until the funds are required for project operations. Federal investments are purchased under the U.S. Treasury Overnighter Program and in Treasury bills and notes. BIA's investments in public securities are discussed more fully below.

National Park Service: The National Park Service administers an endowment on behalf of the Lincoln Farm Association. Investment earnings from this endowment are used to provide for maintenance and upkeep of Abraham Lincoln's birthplace.

When previously issued Treasury bills are purchased by the Department, the unamortized discount is calculated by Treasury at the time of the purchase.

2. Investments in Non-Federal Securities

The BIA is authorized by law to invest irrigation and power receipts in federal and non-federal securities. Investments in non-federal securities consist of certificates of deposit from insured institutions, various mortgage instruments, bank notes and bonds. Mortgage instruments are issued by the Federal National Mortgage Association (Fannie Mae) and similar government corporations. Bonds and bank notes are issued by Federal Home Loan Banks, the Federal Judiciary and the Federal Farm Credit Banks. Investments in federal securities reflect investments held by the BIA's Power and Irrigation program as of September 30, 1999, and are recorded at cost.

B. Assets Held on Behalf of Others

Pursuant to the Outer Continental Shelf Lands Act, the Minerals Management Service is authorized to invest receipts from Outer Continental Shelf leases having boundary disputes on federal securities. The current investment amount results from an ongoing boundary dispute with the State of Alaska dating back to 1979 regarding the location of the state/federal boundary in the Beaufort Sea. The funds are continually reinvested and will be disbursed when the boundary dispute is resolved.

During 1997, based on merits of the dispute, the Supreme Court reached a decision in favor of the federal government. The federal government is currently developing a plan for the distribution of the funds currently held in escrow. This plan will be submitted to the Court for approval, and based on distribution instructions to be included in the final decree, the escrow funds will be immediately distributed.

Investments Held by Minerals Management Service

(dollars in thousands)	1999
Cost	$1,699,809
Amortized Discount	37,217
Net Book Value	$1,737,026

NOTE 4. ACCOUNTS RECEIVABLE

A. Current Assets

Due From the Public, Net of Allowance for Doubtful Accounts: Accounts receivable due to Interior from the public may arise either from the sale of products and services or from the imposition of regulatory fines and penalties. Products and services sold by Interior are diverse and include the sales of water and hydroelectric power by the Bureau of Reclamation, and water testing and other scientific studies conducted for state and local governments by the U.S. Geological Survey. Fines and penalties are imposed by the Office of Surface Mining, the Minerals Management Service, the Fish and Wildlife Service, and other bureaus in the enforcement of various environmental laws and regulations. In general, receivables arising from the sales of products and services are paid more promptly and with fewer uncollectible accounts than those arising from fines and penalties.

Accounts Receivable Due from Public

			Past Due Accounts			Allowance for Doubtful	
(dollars in thousands)	Unbilled	Current	1-180 days	181-365 days	Over 1 yr	Accounts	1999
U.S. Geological Survey	$50,009	$12,053	$9,770	$2,031	$5,728	($5,524)	$74,067
Bureau of Reclamation	10,689	586	539	10,945	667	(449)	22,977
Bureau of Indian Affairs	6	5,037	1,829	4,217	18,865	(17,804)	12,149
National Park Service	645	5,967	875	282	1,436	(885)	8,320
Bureau of Land Management	3,335	3,157	767	684	2,785	(2,557)	8,172
U.S. Fish and Wildlife Service	(11)	3,187	95	1,854	492	(351)	5,266
Office of Surface Mining	-	558	279	834	26,223	(26,571)	1,323
Minerals Management Service	182	445	15	19	160	-	820
Departmental Offices and Other	38	5,561	305	91	102	(10)	6,086
Total Accounts Receivable - Public	$64,892	$36,551	$14,473	$20,956	$56,459	($54,151)	$139,180

Due from Federal Agencies: Accounts Receivable Due from Federal Agencies arise from the sale of products and services to other federal agencies, including the sale of maps, the conduct of environmental and scientific services, and the provision of administrative and other services. These reimbursable arrangements generally reduce the duplication of effort within the federal government resulting in a lower cost of federal programs and services. All receivables from other federal agencies are considered to be collectible, as there is no credit risk. However, an allowance for doubtful accounts may be used occasionally to recognize billing disputes. Unbilled receivables reflect work performed to date on long term agreements, which will be billed in the future at the completion of the project or at agreed upon milestones.

Accounts Receivable Due from Federal Agencies

(dollars in thousands)	Receivables	Allowance for Doubtful Accounts	1999
U,S, Fish and Wildlife Service	$ 416,916	$ -	$ 416,916
U.S. Geological Survey	82,213	(1,932)	80,281
Bureau of Indian Affairs	22,612	-	22,612
Bureau of Land Management	14,250	-	14,250
National Park Service	14,226	22	14,248
Minerals Management Service	7,219	-	7,219
Bureau of Reclamation	2,014	-	2,014
Office of Surface Mining	34	-	34
Departmental Offices and Other	30,239	-	30,239
Intra-Departmental Eliminations	(64,394)	-	(64,394)
Total Accounts Receivable - Federal	$525,329	($1,910)	$523,419

B. Other Assets and Assets Held on Behalf of Others

Non-Current, Unmatured, and Other Receivables: These receivables represent amounts due at future dates to the Bureau of Reclamation from the beneficiaries of large water and irrigation projects. The reimbursable costs of multiple-purpose water projects are recovered from project beneficiaries. That portion which will be returned to Treasury is reported as held on behalf of others while the remainder is reported as Reclamation Fund Accounts Receivable (see Note 9).

The federal government and the Central Arizona Water Conservation District (CAWCD) have been engaged in litigation regarding several issues related to the Central Arizona Project (CAP). As a result of the litigation, the federal government and the CAWCD are prepared to enter into a stipulated settlement agreement that would fix CAWCD's repayment obligation at $1.65 billion of the Water Supply System and the New Waddell and Modified Roosevelt Dams Stages of the Central Arizon Project. This represents a reduction of the expected repayment obligation of the CAWCD from what was calculated under the Master Repayment Contract for the Central Arizona Project. Under the agreement, CAWCD will pay about $1.67 billion with a fixed interest bearing portion of 73 percent and will reallocate a block of 200,000 acre feet of annual water supply from reimbursable non-federal purposes to non-reimbursable federal purposes. The reallocated federal water is intended for use in settling Indian water rights claims with tribes in central Arizona. The settlement itself does not require congressional approval; however, its implementation will require congressional approval and the settlement is conditioned upon several Indian water rights settlements and other legislation being approved and implemented.

NOTE 5. INVENTORY

The U.S. Geological Survey (USGS) publishes maps and map products for sale to the public and other federal agencies, which are stored primarily in the USGS Rocky Mountain Mapping Center in Denver, Colorado. The inventory is valued at historical cost.

The Helium Privatization Act of 1996, enacted October 9, 1996, directs the privatizing of Interior's Federal Helium Refining Program. Under this law, Interior ceased the production, refining, and marketing of refined helium as of April 1, 1998. Interior is authorized to store, transport, and withdraw crude helium and maintain and operate crude helium storage facilities in existence on the date of enactment. The helium stockpile inventory is stored underground in a partially depleted natural gas reservoir. The volume of helium is accounted for on a perpetual inventory basis.

Interior may also enter into agreements with private parties for the recovery and disposal of helium on federal lands and may grant leasehold rights to any such helium. The Bureau of Land Management believes that 95 percent of the stockpile is recoverable; however, the amount of helium that will eventually be recovered depends on the future price of helium and the ability to control the mixing of natural gas and the stockpiled helium. The sale of stockpile crude helium will commence no later than January 1, 2005, and will continue until January 1, 2015, at which time the helium reserves should be reduced to 600 million cubic feet.

Inventory

(dollars in thousands)	1999
Helium	$364,131
Published Maps Held for Sale	16,597
Seized Property for Sale	5,027
Other Inventory	536
Operating Materials	321
Total Inventory	$386,612

NOTE 6. PROPERTY, PLANT, AND EQUIPMENT

The Department complies with the Statement of Federal Financial Accounting Standards (SFFAS) No. 6, "Accounting for Property, Plant and Equipment." This standard established two broad classifications of federal property. General Property, Plant and Equipment, which is presented in the following table, consists of that property which is used in operations and, with some exceptions, consumed over time. Stewardship property, described in Note 7 and in the Stewardship Assets section of the report, consists of public domain land and heritage assets, such as national monuments and historic sites, which are expected to be maintained by Interior in perpetuity for the benefit of current and future generations.

Construction In Progress is used for the accumulation of the cost of construction or major renovation of fixed assets during the construction period. Each individual bureau sets its own policy for using the construction in progress account; however, in general, the assets are transferred out of Construction in Progress when the entire project is completed, regardless of the status of individual sub-phases of the project.

Fiscal year 1999 accumulated depreciation related to buildings, structures and facilities; vehicles, equipment, and aircraft; and other plant and equipment totals $9,392 million, $738 million, and $24 million, respectively. Buildings, structures, and facilities includes approximately $1,750 million of land.

Property, Plant, and Equipment

(dollars in thousands)	Buildings, Structures, and Facilities	Construction in Progress	Equipment, Vehicles and Aircraft	Other Plant and Equipment	Accumulated Depreciation	1999
Bureau of Reclamation	$18,658,691	$1,987,723	$91,409	$77,289	($7,356,491)	$13,458,621
Bureau of Indian Affairs	2,296,230	84,965	162,278	(0)	(1,390,167)	1,153,306
National Park Service	747,869	183,536	341,157	412	(490,105)	782,869
U.S. Fish and Wildlife Service	931,902	131,966	163,778	-	(469,640)	758,006
Bureau of Land Management	176,398	26,248	252,711	5,186	(229,261)	231,282
U.S. Geological Survey	113,779	-	212,983	-	(189,950)	136,812
Minerals Management Service	-	-	20,080	-	(7,373)	12,707
Office of Surface Mining	-	-	5,822	-	(2,791)	3,031
Departmental Offices & Other	487	197,265	44,354	4,098	(18,190)	228,014
Net Property, Plant and Equipment	$22,925,356	$2,611,703	$1,294,572	$86,985	($10,153,968)	$16,764,648

NOTE 7. STEWARDSHIP ASSETS

Stewardship Assets consist of land and other assets that have been entrusted to the Department to maintain in perpetuity for the benefit of future generations. No financial value is or can be placed on these assets.

As a Nation, the United States once owned nearly two billion acres of public lands. In the course of national expansion and development, public lands were sold or deeded by the federal government to the states and their counties and municipalities, to educational institutions, to private citizens, and to businesses and corporations. Other lands were set aside as national parks, forests, wildlife refuges and military installations. Currently, federal civil and defense agencies administer about 645 million acres, or about 28 percent of the total 2.3 billion acres in the United States. Of the 645 million acres under federal management, approximately 436 million acres are administered by Interior.

The Bureau of Land Management (BLM) has exclusive jurisdiction for about 41 percent, or 264 million acres, of the federally owned lands. Approximately one-third of this area is in the State of Alaska. Public lands under the jurisdiction of BLM are managed under the principles of multiple use and sustained yield for the benefit of all Americans. Public lands are leased to private companies providing vast amounts of oil, natural gas and other valuable minerals. Leases to ranchers allow livestock, primarily sheep and cattle, to forage on more than 170 million acres of public lands. Timber products are another valuable commodity produced from public lands. Public lands are also available for a wide variety of recreational activities, including camping, hunting, fishing, skiing, and hiking.

The Fish and Wildlife Service administers approximately 88 million acres, or about 13 percent of the federally owned lands. The majority of this land comprises 521 national wildlife refuges that provide habitat for migratory birds, endangered species, and other wildlife as well as wildlife oriented public recreation.

The National Park Service administers approximately 78 million acres, or about 12 percent of the federally owned lands. The National Park System encompasses 378 park units in 49 states, the District of Columbia, Puerto Rico, the Virgin Islands, Guam, and the Northern Mariana Islands.

The Bureau of Reclamation administers approximately 6 million acres, or about 1 percent of the federally owned lands. These acres comprise reclamation project lands.

For additional discussion of stewardship land, see the Stewardship Assets section of this report.

NOTE 8. LOANS AND INTEREST RECEIVABLE

The Bureau of Indian Affairs, the Bureau of Reclamation and the National Park Service administer loan programs.

The Bureau of Indian Affairs (BIA) provides direct and guaranteed loans to Indian tribes and organizations, Indian individuals, and Alaska Natives for economic development purposes. The BIA loan program includes the Indian Direct Loan Program and Indian Loan Guarantee Program under Credit Reform and a Liquidating Fund for loans made prior to 1992. For more information on the BIA loans, see the Bureau of Indian Affairs annual report.

The Bureau of Reclamation's loan programs provide federal assistance to organizations wishing to construct or improve water resources development in the western states.

The National Park Service has a single loan with a balance of $5.7 million due from the Wolf Trap Foundation for the Performing Arts. The monies received for repayment of this loan may be retained until expended by the Secretary of the Interior in consultation with the Foundation for the maintenance of structures, facilities and equipment of the park.

Loans and Interest Receivable

(dollars in thousands)	1999
Direct and Guaranteed Loans	
Credit Reform Loans	$187,675
Allowance for Subsidy	(113,993)
Total Credit Reform, Net	73,682
Liquidating Loans	73,291
Allowance for Doubtful Accounts	(41,452)
Total Liquidating Loans, Net	31,839
Unmatured Receivables	7,409
Interest Receivable	37,824
Other	21,887
Total Loans and Interest Receivable	$172,641

Direct loans and loan guarantees made during and after 1992 are accounted for in accordance with the requirements of the Credit Reform Act of 1990, and are referred to as credit reform loans. Under credit reform, loans are comprised of two components. The first component is borrowed from Treasury with repayment provisions. The second component is for the subsidized portion of the loan and is funded by congressional appropriation. The Act provides that the present value of the subsidy costs associated with the direct loans and loan guarantees be recognized as a cost in the year the direct or guaranteed loan is disbursed. While this component is not subject to repayment, the loan program receives annual appropriations to fund any increases in subsidy due to interest rate fluctuations and changes in default rate estimates.

Prior to the Credit Reform Act, funding for loans was provided by congressional appropriation from the general or special funds. These loans, referred to as liquidating loans, are reported net of an allowance for estimated uncollectible loans or estimated losses.

NOTE 9. RESTRICTED ASSETS

The Land and Water Conservation Fund, the Historic Preservation Fund, and the Reclamation Fund are included in the financial statements of Interior. However, no fund assets are available for use by Interior until appropriated by Congress.

The Land and Water Conservation Fund and the Historic Preservation Fund are administered by the National Park Service. In addition, the Land and Water Conservation Fund receives a portion of the royalties and lease payments earned by the federal government from oil and gas extracted from federal lands on the Outer Continental Shelf. In addition, this fund receives monies from sales of federal assets by the General Services Administration and other sources.

The Reclamation Fund is comprised of certain revenues received by the Bureau of Reclamation and the Department of Energy (Western Area Power Administration) from various sources including power/water sales, construction/operations and maintenance repayments, oil/mineral royalties, and sale of public lands. The Reclamation Fund is a financing resource to the Bureau of Reclamation and the Western Area Power Administration to the extent that previous year funds are appropriated by Congress to fund programs and operations. The Reclamation Fund Assets include Fund Balance with Treasury as well as Accounts Receivable.

The balances in these accounts at September 30, 1999, are as follows:

Restricted Assets

(dollars in thousands)	1999
Conservation Funds	
Land and Water Conservation Fund	$12,371,088
Historic Preservation Fund	2,086,430
Reclamation Fund	3,628,084
Total Assets - Conservation and Reclamation Funds	$18,085,602

NOTE 10. DEFERRED REVENUE

Unearned revenue is recorded as deferred revenue until earned. The majority of the deferred revenue represents the cost of construction of capital assets reimbursable to the Bureau of Reclamation in the future, through water repayment contracts with water and other facility users. The repayments are recognized as revenue, including interest if applicable, when the annual amounts become due each year.

NOTE 11. NOTES PAYABLE TO TREASURY

Interior's debt to Treasury consists of (1) the helium production fund and (2) borrowings to finance the credit reform loan programs established under the Indian Financing Act of 1964.

Notes Payable to Treasury

(dollars in thousands)	1999
Helium Fund	$1,339,204
Credit Reform Borrowings	124,199
Total Notes Payable to Treasury	$1,463,403

A. Helium Fund - Bureau of Land Management

The Helium Fund was established in the late 1950s and early 1960s to ensure that the federal government had access to a dependable supply of helium, which at that time was considered to be a critical defense commodity. Start up capital was loaned to the helium program, with the expectation that the capital would be repaid with the proceeds of sales to other federal government users of helium. However, subsequent changes in the market price of helium and the need of government users for the commodity made the repayment of the capital, and subsequent accrued interest, impractical. Given the intra-governmental nature of the loan, unless the loan is forgiven, the funds for repayment to Treasury must come from the U.S. Treasury, either in the form of appropriations to the helium fund to repay the loan or in the form of appropriations to other government users of helium to pay the higher prices necessary to permit loan repayment.

Net Worth Debt reported in the following table reflects the amount recorded by Treasury for the net worth capital and retained earnings of the Helium Fund. It also includes any monies expended thereafter by Interior from funds provided in the Supplemental Appropriation Act of 1959 for construction of a helium plant at Keyes, Oklahoma. Additional borrowing from Treasury represents funds borrowed for the acquisition and construction of helium plants and facilities and other related purposes including the purchase of helium. These amounts were due 25 years from the date the funds were borrowed. However, as funding has not been received to repay the amounts due, the amounts could not be repaid.

Notes Payable to Treasury from the Helium Fund

(dollars in thousands)	1999
Principal:	
Net Worth Debt	$37,343
Additional Borrowing from Treasury	251,650
Total Principal	288,993
Interest:	
Beginning Balance	1,060,211
Repayments	(10,000)
Ending Balance	1,050,211
Notes Payable to Treasury - Helium Fund	$1,339,204

Interest on borrowing is compound interest on the debts described above, at rates determined by the Secretary of the Treasury taking into consideration the current average market yields of outstanding marketable obligations of the United States having maturities comparable to investments authorized. The interest rate was determined at the time of each borrowing. With the passage of the Helium Privatization Act of 1996, no further interest is being accrued on this debt.

B. Loans from Treasury under Credit Reform

The Bureau of Indian Affairs and the Bureau of Reclamation have borrowed funds from Treasury in accordance with the Credit Reform Act of 1990 to fund loans under various loan programs. These amounts are repaid to Treasury as loan repayments are received from customers (see also Note 8, Loans and Interest Receivable).

NOTE 12. CONTINGENT LIABILITIES

The Department is party to various administrative proceedings, legal actions, and tort claims which may result in settlements or decisions adverse to the federal government. Interior has accrued liabilities where losses are determined to be probable and the amounts can be estimated. Other significant contingencies exist where a loss is reasonably possible, or where a loss is probable but an estimate cannot be determined. In some cases, once losses are certain, payments may be from the Judgment Fund maintained by Treasury rather than from amounts appropriated to Interior for departmental operations.

A. Environmental Hazards

The Department is subject to environmental laws and regulations regarding air, water, and land use, the storage and disposal of hazardous materials, and the operations and closure of facilities at which environmental contamination resulted. The major federal laws covering environmental contamination as related to Interior are the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) and the Resource Conservation and Recovery Act (RCRA). Responsible parties, including federal agencies, are required to clean up releases of hazardous substances.

Interior has federal oversight responsibility for the Nation's national parks, wildlife refuges, and public domain lands, which comprise approximately one-fifth of the Nation's land mass. In this role, Interior is faced with many hazardous waste clean-up situations. The hazards include, among others, chemical hazards such as drums of toxic chemicals and soil and water contaminated by chemicals, and physical hazards such as open mine shafts.

Interior has an active program to find and monitor its hazardous sites, secure the affected areas, and begin clean-up of priority areas. However, the vast expanse of Interior lands prevents an acre by acre review, so the exact total number of sites and a firm statement of clean-up costs are not determinable. Once a site has been identified, it may take several years to perform an evaluation of the site and determine the potential cost of remediation.

Interior has recognized an estimated liability of $163 million for sites where the Department either caused contamination or is otherwise related to it in such a way that it may be legally liable for clean-up of the hazard, and the environmental clean-up liability is probable and reasonably estimable. This estimate includes the expected future clean-up costs, or for those sites where future liability is unknown, the cost of study necessary to evaluate clean-up requirements. Interior's total contingent liability for environmental clean-up of sites, including those where liability is considered probable and reasonably estimable, may be over $390 million. The estimated liability excludes estimates of future mineral site restorations, discussed below, for which Interior will voluntarily undertake remediation without legal responsibility to do so.

In addition to the limited number of cases discussed above where Interior may have created or contributed to the hazards, other hazardous conditions exist on public lands for which the Department might fund clean-up. These costs, which are not included in contingent liabilities, may result from:

- legal mining activities by others over the past two centuries and prior to current strict environmental clean up and restoration laws;

- legal mining activities subject to current standards, but where the responsible party cannot be found, has declared bankruptcy, or otherwise cannot be compelled to remove the hazard;

- illegal activities, including active and abandoned narcotics laboratories, hazardous materials dumping, and illegal mining; and

- transportation spills, landfills, pipelines, and airports.

B. Indian Trust Funds

The Secretary of the Interior is entrusted with the management of the monies and lands held in trust by the federal government for Indian tribes and individuals. There have been long-standing, complicated problems with Indian trust fund management. The Administration and the Secretary place high priority on comprehensive Indian trust reform efforts, including implementation of vital improvements to systems, policies, and operations necessary to ensure meeting the trust obligations to Indian tribes and individuals. Currently, there are claims and potential claims relating to past trust fund management for both tribal accounts and Individual Indian Money (IIM) accounts.

Several years ago, in accordance with congressional directives and the American Indian Trust Fund Management Reform Act of 1994, the Department and the Bureau of Indian Affairs contracted with a national accounting firm to conduct a five-year project to reconcile tribal trust fund account activity over a 20 year period. The report issued by the accounting firm indicated that, while there was no evidence that tribal trust funds had been lost or stolen, the method of record keeping was not sufficient to reconstruct all activity or to permit a complete reconciliation of the tribal accounts. Documentation to support the accuracy of some transactions could not be located. Interior presented to Congress a report that outlined proposed legislative settlement options for resolving disputed balances in tribal trust accounts. Work is underway on a legislative settlement for tribal accounts based on consultations with tribes.

In 1996, plaintiffs brought a class action lawsuit against the Interior Secretary, the Assistant Secretary-Indian Affairs, and the Secretary of the Treasury, alleging breach of trust regarding the handling of IIM trust fund accounts. The court bifurcated the case into prospective ("fixing the system") and retrospective ("correcting the accounts") relief.

Regarding prospective relief, the court held in a December, 1999 decision that the Defendants breached certain statutory trust duties under the Indian Trust Fund Management Reform Act by failing to establish written policies and procedures, which are necessary to render an accurate accounting of the IIM trust, in four areas: collecting from outside sources missing information, retention of IIM-related trust documents, computer and business system architecture, and staffing. The court, which retained jurisdiction for five years, directed the Defendants to establish the necessary written policies and procedures, and it required that quarterly status reports be filed. The federal government has filed an appeal. Regarding retrospective relief, a date for trial has not yet been set. In the meantime, on April 3, 2000, the Department began an administrative proceeding to develop a process for evaluating past losses, if any, to individual Indians. Although the plaintiffs assert that potential liability is over twenty billion dollars, the Office of the Solicitor states that neither an evaluation of the probability of an unfavorable outcome nor an accurate estimate of the range of potential loss can currently be made. Moreover, the court has held that the litigation is, itself, not a case that will result in money damages, but a claim for an accounting. The court has also noted that resolution of this case could support a future claim for money.

No estimate is made at this time regarding any financial liability that may result from settlement from tribal accounts, the IIM class action lawsuit, and any other related claims.

C. Other Contingent Liabilities

There are numerous claims filed against the Department and its bureaus with adjudication pending. As of September 30, 1999, $627 million has been accrued in the financial statements for cases in which payment has been deemed probable and for which the amount of potential liability has been estimated, including certain judgments that have been issued against Interior and which have been appealed. These amounts exclude contingent liabilities reported on prior year financial statements regarding cases which were won on appeal. Cash settlements are expected to be paid out of the Judgement Fund maintained by Treasury rather than from operating resources of Interior. However, in suits brought through the Contract Disputes Act of 1978, the Department is required to reimburse the Judgement Fund from current agency appropriations.

No amounts have been accrued in the financial records for claims where the amount or probability of judgment is uncertain. Two bureaus are defendants in certain litigation where damage awards being sought could amount to $1 billion or more; however, the ultimate outcome of these cases cannot be predicted at this time. Sufficient information is not currently available to determine if the ultimate resolution of these proceedings, actions, and claims will materially affect Interior's financial position or results of operations.

Subsequent to the end of the fiscal year, a fire in Bandelier National Monument spread to surrounding areas, including Los Alamos, New Mexico, resulting in significant property loss. Investigations are being conducted. The results of the investigations are not available and potential financial implications on the federal government are not known.

NOTE 13. UNEXPENDED APPROPRIATIONS

Unexpended Appropriations consist of obligated funds, unobligated funds, and unavailable authority. Obligated funds represent amounts designated for payment of goods and services ordered but not received (undelivered orders), or for goods received and not yet paid for. The total balance of Undelivered Orders was over $3 billion as of September 30, 1999.

Unobligated funds, depending on budget authority, are generally available for new obligations in current operations; however, there may be restrictions placed on the availability of these amounts for obligation. Unobligated funds include amounts made available for multiple fiscal years and no-year appropriations that are available for an indefinite period of time. Unavailable authority includes amounts appropriated to the Department in prior fiscal years, which may not be used for current operations.

Unexpended Appropriations

(dollars in thousands)	Obligated	Unobligated Available	Unobligated Unavailable	1999
Bureau of Indian Affairs	$524,885	$519,210	$94,934	$1,139,029
U.S. Fish and Wildlife Service	685,687	407,341	11,786	1,104,814
National Park Service	604,673	348,484	13,713	966,870
Bureau of Reclamation	367,095	159,774	-	526,869
Bureau of Land Management	167,134	181,427	-	348,561
Office of Surface Mining	260,497	53,736	7,566	321,799
U.S. Geological Survey	94,004	56,144	-	150,148
Minerals Management Service	66,294	3,167	3,687	73,148
Departmental Offices & Other	666,368	258,574	129,816	1,054,758
Total Unexpended Appropriations	$3,436,637	$1,987,857	$261,502	$5,685,996

NOTE 14. OPERATING EXPENSES

By law, Interior, as an agency of the federal government, is dependent upon other government agencies for centralized services. Some of these services, such as tax collection and management of the public debt, are not directly identifiable to Interior and are not reflected in the Department's financial condition and results. However, in certain cases, other federal agencies incur costs that are directly identifiable to Interior operations, including payment of claims and litigation by Treasury's Judgment Fund, and the partial funding of retirement benefits by the Office of Personnel Management. In accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 4, "Managerial Cost Accounting," the Department recognizes identified costs paid for the Department by other agencies as expenses of Interior. The funding for these costs is reflected as imputed financing sources on the Statement of Changes in Net Position. Expenses paid by other agencies on behalf of Interior were $376 million in 1999 and are included in the table on the following page.

Schedules A and B reflect data provided to the Department of Treasury by Budget Functional Classsification Code for inclusion in the Consolidated Financial Statements of the federal government, based on guidance and direction from the Department of Treasury. These Budget Functional Classification Codes are established by the Office of Management and Budget and the Department of Treasury for governmentwide reporting purposes and differ from the classifications used for the Department's segment reporting.

Operating Expenses

(dollars in thousands)	1999
Salaries and Benefits	$4,113,434
Contractual Services	2,914,916
Grant, Subsidies and Contributions	2,099,898
Acquisition of Stewardship Property	343,950
Rent, Communication and Utilities	383,931
Supplies and Materials	355,773
Acquisition of Non-Capitalized Property	251,737
Travel and Transportation	492,673
Printing & Reproduction	-
Acquisition of Heritage Assets	22,438
Other Expenses	196,655
Intra-Departmental Eliminations	(342,457)
Total Operating Expenses	$10,832,948

A. Gross Cost and Earned Revenue by Budget Functional Classifications

(dollars in thousands)	Gross Cost	Earned Revenue	Net Cost
Natural Resources	$8,388,815	$2,089,530	$6,299,285
Community and Regional Development [1]	2,488,474	235,044	2,253,430
General Government	484,223	19,700	464,523
Transportation	225,744	-	225,744
Other	-	-	-
Total Gross Cost and Earned Revenue by BFC	$11,587,256	$2,344,274	$9,242,982

[1] Community and Regional Development includes the Bureau of Indian Affairs Education Program which correlates to Budget Functional Classification 500.

B. Intra-Governmental Gross Cost and Earned Revenue by Budget Functional Classifications

(dollars in thousands)	Gross Cost	Earned Revenue	Net Cost
Natural Resources	$1,107,855	$920,981	$186,874
Community and Regional Development	117,958	56,940	61,018
General Government	10,542	29	10,513
Education and Training	6,164	3	6,161
Transportation	5,109	-	5,109
Other	-	722	(722)
Total Intra-governmental Gross Cost and Earned Revenue by BFC	$1,247,628	$978,675	$268,953

NOTE 15. PRIOR PERIOD ADJUSTMENTS

Several Interior bureaus have reviewed historic property records and have implemented new property accounting systems and procedures, resulting in adjustments to reported property and accumulated depreciation balances. Property adjustments identified in 1999 include (1) the correction of an error in which the value of certain land had been included in depreciable property, plant, and equipment accounts, and (2) the correction of certain construction-in-progress accounts where assets had not been removed from the in-progress account upon completion. In addition, property adjustments were made to remove certain heritage assets under construction from construction-in-progress accounts to correspond with a literal interpretation of SFFAS No. 6.

In 1999, Interior recorded certain prior period adjustments related to revenue. These adjustments include entries by the Bureau of Reclamation to establish a receivable of approximately $190 million related to revenue earned in a prior fiscal years on the Central Valley Project and entries of approximately $100 million related to a change in the rate calculation for power revenues earned in prior fiscal years.

Prior Period Adjustments

	1999
Adoption of New Accounting Standards and Policies	
Adoption of New Capitalization Thresholds	$33,778
Adjustments and Corrections	
Adjustments to Property, Plant, and Equipment -	
Adjustments to Property and Depreciation	494,041
Adjustments to Construction in Progress	237,027
Revenue and Expense Adjustments	(370,384)
Adjustments of Equity	14,128
Other	10,997
Total Prior Period Adjustments	$419,587

NOTE 16. CUSTODIAL AND INTRA-DEPARTMENTAL ACTIVITY

Interior collects, on behalf of the federal government, amounts on offshore lease sales, mineral rents and royalties and miscellaneous collections resulting from money received in error from mineral industry payors. By law, custodial revenues are transferred to the U.S. Treasury, National Park Service Conservation Funds, states, Bureau of Reclamation, Indian tribes and agencies, and Minerals Management Service Offshore Program, and other federal agencies. In 1999, this amounted to $4.6 billion. The Statement of Custodial Activity summarizes the collections on behalf of the federal government.

Due to the nature of Interior's operations and the appropriations language authorizing the collection and use of certain receipts, there are several instances where various revenues earned or collected by Interior are first reported as Revenue or Custodial Collections and Transfers Out. They are later appropriated to the Department for use, and then are recognized as Appropriated Capital Used on the Statement of Changes in Net Position. For example:

- Conservation Fund Revenues each year consist primarily of oil and gas revenues collected by the Minerals Management Service reported as Collections of Custodial Revenue.

- Other Financing Sources on the Statement of Changes in Net Position include approximately $371 million of custodial oil and gas revenues transferred to the Bureau of Reclamation.

- Conservation Fund Transfers are primarily made available for use within the Department, including the Everglades Restoration Fund (administered by the Office of the Secretary) and the National Park Service.

NOTE 17. INDIAN TRUST FUNDS

The Department, through the Office of the Special Trustee (OST), maintains approximately 1,400 accounts for 315 tribal entities with assets in excess of $2.5 billion. Each year, more than $400 million passes through the tribal trust funds system. The OST also maintains about 280,000 Individual Indian Monies (IIM) trust fund accounts through which over $300 million pass each year.

The balances that have accumulated in the tribal trust funds have generally resulted from land use agreements, royalties on natural resource depletion, tribal enterprises related to trust resources, judgement awards, settlement of Indian claims and investment income.

The Individual Indian Monies Fund is primarily a deposit fund for Individuals. IIM account holders realize receipts primarily from royalties on natural resource depletion, land use agreements, enterprises having a direct relationship to trust fund resources and investment income.

The Tribal and Other Special Trust Funds contain the following three categories of trust funds as delineated by OMB and the Interior Solicitor:

1. Funds held on behalf of Indian tribes (considered non-federal monies).

2. Funds held on behalf of Indian tribes but pending some official action by the tribes (considered federal monies).

3. Funds which either revert back to the federal government upon certain conditions, or the corpus of the fund is non-expendable (considered federal monies).

The balances held for the above three categories are reflected as separate components of the fund balance in the summary financial statements below. Categories 2 and 3 are blended into the Department of Interior financial statements.

There are six budget clearing and suspense accounts not previously audited that are included in the current audited financial statements.

A summary of the Tribal and Other Special Trust Funds, and Individual Indian Monies Trust Fund balances is presented on the following page. These amounts do not include trust land managed by the Department. An audit report issued by an independent public accountant has been published covering 1999 Indian Trust Fund financial statements. The auditors expressed a qualified opinion on these balances due to:

- Unreconcilable differences of approximately $35,000,000 between the total cash balances reflected by the Office of Trust Fund Management (OTFM) for Tribal and Other Special Trust Funds, and Individual Indian Monies and the balances reported by Treasury as of September 30, 1999. These differences have remained constant at approximately $35,000,000 since 1995. Treasury reports reflect balances less than OTFM balances. Issue papers and proposed action plans for these differences have been shared with departmental personnel and are the subject of interdepartmental discussions.

- Inadequacies in various Indian Trust Fund accounting systems and subsystems.

- Inadequate controls and records and deficiencies in internal controls.

- Disagreement from certain trust fund beneficiaries with regard to their reported balances.

For more information, see Note 12, Contingent Liabilities.

Tribal and Other Special Trust Funds
Combined Statement of Assets and Trust Fund Balances - Cash Basis
as of September 30, 1999
(dollars in thousands)

	1999
ASSETS	
Current Assets	
Cash with U.S. Treasury	$1,972
Investments	2,593,781
TOTAL ASSETS	2,595,753
TRUST FUND BALANCES	
Held for Indian Tribes and Other Special Trust Funds	2,345,668
Held for Indian Tribes and Other Special Trust Funds - Pending Action to be taken by the Tribe	135,468
Held for Department of Interior and considered to be U.S. Government Funds	114,617
TOTAL TRUST FUND BALANCES	$2,595,753

Tribal and Other Special Trust Funds
Combined Statement of Changes in Trust Fund Balances - Cash Basis
for the period ending September 30, 1999
(dollars in thousands)

	1999
Receipts	$459,975
Disbursements	323,677
Receipts in Excess of Disbursements	136,298
Trust Fund Balances - Beginning of Year	2,459,455
Adjustment for Suspense Accounts	0
Trust Fund Balances - End of Year	$2,595,753

Individual Indian Monies Trust Funds
Statement of Assets and Trust Fund Balances - Modified Cash Basis
as of September 30, 1999
(dollars in thousands)

	1999
ASSETS	
Current Assets	
Cash with U.S. Treasury	$615
Investments	443,397
Other Assets	
Accrued Interest Receivable	5,268
TOTAL ASSETS	449,280
TRUST FUND BALANCES, Held for Individual Indians	$449,280

Individual Indian Monies Trust Funds
Statement of Changes in Trust Fund Balances - Modified Cash Basis
for the years ending September 30, 1999
(dollars in thousands)

	1999
Receipts	$306,729
Disbursements	336,637
Receipts in Excess of Disbursements	(29,908)
Trust Fund Balances - Beginning of Year	479,188
Trust Fund Balances - End of Year	$449,280

NOTE 18. WORKING CAPITAL FUNDS

Interior has four working capital funds established by law to finance a continuing cycle of operations, with the receipts from the operations available for use by the funds without further action by Congress. The four working capital funds, which operate as revolving funds, are established in the Bureau of Reclamation, the Office of the Secretary, the Bureau of Land Management, and the U.S. Geological Survey. The costs of providing services and operating the funds are fully recovered from customers. The major working capital fund customers are Interior bureaus and offices and other federal agencies; however, some services are provided to states, and non-government entities. Some of the significant services provided to customers consist of central reproduction, telecommunications, aircraft services, supplies, publications, training, computer processing and related activities, engineering and technical services, and certain cross-servicing activities such as payroll, personnel, and financial and accounting services. The services provided by the working capital funds are usually those that may be performed more advantageously on a reimbursable basis. In addition, Interior manages the Interior Franchise Fund which is a part of the Franchise Fund Pilot program authorized by the Government Management Reform Act of 1994.

The following condensed information about assets, liabilities, and net position of the Interior working capital funds is summarized for the fiscal year ended September 30, 1999. The financial information presented includes intra-departmental transactions.

U.S. Department of the Interior
Supplemental Statement of Financial Position
Combined Working Capital Funds
as of September 30, 1999
(dollars in thousands)

	Bureau of Reclamation	Bureau of Land Management	U.S. Geological Survey	Departmental Offices	Interior Franchise Funds	TOTAL
Assets						
Fund Balance with Treasury & Cash	$56,895	$26,337	$45,683	$128,243	$15,600	$272,758
Accounts Receivable	5,805	-	5,654	14,474	10,863	36,796
Property Plant & Equipment	37,960	56,835	2,869	28,727	-	126,391
Other Assets	406	219	113	543	3	1,284
Total Assets	101,066	83,391	54,319	171,987	26,466	437,229
Liabilities and Net Position						
Liabilities to the Public						
Accounts Payable and Other	25,862	251	2,734	12,361	-	41,208
Liabilities to Federal Agencies						
Accounts Payable and Other	2,031	10	49,680	23,729	26,546	101,996
Total Liabilities	27,893	261	52,414	36,090	26,546	143,204
Net Position						
Cumulative Results of Operations	73,173	83,130	1,905	135,897	(80)	294,025
Total Net Position	73,173	83,130	1,905	135,897	(80)	294,025
Total Liabilities and Net Position	$101,066	$83,391	$54,319	$171,987	$26,466	$437,229

U.S. Department of the Interior
Supplemental Statement of Operations
Combined Working Capital Funds
as of September 30, 1999
(dollars in thousands)

	Bureau of Reclamation	Bureau of Land Management	U.S. Geological Survey	Departmental Offices	Interior Franchise Funds	TOTAL
Expenses						
Operating Expenses	$280,357	$8,536	$45,850	$194,939	$43,528	$573,210
Depreciation and Amortization	7,002	8,016	262	1,723		17,003
Net Loss (Gain) on Disposition of Assets	284	(702)	313	30		(75)
Bad Debt Expense	5	-	-	1		6
Other Expenses	4	(0)	3	14		21
Total Expenses	287,652	15,850	46,428	196,707	43,528	590,165
Revenues						
Sales of Goods and Services to the Public	7,622	(87)	-	(2,194)	86	5,427
Sales of Goods and Services to Federal Agencies	260,981	17,253	45,762	201,109	43,590	568,695
Other Revenues	9	2,476	-	-	-	2,485
Total Revenues	268,612	19,642	45,762	198,915	43,676	576,607
Net Cost of (Profit From) Operations	$19,040	($3,792)	$666	($2,208)	($148)	$13,558

Supplemental Financial Schedules

U.S. Department of the Interior
Consolidating Statement of Financial Position
September 30, 1999

(dollars in thousands)

	Bureau of Reclamation	National Park Service	Minerals Management Service	Fish and Wildlife Service
ASSETS				
Current Assets				
Fund Balance with Treasury and Cash	$922,960	$1,555,332	$80,999	$896,136
Investments				
Treasury Securities	-	65	-	426,361
Public Securities	-	-	-	-
Accounts Receivable				
Public, Net of Allowance for Doubtful Accounts	22,977	8,320	820	5,266
Due from Federal Agencies	2,015	14,249	7,219	416,916
Inventory and Other	-	-	-	5,027
Total Current Assets	947,952	1,577,966	89,038	1,749,706
Total Property, Plant and Equipment	13,458,621	782,868	12,707	758,007
Other Assets	940,312	37,324	25	582
Restricted Assets	3,628,084	14,457,518	-	-
Total Department Assets	18,974,969	16,855,676	101,770	2,508,295
Assets Held on Behalf of Others				
Royalty Management	-	-	2,761,894	-
Non-Royalty Management:	2,017,983	13,548	-	142
Total Assets Held on Behalf of Others	2,017,983	13,548	2,761,894	142
TOTAL ASSETS	$20,992,952	$16,869,224	$2,863,664	$2,508,437
LIABILITIES AND NET POSITION				
Liabilities				
Liabilities Covered by Budgetary Resources				
Liabilities to the Public:				
Accounts Payable to the Public	228,743	103,117	13,181	53,485
Deferred Revenue	3,234,561	10,586	-	142
Custodial Amounts Payable to the Public	-	-	143,480	-
Advances and Deferred Credits and Other	177,398	24,890	466	3,190
Total Liabillites to the Public	3,640,702	138,593	157,127	56,817
Liabilities to Federal Agencies:				
Accounts Payable	23,792	8,875	1,036	14,267
Amounts Payable to Treasury	81,549	-	-	-
Undistributed Royalty Collections	-	-	2,618,414	-
Deferred Revenue and Other	4,997	113,340	998	79,287
Other Amounts Payable to Federal Agencies	395	1	-	-
Total Liabillites to Federal Agencies	110,733	122,216	2,620,448	93,554
Total Liabilities Covered by Budgetary Resources	3,751,435	260,809	2,777,575	150,371
Liabilities Not Covered by Budgetary Resources				
Unfunded Payroll Costs, Payable to the Public	55,962	67,409	9,510	33,435
Contingent Liabilities, Payable to the Public	5,592	16,345	-	42,000
Actuarial Liabilities, Payable to the Public	69,846	158,969	5,172	38,408
Other Unfunded Liabilities, Payable to Federal Agencies	-	-	1,127	8,825
Total Liabilities Not Covered by Budgetary Resources	131,400	242,723	15,809	122,668
Total Liabilities	3,882,835	503,532	2,793,384	273,039
Net Position				
Unexpended Appropriations	526,869	966,870	73,148	1,104,814
Cumulative Results of Operations	14,254,586	941,304	(2,868)	1,130,584
Restricted Equity - Conservation and Reclamation Funds	2,328,662	14,457,518	-	-
Total Net Position	17,110,117	16,365,692	70,280	2,235,398
TOTAL LIABILITIES AND NET POSITION	$20,992,952	$16,869,224	$2,863,664	$2,508,437

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

U.S. Department of the Interior
Consolidating Statement of Financial Position
September 30, 1999
(dollars in thousands)

Bureau of Indian Affairs	Office of Surface Mining	Bureau of Land Management	U.S. Geological Survey	Departmental Offices, Other & Eliminations	Total
$838,226	$40,479	$503,191	$210,123	$637,502	$5,684,948
2,019	1,751,965	1,347	-	206,116	2,387,873
33,294	-	-	-	203,848	237,142
12,149	1,323	8,172	74,067	6,086	139,180
22,612	34	14,250	80,279	(34,155)	523,419
-	-	364,356	16,693	536	386,612
908,300	1,793,801	891,316	381,162	1,019,933	9,359,174
1,153,306	3,031	231,282	136,812	228,014	16,764,648
361,638	-	146	5,250	50,049	1,395,326
-	-	-	-	-	18,085,602
2,423,244	1,796,832	1,122,744	523,224	1,297,996	45,604,750
-	-	-	-	-	2,761,894
17,220	21	333,060	-	2	2,381,976
17,220	21	333,060	-	2	5,143,870
$2,440,464	$1,796,853	$1,455,804	$523,224	$1,297,998	$50,748,620

57,443	7,930	63,112	113,349	20,736	661,096
(678)	-	209,947	-	(1)	3,454,557
-	-	-	-	-	143,480
6,551	851	122,963	21,904	9,135	367,348
63,316	8,781	396,022	135,253	29,870	4,626,481
2,048	168	8,278	23,013	(39,176)	42,301
91,685	-	1,339,204	-	16,509	1,528,947
-	-	-	-	-	2,618,414
1,851	32	39,089	31,156	(213,714)	57,036
122,109	21	1,212	-	4,206	127,944
217,693	221	1,387,783	54,169	(232,175)	4,374,642
281,009	9,002	1,783,805	189,422	(202,305)	9,001,123
39,284	4,530	42,825	45,519	9,446	307,920
505,617	120,649	13,124	-	87,060	790,387
86,968	2,603	52,017	25,500	14,307	453,790
-	-	7,462	13,897	-	31,311
631,869	127,782	115,428	84,916	110,813	1,583,408
912,878	136,784	1,899,233	274,338	(91,492)	10,584,531
1,139,029	321,799	348,561	150,148	1,054,758	5,685,996
388,557	1,338,270	(791,990)	98,738	334,732	17,691,913
-	-	-	-	-	16,786,180
1,527,586	1,660,069	(443,429)	248,886	1,389,490	40,164,089
$2,440,464	$1,796,853	$1,455,804	$523,224	$1,297,998	$50,748,620

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

U.S. Department of the Interior
Consolidating Statement of Net Cost of Operations
for the year ended September 30, 1999

(dollars in thousands)

	Bureau of Indian Affairs	National Park Service	Bureau of Land Management	Fish and Wildlife Service
Expenses				
Operating Expenses	$ 2,239,456	$ 1,984,403	$ 1,612,032	$ 1,503,941
Other Expenses				
Depreciation and Amortization	85,628	83,497	27,115	37,656
Net Loss on Disposition of Assets	11,761	2,606	274	507
Bad Debt Expense	(6,694)	(121)	157	352
Other Expenses	317,465	25,805	(1,735)	(90,689)
Total Other Expenses	408,160	111,787	25,811	(52,174)
Total Expenses	2,647,616	2,096,190	1,637,843	1,451,767
Revenues				
Sales of Goods and Services to the Public	144,363	220,401	296,053	42,322
Sales of Goods and Services to Federal Agencies	49,842	57,794	26,026	122,053
Other Revenues	18,334	101	73	90
Total Revenues	212,539	278,296	322,152	164,465
NET COST OF OPERATIONS	$ 2,435,077	$ 1,817,894	$ 1,315,691	$ 1,287,302

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

U.S. Department of the Interior
Consolidating Statement of Net Cost of Operations
for the year ended September 30, 1999

(dollars in thousands)

U.S. Geological Survey	Bureau of Reclamation	Office of Surface Mining	Minerals Management Service	Departmental Offices & Other	Elimination of Intra Dept Activity	TOTAL
$ 1,178,470	$ 1,036,180	$ 358,043	$ 328,657	$ 934,223	$ (342,457)	$ 10,832,948
18,416	169,763	627	1,767	1,814	-	426,283
1,268	20,287	49	536	34	-	37,322
357	485	174	-	18	-	(5,272)
(3,776)	21,806	11,048	6,300	9,751	-	295,975
16,265	212,341	11,898	8,603	11,617	-	754,308
1,194,735	1,248,521	369,941	337,260	945,840	(342,457)	11,587,256
144,000	378,761	(1,600)	101,045	76,097	-	1,401,442
196,431	425,374	2,142	96,966	251,402	(342,457)	885,573
255	14,310	-	-	24,096	-	57,259
340,686	818,445	542	198,011	351,595	(342,457)	2,344,274
$ 854,049	$ 430,076	$ 369,399	$ 139,249	$ 594,245	$ -	$ 9,242,982

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

U.S. Department of the Interior
Consolidating Statement of Net Cost of Operations
for the year ended September 30, 1999

(dollars in thousands)

	Protect the Environment and Preserve Our Nation's Natural & Cultural Resources	Provide Recreation for America	Manage Natural Resources for a Healthy Environment and a Strong Economy
Expenses			
Operating Expenses	$3,150,799	$1,733,204	$1,621,813
Other Expenses			
Depreciation and Amortization	56,976	75,443	176,921
Net Loss on Disposition of Assets	1,355	1,814	20,270
Bad Debt Expense	539	(30)	509
Other Expenses	(54,862)	(728)	102,695
Total Other Expenses	4,008	76,499	300,395
Total Expenses	3,154,807	1,809,703	1,922,208
Revenues			
Sales of Goods and Services to the Public	260,219	146,531	690,107
Sales of Goods and Services to Federal Agencies	171,871	44,857	440,599
Other Revenues	8,002	118	14,004
Total Revenues	440,092	191,506	1,144,710
NET COST OF OPERATIONS	$2,714,715	$1,618,197	$777,498

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

U.S. Department of the Interior
Consolidating Statement of Net Cost of Operations
for the year ended September 30, 1999

(dollars in thousands)

Provide Science for a Changing World	Meet Our Responsibilities to American Indians and Island Communities	Working Capital Funds	Inter- Segment Eliminations and Other	TOTAL
$1,241,276	$2,909,842	$573,210	($397,196)	$10,832,948
19,073	86,476	17,003	(5,609)	426,283
898	11,761	(75)	1,299	37,322
111	(6,683)	6	276	(5,272)
(3,874)	319,273	20	(66,549)	295,975
16,208	410,827	16,954	(70,583)	754,308
1,257,484	3,320,669	590,164	(467,779)	11,587,256
143,549	156,469	5,544	(977)	1,401,442
204,897	51,093	571,063	(598,807)	885,573
0	34,532	0	603	57,259
348,446	242,094	576,607	(599,181)	2,344,274
$909,038	$3,078,575	$13,557	$131,402	$9,242,982

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

U.S. Department of the Interior
Consolidating Statement of Changes in Net Position
for the year ended September 30, 1999

(dollars in thousands)

	Bureau of Reclamation	National Park Service	Fish and Wildlife Service
Change in Net Position from Entity Operations			
Net Cost of Operations	$ (430,076)	$ (1,817,894)	$ (1,287,301)
Financing Sources Other than Revenue			
Appropriated Capital Used	881,426	1,927,876	1,454,414
Abandoned Mine Land Fees and Other Taxes	0	0	251,480
Imputed Financing Sources	125,049	63,979	32,789
Donated Revenue	4,787	14,523	6,126
Custodial Revenue Transferred to Reclamation Fund and Other	381,029	52,391	55,850
Total Financing Sources Other than Revenue	1,392,291	2,058,769	1,800,659
Transfers and Other Changes in Equity			
Transfers, Net	(858,013)	(44,342)	(80,216)
Other Non-Operating Changes in Net Position	0	(3,561)	0
Total Transfers and Other Changes in Equity	(858,013)	(47,903)	(80,216)
Total Change in Net Position from Entity Operations	104,202	192,972	433,142
Change in Net Position from Non-Entity Operations			
Custodial Activity			
Collection of Custodial Revenue			
Custodial Revenue Transferred to Others			
Net Change in Royalties to be Transferred			
Net Change from Custodial Activity			
Conservation Fund Activity			
Conservation Fund Revenues		907,977	
Conservation Fund Disbursements		(446,484)	
Net Change from Conservation Fund Activity		461,493	
Net Results of Operations	104,202	654,465	433,142
Prior Period Adjustments	(56,319)	(192,550)	(82,053)
Change In Net Position from Operations	47,883	461,915	351,089
Increase (Decrease) in Unexpended Appropriations	13,400	27,564	(165,141)
Total Change In Net Position	61,283	489,479	185,948
Net Position - Beginning of Year	17,048,834	15,876,212	2,049,450
Net Position - End of Year	$ 17,110,117	$ 16,365,691	$ 2,235,398

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

U.S. Department of the Interior
Consolidating Statement of Changes in Net Position
for the year ended September 30, 1999

(dollars in thousands)

Office of Surface Mining	Bureau of Indian Affairs	U.S. Geological Survey	Minerals Management Service	Bureau of Land Management	Departmental Offices & Other	Total
$ (369,399)	$ (2,435,078)	$ (854,049)	$ (139,249)	$ (1,315,691)	$ (594,245)	$ (9,242,982)
353,943	2,071,633	800,065	221,939	1,234,343	1,118,841	10,064,480
352,103	0	0	0	0	0	603,583
4,153	47,739	46,659	9,972	46,493	12,041	388,874
0	0	988	0	0	13,786	40,210
2,971	563	17,193	128	287,615	(386,500)	411,240
713,170	2,119,935	864,905	232,039	1,568,451	758,168	11,508,387
(267,588)	(96,225)	(13,915)	(99,786)	(239,148)	(63,464)	(1,762,697)
133	(2,634)	0	(484)	3	0	(6,543)
(267,455)	(98,859)	(13,915)	(100,270)	(239,145)	(63,464)	(1,769,240)
76,316	(414,002)	(3,059)	(7,480)	13,615	100,459	496,165
			4,549,649			4,549,649
			(4,652,640)			(4,652,640)
			102,991			102,991
			0			0
						907,977
						(446,484)
						461,493
76,316	(414,002)	(3,059)	(7,480)	13,615	100,459	957,658
(4,842)	(41,917)	(39,620)	(3,338)	0	1,052	(419,587)
71,474	(455,919)	(42,679)	(10,818)	13,615	101,511	538,071
939	76,257	(5,722)	3,146	(6,917)	(355,525)	(411,999)
72,413	(379,662)	(48,401)	(7,672)	6,698	(254,014)	126,072
1,587,656	1,907,247	297,288	77,953	(450,127)	1,643,504	40,038,017
$ 1,660,069	$ 1,527,585	$ 248,887	$ 70,281	$ (443,429)	$ 1,389,490	$ 40,164,089

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

U.S. Department of the Interior
Consolidating Statement of Changes in Net Position
for the year ended September 30, 1999

(dollars in thousands)

	Protect the Environment and Preserve Our Nation's Natural & Cultural Resources	Provide Recreation for America	Manage Natural Resources for a Healthy Environment and a Strong Economy
Change in Net Position from Entity Operations			
Net Cost of Operations	($2,714,715)	($1,618,197)	($777,498)
Financing Sources Other than Revenue			
Appropriated Capital Used	3,259,802	1,638,916	1,333,167
Abandoned Mine Land Fees and Other	603,583	-	-
Imputed Financing Sources	65,116	59,639	133,516
Donated Revenue	21,806	6,955	4,685
Other	39,495	34,623	4,375
Total Financing Sources Other than Revenue	3,989,802	1,740,133	1,475,743
Transfers and Other Changes in Equity			
Transfers, Net	(551,683)	(5,556)	(741,510)
Other Non-Operating Changes in Net Position	-	-	-
Total Transfers and Other Changes in Equity	(551,683)	(5,556)	(741,510)
Total Change in Net Position from Entity Operations	723,404	116,380	(43,265)
Change in Net Position from Non-Entity Operations			
Custodial Activity			
Collection of Custodial Revenue			4,549,649
Custodial Revenue Transferred to Others			(4,652,640)
Net Change in Royalties to be Transferred			102,991
Net Change from Custodial Activity			-
Conservation Fund Activity			
Conservation Fund Revenues	907,977		
Conservation Fund Disbursements	(446,484)		
Net Change from Conservation Fund Activity	461,493		
Net Results of Operations	1,184,897	116,380	(43,265)
Prior Period Adjustments	(303,257)	(131,978)	52,854
Change In Net Position from Operations	$881,640	($15,598)	$9,589
Increase (Decrease) in Unexpended Appropriations			
Total Change In Net Position			
Net Position - Beginning of Year			
Net Position - End of Year			

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

U.S. Department of the Interior
Consolidating Statement of Changes in Net Position
for the year ended September 30, 1999

(dollars in thousands)

Provide Science for a Changing World	Meet Our Responsibilities to American Indians and Island Communities	Working Capital Funds	Other	TOTAL
($909,038)	($3,078,575)	($13,557)	($131,402)	($9,242,982)
856,229	2,723,176	48,645	204,545	10,064,480
-	-	-	-	603,583
48,072	49,738	10,493	22,300	388,874
-	78	-	6,686	40,210
17,193	563	(32,652)	347,643	411,240
921,494	2,773,555	26,486	581,174	11,508,387
(19,218)	(96,995)	(26,343)	(321,392)	(1,762,697)
-	-	-	(6,543)	(6,543)
(19,218)	(96,995)	(26,343)	(327,935)	(1,769,240)
(6,762)	(402,015)	(13,414)	121,837	496,165
				4,549,649
				(4,652,640)
				102,991
				-
				907,977
				(446,484)
				461,493
(6,762)	(402,015)	(13,414)	121,837	957,658
(39,126)	(41,936)	(897)	44,753	(419,587)
($45,888)	($443,951)	($14,311)	$166,590	538,071
				(411,999)
				126,072
				40,038,017
				$40,164,089

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

U.S. Department of the Interior
Combining Statement of Budgetary Resources
for the year ended September 30, 1999

(dollars in thousands)

	Departmental Offices	Bureau of Reclamation	National Park Service
Budgetary Resources			
Budget Authority	$931,549	$954,580	$2,086,629
Appropriations Avail for Investment, Not Obligation	-	-	-
Unobligated Balances - Beginning of Period	887,396	440,581	578,772
Spending Authority from Offsetting Collections	332,884	757,466	320,977
Total Adjustments	46,969	(48,527)	(318)
Total of Budgetary Resources	$2,198,798	$2,104,100	$2,986,060
Status of Budgetary Resources:			
Obligations Incurred	$1,851,151	$1,742,921	$2,062,959
Unobligated Balances - Available	284,957	271,561	909,323
Available for Investment, Not obligation	-	-	-
Unobligated Balances - Not Available	62,690	89,618	13,778
Total Status of Budgetary Resources	$2,198,798	$2,104,100	$2,986,060
Outlays			
Total Obligations Incurred	$1,851,151	$1,742,921	$2,062,959
Spending Authority from Offsetting Collections and Adjustments	(381,345)	(757,466)	(329,347)
Obligated Balance, Net - Beginning of Period	407,618	372,938	660,006
Obligated Balance Transferred, Net	(5,532)	-	-
Obligated Balance, Net - End of Period	(409,596)	(541,563)	(690,203)
Total Outlays	$1,462,296	$816,830	$1,703,415

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

U.S. Department of the Interior
Combining Statement of Budgetary Resources
for the year ended September 30, 1999

(dollars in thousands)

U.S. Geological Survey	Bureau Land Management	Fish and Wildlife Service	Minerals Management Service	Office of Surface Mining Reclamation & Enforcement	Bureau of Indian Affairs	Total
$799,343	$1,226,246	$1,498,515	$224,080	$360,314	$2,178,058	$10,259,314
-	-	-	-	1,443,912	-	1,443,912
68,856	238,165	687,472	9,536	54,521	518,557	3,483,856
444,477	436,408	201,662	88,563	2,098	230,302	2,814,837
3,301	(7,494)	88,318	13,529	17,584	24,147	137,509
$1,315,977	$1,893,325	$2,475,967	$335,708	$1,878,429	$2,951,064	$18,139,428
$1,214,110	$1,652,522	$1,734,526	$328,495	$373,215	$2,336,919	$13,296,818
56,144	233,950	728,122	4,787	53,736	519,210	3,061,790
-	-	-	-	1,443,912	-	1,443,912
45,723	6,853	13,319	2,426	7,566	94,935	336,908
$1,315,977	$1,893,325	$2,475,967	$335,708	$1,878,429	$2,951,064	$18,139,428
$1,214,110	$1,652,522	$1,734,526	$328,495	$373,215	$2,336,919	$13,296,818
(451,617)	(457,901)	(289,981)	(99,197)	(24,981)	(230,302)	(3,022,137)
155,577	234,457	729,243	67,361	273,514	572,660	3,473,374
-	-	-	-	-	(239)	(5,771)
(114,594)	(266,223)	(795,523)	(73,959)	(268,889)	(531,968)	(3,692,518)
$803,476	$1,162,855	$1,378,265	$222,700	$352,859	$2,147,070	$10,049,766

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

Stewardship Assets, Investments, and Deferred Maintenance

Stewardship Assets, Investments, and Deferred Maintenance

Introduction

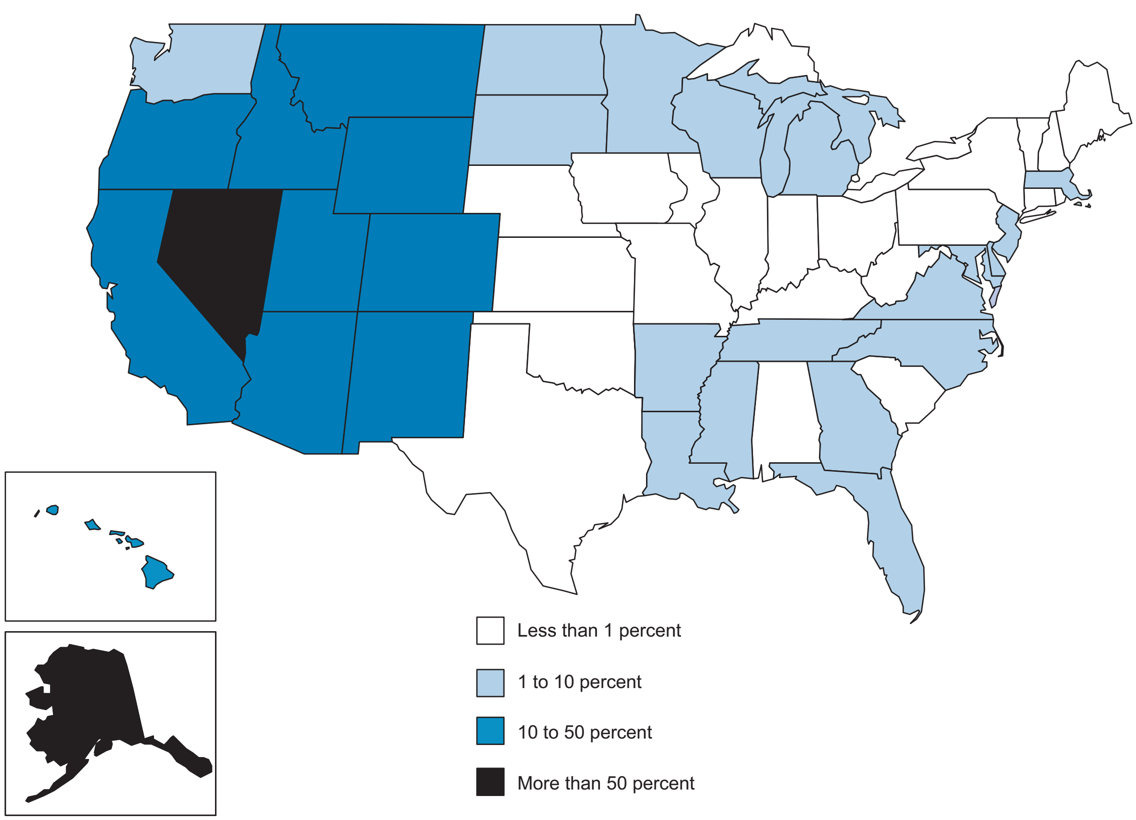
The Department of the Interior serves as steward for approximately 436 million acres of America's public lands and for the natural and cultural resources associated with these lands. The agency also supervises mineral leasing and operations on over 634 million acres of mineral estate that underlie both federal and other surface ownerships. These stewardship assets are valued for their environmental resources, their recreational and scenic values, the cultural and paleontological resources they contain, their vast open spaces, and the resource commodities and revenue they provide to the federal government, states, and counties.

Stewardship Lands

Most of the public lands managed by Interior were once a part of the 1.8 billion acres of public domain lands acquired by the Nation between 1781 and 1867. Land currently managed by Interior represents about 19 percent of America's land surface and approximately 67 percent of all federally owned land (*Figure 33*). Each of America's 50 states, the Pacific Islands, the Virgin Islands, Guam, and Puerto Rico contain lands that are managed by the Department of the Interior.

Figure 33

Percentage of Each State's Acreage Managed by Interior
(as of September 30, 1999)



Use of Stewardship Lands

Interior-administered lands include the National Wildlife Refuge System, the National Park System, and the vast expanses of public land managed by the Bureau of Land Management (BLM). In addition, the Bureau of Reclamation (BOR) manages a nominal acreage (approximately 5.8 million acres) of stewardship land. The Fish and Wildlife Service (FWS) manages lands primarily to conserve and protect fish and wildlife and their habitat. The National Park Service (NPS) manages lands to conserve, preserve, protect, and interpret the nation's natural, cultural, and recreational resources. The Bureau of Reclamation manages lands to develop and protect water and related resources in an environmentally and economically sound manner for the American people. The Bureau of Land Management is guided by the principles of multiple use and sustained yield in managing its public lands. Congress has defined multiple use as management of the public lands and their various resource values so they are utilized in the combination that will best meet the present and future needs of the American people. The resources and uses embraced by the multiple use concept include mineral development; natural, scenic, scientific, and historical values; outdoor recreation; range; timber; watersheds; and wildlife and fish habitat.

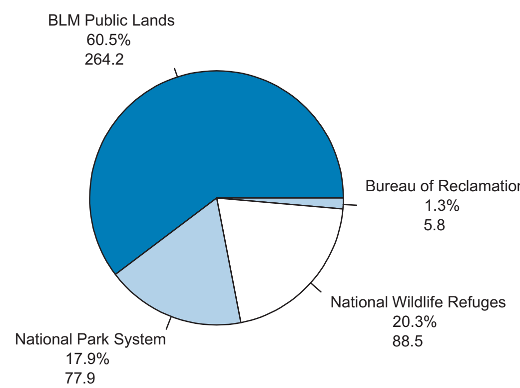
Types of Stewardship Lands

Figure 34 shows the acreage of Interior stewardship lands by land type. In addition to the 88.5 million acres shown for the National Wildlife Refuge System, there are approximately 5 million additional acres within the system that are not federally owned; these are managed by the Fish and Wildlife Service cooperatively through agreements with landowners and other partners. The National Park System also contains lands that are not federally owned (approximately 6 million acres owned by state and local governments and private landowners). The National Park Service has no management responsibility for this land except in cases where cooperative agreements with landowners authorize direct federal land management.

Figure 34

Types of Interior Stewardship Lands

(acres in millions)



Total Federal Acreage - 436.4 million

America's parks, refuges, and other public lands consist of rangelands; forestlands; riparian areas and wetlands; lakes, reservoirs, and streams; grasslands; swamps; marshes; and seashores, as well as mountaintops, glaciers, barren mountains, sand dunes, playas, and deserts.

Management Units of Interior Stewardship Lands

There are unique management requirements associated with approximately 59 percent of the lands managed by the Department of the Interior because of their congressional or administrative designations. These management units are shown in *Figure 35*. The acreage included in these units is a subset of Interior's 436 million acre total.

Condition of Stewardship Lands

Public Lands Managed by the Bureau of Land Management: The Bureau of Land Management assesses the condition of the lands it manages based on the land type and the multiple use and sustained yield goals identified through its land use planning process. *Figure 36* shows condition by land type. In adhering to its mandate for multiple use and sustained yield, the BLM's land management programs include significant efforts to restore riparian wetlands; preserve significant cultural and natural features; create opportunities for commercial activities; protect endangered species; develop opportunities for recreation and leisure activities; protect public health, safety, and resources; manage wild horses and burros; manage wildlife habitat and fisheries; administer mining laws;

Figure 35

Management Units of Interior Stewardship Lands

Bureau of Land Management Public Lands

Management Unit	Number	Federal Acreage	Non-Federal Acreage	Total Acreage	Miles
National Wild and Scenic River Segments	34	998,468	0	998,468	2,038
National Wilderness Areas	136	5,243,332	0	5,243,332	-
Wilderness Study Areas	622	17,298,430	0	17,298,430	-
National Conservation Areas	8	11,692,190	0	11,692,190	-
National Scenic Area	1	101,000	0	101,000	-
National Recreation Area	1	1,000,000	0	1,000,000	-
National Historic Trails	8	-	-	-	3,533
National Scenic Trails	2	-	-	-	568
National Recreation Trails	26	-	-	-	429
Outstanding Natural Area	1	100	0	100	-
Herd Management Areas	200	36,069,895	0	36,069,895	-
National Monument	1	1,880,000	0	1,880,000	-
Areas of Critical Environmental Concern	740	13,111,829	0	13,111,829	-
Research Natural Areas	152	347,214	0	347,214	-
Lake Todatonten Special Management Area	1	37,579	0	37,579	-
National Natural Landmarks	43	599,042	0	599,042	-
National Back Country Byways	64	-	-	-	3,518
Globally Important Bird Areas	2	**1_/**	0	**1_/**	-
BLM Special Management Area Subtotal	2,042	88,379,079	0	88,379,079	10,086
National Multiple Use Lands	-	175,795,666	0	175,795,666	-
Bureau of Land Management Subtotal	2,042	264,174,745	0	264,174,745	10,086

National Wildlife Refuge System

Management Unit	Number	Federal Acreage	Non-Federal Acreage	Total Acreage	Miles
National Wildlife Refuges	521	87,627,516	3,018,000	90,645,516	-
Refuge Coordination Areas	50	197,049	119,000	316,049	-
Waterfowl Production Areas	200	715,200	1,929,000	2,644,200	-
National Fish Hatcheries and Other Fish Facilities	83	16,083	6,000	22,083	-
Fish and Wildlife Service Subtotal	854	88,555,848	5,072,000	93,627,848	-

National Park System

Management Unit	Number	Federal Acreage	Non-Federal Acreage	Total Acreage	Miles
International Historic Site	1	23	22	45	-
National Battlefields	11	11,944	1,179	13,123	-
National Battlefield Parks	3	8,042	1,632	9,674	-
National Battlefield Site	1	1	0	1	-
National Historic Sites	76	19,524	4,695	24,219	-
National Historic Parks	38	114,714	48,175	162,889	-
National Lakeshores	4	145,648	83,287	228,935	-
National Memorials	28	8,041	490	8,531	-
National Military Parks	9	35,169	3,090	38,259	-
National Monuments	73	1,901,074	164,579	2,065,653	-
National Parks	54	49,647,714	2,291,940	51,939,654	-
National Preserves	16	21,410,193	2,268,750	23,678,943	-
National Recreation Areas	19	3,403,534	320,266	3,723,800	-
National Reserves	2	10,830	22,277	33,107	-
National Rivers	6	311,094	112,835	423,929	-
National Wild and Scenic Rivers	9	72,761	146,727	219,488	-
National Scenic Trails	3	157,087	68,436	225,523	-
National Seashores	10	478,339	116,251	594,590	-
Parks (other)	11	37,723	1,266	38,989	-
Parkways	4	164,039	7,421	171,460	-
National Park Service Subtotal	378	77,937,494	5,663,318	83,600,812	-

Bureau of Reclamation Project Lands

Management Unit	Number	Federal Acreage	Non-Federal Acreage	Total Acreage	Miles
Reclamation Project Lands	-	5,774,376	-	5,774,376	-
Bureau of Reclamation Subtotal	-	5,774,376	-	5,774,376	-

Department of the Interior Total

Management Unit	Number	Federal Acreage	Non-Federal Acreage	Total Acreage	Miles
Total Interior Management Units	3,274	260,646,797	10,735,318	271,382,115	10,086
Total Interior Stewardship Lands	-	436,442,463	10,735,318	447,177,781	-

1_/ The 56,000 acres contained in the two Globally Important Bird Areas are a subset of acres reported in National Conservation Areas and the Outstanding Natural Area.

Figure 36

Condition of Bureau of Land Management Public Lands				
Rangeland 1/	**Forest and Woodlands**	**Riparian Areas**	**Wetlands**	**Aquatic Areas**
Alaska	Healthy 91%	Alaska	Alaska	Alaska
Late seral All	Needing restoration 9%	Properly functioning 91%	Properly functioning 98%	Good
		Functioning at risk Trace	Unknown 2%	
		Nonfunctional 1%		
Lower 48 States		Unknown 8%		
Potential natural community 5%		Lower 48 States	Lower 48 States	Lower 48 States
Late seral 30%		Properly functioning 39%	Properly functioning 48%	Poor
Mid seral 38%		Functioning at risk 42%	Functioning at risk 13%	
Early seral 12%		Nonfunctional 10%	Nonfunctional 3%	
Unclassified 15%		Unknown 9%	Unknown 36%	

1/ This is a composite rangeland condition that rates the rangelands' ability to produce forage. Seral is a series of stages in ecological succession. A potential natural community is a relatively undisturbed vegetation community, i.e., best able to produce forage. The early seral stage is a highly disturbed vegetation community, i.e., less able to produce forage. Disturbances may be natural such as fire or be human caused.

manage rangelands; oversee forest management, development, and protection; and manage wilderness and wild and scenic rivers.

National Wildlife Refuge System Lands: Stewardship lands managed by the Fish and Wildlife Service include refuges, fish hatcheries, wilderness, National Natural Landmarks, wild and scenic rivers, and other special designations. These lands are used and managed in accordance with the explicit purpose of the statutes that authorize their acquisition or designation and that direct their use and management. The Service conducts activities to manage stewardship lands so that fish, wildlife, and plants that depend on these lands for habitat are benefitted over both the short- and long-term. Lands placed in the land conservation systems managed by the Service are protected into perpetuity as long as they remain in the National Wildlife Refuge System and the National Fish Hatcheries System. As new acquisitions enter these conservation systems, lands are managed to maintain their natural state, to mitigate adverse effects of previous actions by others, or to enhance existing conditions to improve benefits to fish and wildlife resources. The Service safeguards the stewardship values of the lands it administers through management actions taken on individual refuges and hatcheries; however, such actions take into consideration the needs and purposes of entire conservation systems. These conservation systems provide integrated habitat and life support for permanent resident populations as well as migratory populations needing temporary stopover sites to rest, breed, and feed and to survive their nationwide and, in some cases, worldwide seasonal migrations. While some individual units of stewardship lands can be improved at any time during their management cycles, the condition of the stewardship lands as a whole, which are protected by inclusion in both the National Wildlife Refuge System and the National Fish Hatcheries System, is sufficient to support the mission of the Service and the statutory purposes for which these conservation systems were authorized.

The Fish and Wildlife Service assesses the condition of its stewardship land and resources by monitoring habitat characteristics and determining whether management actions are needed to change those characteristics to benefit their usefulness to fish and wildlife resources. The condition of these stewardship lands is not static. Land or habitat condition may be changing, either through the application of management techniques or through natural stressors or processes acting on those lands. It is the goal of the Fish and Wildlife Service to provide habitat that optimizes the usefulness of stewardship lands to benefit fish and wildlife resources.

National Park System Lands: The National Park Service stewardship lands are used and managed in accordance with the statutes authorizing their acquisition or directing their use and management. The Service conducts various activities to preserve and protect land resources, and to mitigate the effects of activities conducted previously on or near parks that adversely affect the natural state of the land.

Reclamation Project Lands: The Bureau of Reclamation safeguards the reclamation project withdrawn lands in order to protect them against waste, loss, and misuse. They are managed consistent with their intended purposes in accordance with federal laws and regulations, and are not materially degraded while under government care. Site reviews are performed on 20 percent of the reclamation project lands each year, with 100 percent required to be reviewed within a 5-year period. Reviews for hazardous waste, improper dumping, or trespass, along with on-site reviews of concessions, provide further safeguarding of the land's condition. While periodic reviews are performed, it is not feasible or cost effective to do full condition assessments of all reclamation project lands, a large portion of which lie under water or structures. Additionally, there are often large tracts of inaccessible wilderness surrounding the upper surface of the water's edge, which would be difficult and costly to assess. This notwithstanding, the condition of the BOR project lands as a whole is sufficient to support the mission of the agency, and is consistent with the statutory purposes for which the lands were withdrawn.

Net Change in Stewardship Land Acreage from 1998 to 1999

Federally owned stewardship lands under the jurisdiction of the Department of the Interior at the end of 1999 increased by approximately 7 million acres from 1998. *Figure 37* shows the distribution of this increase, most of which is a result of the reclassification of approximately 6 million acres of Bureau of Reclamation project lands to stewardship status based on additional analysis completed in 1999.

Figure 37

Net Change in Stewardship Land – 1998 to 1999

Bureau	1998 Acreage	1999 Acreage	Net Change	% Increase
Bureau of Land Management	263,621,285	264,174,745	553,460	.21%
Fish and Wildlife Service	88,410,000	88,555,848	145,848	.16%
National Park Service	77,415,476	77,937,494	522,018	.67%
Bureau of Reclamation	Not reported	5,774,376	5,774,376	N/A
TOTAL	429,446,761	436,442,463	6,995,702	1.63%

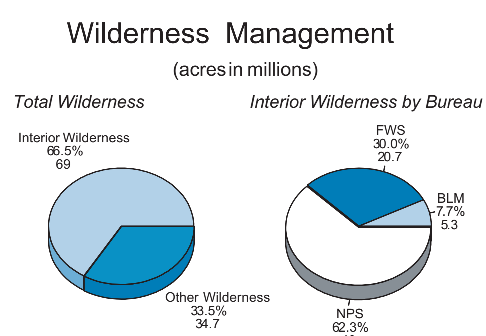
Excluding the reclassified Bureau of Reclamation project lands, the percentage change in Interior's stewardship land represents a net increase of only 0.28 percent, which resulted from the net effect of acquisitions, disposals, exchanges, withdrawals, restoration transactions, and audits/reviews of records. National Park Service and Bureau of Land Management lands each increased by about 500,000 acres, while Fish and Wildlife Service lands increased by about 145,000 acres.

Natural Heritage Assets

National Wilderness Preservation System

The National Wilderness Preservation System was created by the Wilderness Act of 1964. A wilderness area is an area designated by Congress to assure that increasing populations, expanding settlement, and growing mechanization do not occupy and modify all areas of the United States. Designations ensure that some lands are preserved and protected in their natural condition. In contrast to those areas where humans and their works dominate the landscape, wilderness is where the earth and its community of life are untrammeled by human beings, where humans themselves are visitors who do not remain.

Figure 38

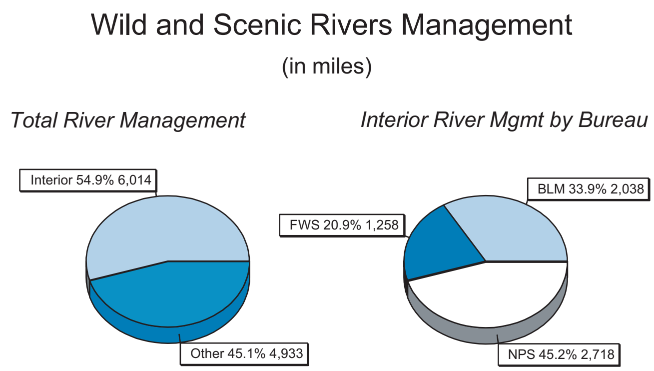


America's wilderness system encompasses approximately 103.7 million acres. The Department of the Interior manages almost 66.5 percent of this wilderness system, 255 areas comprising almost 69 million acres (*Figure 38*).

National Wild and Scenic Rivers System

For a river to be eligible for the National Wild and Scenic Rivers System, it must be in a free-flowing condition and, to a remarkable degree, it must possess one or more specific values: scenic, recreational, geologic, fish and wildlife, historic, cultural, or other similar values. Suitability is based upon the extent of public lands in the immediate environment of the river and on the funds required for acquisition, development, and management, as well as local or state interest in acting to protect and manage the river. Wild and scenic eligibility studies are presented to Congress with a Presidential recommendation. Congress then decides whether or not to add the river to the National Wild and Scenic Rivers System.

Figure 39



There are 156 rivers containing 180 river segments included in the National Wild and Scenic Rivers System. Each mile of each designated segment is classified as either wild, scenic, or recreational. The total system covers 10,947 river miles. Fifty-four percent of the river miles in the National Wild and Scenic Rivers System are managed by Interior (*Figure 39*).

National Natural Landmarks

National Natural Landmarks are management areas having national significance because they represent one of the best known examples of a natural region's characteristic biotic or geologic features. These areas must be located within the boundaries of the United States or on the Continental Shelf and are designated by the Secretary of the Interior. To qualify as a National Natural Landmark, an area must contain an outstanding representative example(s) of the Nation's natural heritage, including terrestrial communities, aquatic communities, landforms, geological features, habitats of native plant and animal species, or fossil evidence of the development of life on earth.

The Fish and Wildlife Service and the Bureau of Land Management each manage 43 National Natural Landmarks; these Landmarks total about 4.1 million acres. The National Park Service manages 18 National Natural Landmarks in 16 units of the National Park System.

Paleontological Sites

Since the early 1800s, professional and amateur paleontologists have made discoveries that helped launch the new scientific discipline of paleontology in America, filling our Nation's museums of natural history with the remains of spectacular creatures that have captured the public's imagination. Today, the public lands continue to provide paleontological resources that fuel scientific discovery and evoke public wonder. Interior bureaus manage these fragile and nonrenewable resources as a public trust not only to assure preservation of their scientific values, but also to see that their educational and recreational values are realized.

While the Interior bureaus take paleontological resources into account on all public lands, the Bureau of Land Management is responsible for over 50 specially designated areas, including Research Natural Areas, Areas of Critical Environmental Concern, and National Natural Landmarks, totaling nearly 300,000 acres that are managed wholly or in part for their outstanding paleontological values. Fossils have also been located in over 137 National Park Service areas. These fossils collectively reveal a story ranging from Precambrian algae in Glacier National Park to Ice Age mammals in the Alaskan parks. The Bureau of Reclamation has also identified nine paleontological sites.

The Department of the Interior manages a number of publicly accessible and interpreted paleontological sites such as the Cleveland-Lloyd Dinosaur Quarry, the Trilobite Trail, the Trail Through Time, and Dinosaur National Monument. To meet public demands for recreational opportunities, the Bureau of Land Management also makes many public lands available for collecting invertebrate fossils and limited amounts of petrified wood.

Condition of Natural Heritage Assets

Natural heritage assets represent a subset of stewardship lands. As such, the condition of these natural assets is as good as or better than that described for each land type under the Stewardship Lands section of this report.

Net Change in Natural Heritage Assets from 1998 to 1999

The number of acres designated as Wilderness increased by 320 acres, while the number of Wilderness Areas remained the same. The number of river miles included in the National Wild and Scenic River system increased by 116, and the number of rivers increased by two. Twenty-six additional paleontological sites were also identified. *Figure 40* shows the net change in other selected natural heritage designations from 1998 to 1999.

Figure 40

Net Change in Other Selected Natural Heritage Designations – 1998 to 1999

Special Management Area	Net Change in Number	Net Change in Total Acres	Net Change in Total Miles
National Historic Trails			+3
Lake Todantonten Special Management Area	+1	+37,579	
Herd Management Areas	-1	+2.901,183	
Grand Staircase-Escalante National Monument		-20,000	
Areas of Critical Environmental Concern	+1	+1,800	
Wetlands of International Importance	+17		
Western Hemisphere Shorebird Network	+19		

Cultural Heritage Assets

The Department of the Interior is steward for a large, varied, and scientifically important body of cultural heritage assets (*Figures 41 and 42*). These resources include archaeological sites, historical structures, cultural landscapes, and other resources. Many are listed on the National Register of Historic Places, acknowledging their importance to American history. Some are National Historic Landmarks that are exceptional in illustrating the heritage of the United States.

Interior's heritage assets come from public or acquired lands, historic properties under Interior's management, and donations. The Department has a responsibility to inventory, preserve, and interpret these resources for the benefit of the American public. The Department does not normally dispose of such property. Interior bureaus have information on the numbers and types of resources and their condition. Not all resources have been inventoried and, for many resources, adequate condition information is lacking.

Figure 41

Types of Cultural Heritage Assets	
Type	**Description**
National Register of Historic Places	The National Register of Historic Places is America's official listing of sites important to history and prehistory. Properties listed in the National Register include districts, sites, buildings, structures, and objects that are significant in American history, architecture, archaeology, engineering, and culture. These resources contribute to an understanding of the historical and cultural foundations of the Nation.
Historic Structures	Historic structures are constructed works consciously created to serve some human activity or purpose. Structures are historic because they individually meet the criteria of the National Register of Historic Places or are contributing elements of sites or districts that meet National Register criteria. As such, historic structures are significant at the national, state, or local level and are associated with the important people and history of this nation. Structures that do not meet National Register criteria may be considered historic due to management responsibilities established by legislation or through management planning processes. Such structures include moved, reconstructed, or commemorative structures as well as structures that have achieved significance within the last 50 years.
National Historic Landmarks	National Historic Landmarks are districts, sites, buildings, structures, or objects possessing exceptional value in commemorating or illustrating the history of the United States. The Historic Sites Act of 1935 authorizes the Secretary of the Interior to designate National Historic Landmarks as the Federal government's official recognition of the national importance of historic properties. These places possess exceptional value or quality in illustrating or interpreting the heritage of the United States in history, architecture, archaeology, technology, and culture as well as possessing a high degree of integrity of location, design, setting, materials, workmanship, feeling, and association.
Cultural Landscapes	A cultural landscape is a geographic area, including both natural and cultural resources, associated with an historic event, activity, or person. Cultural landscapes are complex resources that range from large rural tracts covering several thousand acres to formal gardens of less than an acre. The Department of the Interior recognizes four cultural landscape categories: historic designed landscapes, historic vernacular landscapes, historic sites, and ethnographic landscapes. These landscapes individually meet the criteria of the National Register of Historic Places, are contributing elements of sites or districts that meet National Register criteria, or have value to associated communities.
Archaeological Sites	Archaeological sites are locations that contain the remains of past human activity of various sorts. Archaeological sites include prehistoric structures, middens, and roadways, such as those found on many of the lands managed by the Department of the Interior in the Southwest. Sites also include the ancient earthen mounds in the midwestern and southern parts of the nation, many of them managed by Interior bureaus. Other archaeological sites come from historic times and are associated with the settlement of the United States by Euroamericans, African-Americans, and Asian Americans.
World Heritage Sites	The preservation of a common world heritage is the objective of the international Convention Concerning the Protection of the World Cultural and Natural Heritage. This international agreement, signed to date by more than 150 nations, was adopted by the General Conference of the United Nations Educational, Scientific, and Cultural Organization (UNESCO) in 1972. Its primary mission is to (a) define and conserve the world's heritage by drawing up a list of sites whose outstanding values should be preserved for all humanity, and (b) to ensure protection through a closer co-operation among nations.

Figure 42

Number, Net Change, and Condition of Cultural Heritage Assets			
Type of Asset	Number of Assets	Net Change in Assets 1998 to 1999	Condition
Bureau of Land Management			
National Register of Historic Places	255 Listings 3,610 Contributing Properties	+7 -15	Acceptable
Archaeological and Historical Properties	227,993 Properties	+7,193	Acceptable
National Historic Landmarks	22 Landmarks	-	Acceptable
World Heritage Sites	5 Sites	+5	Acceptable
Fish and Wildlife Service			
National Register of Historic Places	99 Listings	+6	Unclassified
Historical Structures	188 Structures	-	Unclassified
Archaeological and Historical Properties	11,000 Properties	-	Unclassified
National Historic Landmarks	9 Landmarks	-	Unclassified
National Park Service			
National Register of Historic Places	1,259 Listings	+13	Unclassified
Historical Structures	24,225 Structures	+1,058	Good 44% Fair, Poor, or Unknown 56%
National Historic Landmarks	193 Landmarks	+15	Unclassified
Inventoried Cultural Landscapes	359 Landscapes	-	Good 27% Fair 46% Poor 27%
Archaeological Sites	60,000 Sites	+9,000	Good 6% Poor 14% Unclassified 80%
World Heritage Sites	18 Sites	-	Unclassified
Bureau of Reclamation			
National Register of Historic Places	61 Listings	-	Unclassified
Archaeological and Historical Properties	10,724	+10,724	Unclassified
National Historic Landmarks	5	+5	Unclassified
Bureau of Indian Affairs			
National Register of Historic Places	35 Listings	+4	Unclassified
Other Bureaus			
National Register of Historic Places	9 Listings	-	Unclassified

Museum Collections

Department of the Interior museum collections contain more than 113 million museum objects (*Figure 43*), including 69 million artifacts and specimens and 44 million documents. Disciplines represented include art, ethnography, archaeology, documents, history, biology, paleontology, and geology. Archaeology and documents account for more than 104 million of the total when documents are reported in number of objects. If converted to linear feet, the 44 million documents reported this year equal 27,500 linear feet of archival documents. The increase is due primarily to improved reporting rather than to new acquisitions. Numbers are relatively stable for all disciplines as bureaus continue to refine their estimates. Museum collections managed by Department of the Interior bureaus are important for both their intrinsic value and for their associations with federal lands and resources managed by Interior bureaus.

Highlights for 1999 included completing documentation on more than 5 million objects, improving their accountability and availability for public access. Information on accessions, deaccessions, and conditions are incomplete. Available information is provided below in individual bureau discussions.

The Branch of Museum Services, located in the Department's National Business Center, is the operations branch of the Interior Museum Program; this branch operates the Interior Museum, interprets Headquarters building, and provides departmentwide training and technical assistance to bureaus and offices. The Office of Acquisition and Property Management is the policy branch that develops departmentwide policies and strategies and provides oversight for the museum programs in all Interior's bureaus and offices.

Figure 43

1999 Data and 1998 Baseline Data for Interior Museum Collections That Are Inventoried or Part of Backlog	Total Collection Size	Held Within Interior	Held in Other Institutions	Number of Objects Inventoried (1998 Baseline)	Number of Objects Inventoried (1999 Actual)	Estimated Inventorying Backlog
Bureau of Indian Affairs *	453,275	24,701	428,574	0	116,718	336,557
Bureau of Land Management **	23,842,413	5,900,229	17,942,184	2,181,064	2,219,080	21,623,333
Bureau of Reclamation	8,427,501	4,658,162	3,769,339	1,960,745	3,272,444	5,155,057
Fish and Wildlife Service	4,096,210	515,954	3,580,256	1,200,000	1,200,000	2,896,210
National Park Service	76,494,942	73,670,510	2,824,432	31,018,410	34,814,431	41,680,511
Indian Arts and Crafts Board ***	12,396	12,396	0	13,943	11,480	916
Interior Museum	4,759	1,841	2,918	1,600	1,711	3,048
Minerals Mgmt Service	54	54	0	0	54	0
U.S. Geological Survey ****	39,227	12,488	26,739	63	39,216	11
Interior Totals	113,370,777	84,796,335	28,574,442	36,375,825	41,675,134	71,695,643

* The reduction in number from 681,961 museum objects reported in 1998 reflects a reclassification of large document collections as official records.
** The Bureau of Land Management reports that estimates of the collection size need to be revised, but data are not yet available.
*** The Indian Arts and Crafts Board baseline declined due to a congressionally mandated transfer of the Headquarters collection to the National Museum of the American Indian.
**** The U. S. Geological Survey baseline was increased to include Biological Resources collections.

The Bureau of Indian Affairs reports 453,275 museum objects, of which, approximately 95 percent are housed in 91 non-federal institutions. The remainder are distributed among 106 units in the BIA, where they support the BIA's relationships with tribes. The reduction in number from 681,961 museum objects reported in 1998 reflects reclassification of large document collections as official records. Data on 1999 accessions and condition of museum collections are not available.

The Bureau of Land Management manages most of its collections through associations with approximately 190 non-federal repositories. Total collection size was last estimated at nearly 24 million objects from the public lands; these survey numbers need to be revised. A total of 17.9 million objects are reported to be at the non-federal repositories, while 5.9 million objects and documents have been reported in BLM facilities. Data on 1999 accessions and conditions at non-federal repositories is not available, although more than 38,000 new catalog records were completed at the Bureau of Land Management's three internal repositories. The condition of collections at these three facilities are acceptable, as confirmed by a validation review conducted between February and May 1999. Data on the condition of collections in the 190 non-federal repositories is generally not recorded. An Office of Inspector General Audit was conducted during 1999. Recommendations included improved planning, oversight of contractor activities regarding newly acquired collections, and increased communication with repositories housing BLM collections. These recommendations are resolved but not implemented.

The Bureau of Reclamation reports more than 8.4 million museum objects and documents, of which 4.6 million (55 percent) are in BOR facilities and 3.8 million (45 percent) are in non-federal institutions. Data on accessions and condition is not available. The Bureau of Reclamation exceeded documentation targets by cataloging more than 1.3 million museum objects during 1999.

The Fish and Wildlife Service collections consist of almost 4.1 million objects and documents; 516,000 are managed at 150 bureau units and 3.6 million (87 percent) are managed at 210 non-federal institutions. Data on accessions is not available. The condition of Fish and Wildlife Service museum collections is estimated to be generally adequate to good, but precise data is not available for all locations holding these collections. The Fish and Wildlife Service also manages seized and forfeited wildlife specimens and products, which are lent to zoos and other institutions for educational use, and to the National Eagle Repository in Denver, Colorado, which distributes eagle parts and feathers to Indian tribes.

National Park Service collections include 36 million artifacts and specimens and 40 million archival documents. Of the total 76.5 million objects and documents, 73.7 million objects (96 percent) are housed at 332 park units. A total of 142 non-federal institutions house 2.8 million National Park Service museum objects. In 1998 (the most recent data available), the National Park Service cataloged 3.8 million items and corrected 1,940 preservation and protection deficiencies in 230 parks. The Service acquired 1,376,555 items through gifts, exchanges, purchases, field collections, and transfers. It deaccessioned 4,495 items. As of 1998, 59 percent of National Park Service objects and 33 percent of its archives have been cataloged. At current cataloging and funding levels, the collection will be fully cataloged in 2021. In 2000, the Park Service will develop a methodology to check the accuracy of condition data, identifying treatment needs in a standard way.

The Department's National Business Center's Interior Museum collections contain 4,759 objects, 1,841 of which are in the Main Interior Building; the remaining 2,918 are at a repository managed by the National Park Service. During 1999, the Interior Museum hosted an exhibit of Thomas Moran landscape paintings that are credited with encouraging Congress to designate the first National Park at Yellowstone. This was one of several activities in support of the Department's 150th anniversary. The project included upgrading environmental controls and security in the portion of the museum housing the Moran exhibit. There were no new accessions in 1999. The condition of the National Business Center's collections is generally good, although there are concerns about deterioration from environmental threats and deferred preventive conservation measures.

The Indian Arts and Crafts Board now holds 12,396 museum objects, down from 19,805 museum objects due to the congressionally mandated transfer of more than 7,000 objects making up its Headquarters collection to the National Museum of the American Indian. The Board acquired 15 objects during 1999, eight by purchase and seven as gifts. The general condition of the Board's collections is stable and safeguarded, as documented in conservation and fire protection surveys at the three Indian Arts and Crafts Board museums. Of the 12,396 objects at these three museums in Montana, Oklahoma, and South Dakota, 11,480 (93 percent) are inventoried.

The Minerals Management Service maintains a small collection of 54 objects in its administrative offices. There were no accessions or deaccessions during the year. The collection is fully documented and in stable condition. There are no deferred maintenance issues for the collection.

The U. S. Geological Survey manages 12,488 specimens in its facilities, while 26,739 specimens are housed in partnership with two non-federal institutions. This data includes Biological Resources museum property that is reported here for the first time. These collections were transferred to the Survey from the Fish and Wildlife Service. Less than one percent of the collection remains to be cataloged. The Survey acquires biological specimens through field collections each year. Data on the number of specimens acquired in 1999 is not available. There were no withdrawals from the collections. All Survey collections are in good condition, with no deferred maintenance of the collections.

For the first time, we have departmentwide data regarding the number of items inventoried to compare against baseline data collected in 1998. The number of objects reported as inventoried is a minimum number based on available data. Additional collections at non-federal repositories may have been inventoried, but precise data is not available.

Beyond basic accountability, the Department encourages increasing public access to and use of museum collections to support the Department's missions.

Figure 44

1999 Interior Museum Program Highlights	
Entity	**Selected Activities**
Bureau of Indian Affairs	• Completed draft BIA policies and procedures for managing museum property. • Established baseline of inventoried museum property. • Installed exhibits of BIA museum property in Washington, D.C., Phoenix, Arizona, Juneau, Alaska, and Riverside, California. • Supported visitors and researchers at Haskell Indian Nations University (KS) and Sherman Indian School (CA).
Bureau of Land Management	• Completed User's Guide to Dolores Archaeological Program Data (available on compact disc). • Relocated Billings Curation Center to new quarters with improved security, environmental controls, storage space, and research space. • Upgraded permanent exhibits at the National Historic Oregon Trail Interpretive Center. • Revised BLM museum collections management plan. • Refined list of non-federal institutions holding museum collections from BLM-managed lands. • Coordinated drafting of "Draft Report of the Assessment of Fossil Management on Federal and Indian Lands." • Upgraded interactive web sites featuring BLM curation and interpretive centers.
Bureau of Reclamation	• Increased commitments needed to reach full accountability for museum collections by 2004, and increased number of objects inventoried from 1.96 million to 3.27 million. • Enhanced access to collections via publications, compact discs, and other media projects. • Partnered with the University of Nevada, New Mexico Museum of Natural History and Sciences, and the Museum of Northern Arizona to support exhibits of BOR collections. • Developed an interpretive center at the Owyhee Irrigation District in northeast Oregon. • Maintained web site access to BOR fine art collection.
Fish and Wildlife Service	• Initiated conservation of 1890 fish rail car and historic Yellowstone fisheries boat, which is interpreted at D.C. Booth Historic Fish Hatchery (SD). • Competed conservation plans for Chesapeake Bay boats, which are interpreted at Chincoteague National Wildlife Refuge (VA). • Initiated new cooperative agreements with non-federal institutions in Idaho, North Dakota, and Oregon. • Upgraded HVAC system at Desoto National Wildlife Refuge (IA). • Consolidated Alaska Region collections at the Alutiiq Museum in Kodiak, Alaska. • Partnered with tribal youth to catalog archaeological collections from the Russian River.
National Park Service	• Cataloged 3.8 million items and corrected 1,940 planning, environmental, storage, security, and fire protection deficiencies in 230 parks. • Issued two supplements (12 leaflets) to Conserve O Gram publication sold through the Government Printing Office. • Posted Conserve O Gram leaflets as PDF files on the NPS web site. • Expanded museum pages on the NPS web site to include electronic exhibits, photos, and interpretive materials. Recorded 282,000 user sessions from December 1998 through September 1999. • Exhibited over 348,000 objects, responded to over 50,000 public research requests and over 14,000 research requests from park staff, and managed 4,500 loans for over 7.5 million objects. • Installed 14 major exhibits in parks and completed historic furnishings installations in five parks. • Completed archival assessments at 12 parks that identified over 2,177 previously unknown and uncataloged archives.
National Business Center (Interior Museum)	• Exhibited two large 1870s landscape paintings by Thomas Moran, artifacts associated with John Wesley Powell (second Director of USGS), Edward Curtis photographs of Native Americans, and other "Treasures" as part of special exhibits and activities to commemorate the Department's 150th anniversary. • Installed a new HVAC system to improve environmental controls in the Interior Museum. • Began preparations for relocation of Interior Museum collections stored at an NPS repository in Maryland. • Completed continuity of operations plan.
Indian Arts and Crafts Board (IACB)	• Lent objects for exhibits in Arizona, California, and Oklahoma, reaching more than 550,000 visitors. • Upgraded environmental and storage equipment at IACB museums in Oklahoma, Montana, and South Dakota. • Worked with staff of the National Museum of the American Indian to plan for the congressionally mandated transfer of IACB headquarters collection of approximately 7,000 objects.
Minerals Management Service	• Maintained exhibits at MMS headquarters and other MMS facilities. • Completed cataloging worksheets and digital images of all MMS collections.
U.S. Geological Survey	• Created a Steering Committee to guide management of USGS collections. • Developed web pages to provide public access to USGS collections. • Compiled data on Biological Resources collections transferred to USGS from FWS in 1997.

Library Collections

Interior's natural resources library is composed of two collections. The general collection consists of approximately 950,000 holdings dealing with the broad range of matters related to the Department's mission to use and conserve natural resources and to meet its trust responsibilities toward American Indians and Alaska Natives. The law collection has approximately 100,000 holdings related to natural resources and Native American laws.

The U.S. Geological Survey library collections cover all aspects of the earth sciences and related interdisciplinary subjects. The collection is comprehensive, covering as much as possible of worldwide literature in the library. Extensive sets of state and foreign geological survey publications, as well as publications from geological and other scientific societies, universities and institutions, and other government agencies throughout the world, are included in the collection. Special collections include the George F. Kurt collection of books on gems and minerals; the Alvison collection on Russian geology, minerals, and mining; extensive photographs taken during the Survey's field work; and field notebooks and additional material relating to Survey projects. This library contains 1.6 million books and periodicals, as well as 1.3 million nonbook items, for a total of 2.9 million items. During 1999, 12,000 units were added and 8,000 units were withdrawn from the Survey's library collection. Materials are acquired through extensive exchange agreements with institutions and agencies worldwide, from research projects, and through purchases from a wide variety of publishers and institutions. Items are withdrawn only after the professional library staff has made a critical analysis of the collection. Approximately 35 percent of the collection is in good condition, 40 percent is in fair condition, and 25 percent in poor condition. There is no deferred maintenance related to the library collection.

National Park Service library collections that were reported in 1998 are excluded from the 1999 report because they are circulating working collections that do not fit the criteria for heritage assets. National Park Service museum collections include some books that are retained for their long-term historic value.

Investment in Research and Development

The U.S. Geological Survey Research and Development program was authorized by the March 3, 1879, legislation that created the U.S. Geological Survey to provide for the examination of geological structures, mineral resources, and products within and outside the national domain. Earth science research and information save lives and property, safeguard human health, enhance the economic vitality of the Nation and its people, assess resources, characterize environments, and predict the impact of contamination.

Figure 45

USGS Investment in Research and Development
($ in millions)

Type of Research	FY 1998 1/, 3/	FY 1999 2/, 3/
Basic Research	$62.6	$78.0
Applied Research	506.6	672.0
Development	30.8	39.0
Total	$600.0	$789.0

1/ FY 1998 data is based on unliquidated obligations and expenditures in lieu of expense data.
2/ FY 1999 data is based on expense data.
3/ Cost includes employee retirement benefits, health and life insurance, and Federal Employee Compensation Act benefits.

The Survey provides credible, objective, and unbiased information needed by managers of the Nation's natural resources and resource managers in Interior. This information aids in solving critical societal problems through research, investigation, and the application of state-of-the-art geographic and cartographic methods. U.S. Geological Survey research assesses and predicts biological consequences of various policies and management practices. Interior's investment in research and development for 1999 is shown in *Figure 45*.

In addition, the Fish and Wildlife Service invested approximately $37.7 million in biological investigations that will contribute to site-specific natural resource management decisions.

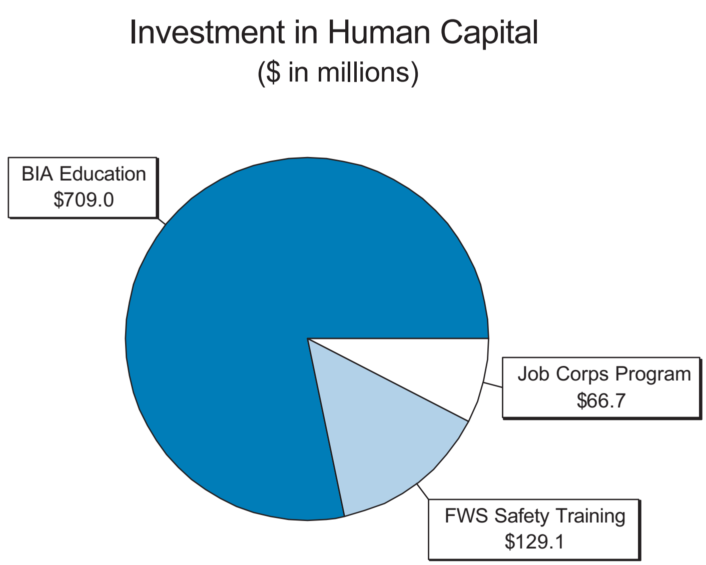
Investment in Human Capital

The Bureau of Indian Affairs administers its trust responsibility for education with the long-range goal of promoting healthy Indian communities through lifelong learning. This goal is achieved by providing quality educational opportunities from early childhood throughout life, with consideration given to the mental, physical, emotional, spiritual, and cultural aspects of the people served.

Through various Bureau of Indian Affairs programs, a significant investment in education has been made to help brighten the future of American Indians and Alaska Natives. In 1999, a total of $709 million was expended for education programs benefitting American Indians and Alaska Natives.

The Bureau of Reclamation, the National Park Service, and the Fish and Wildlife Service provide residential education and job training for disadvantaged youth through the Job Corps program. In addition, the Fish and Wildlife Service expended approximately $129.1 million for hunter safety training and other fish and wildlife safety training and outreach.

Figure 46



Investment In Non-Federal Physical Property

The Office of Insular Affairs provides capital improvement grants to United States insular areas to assist the islands in developing more efficient and effective government. The capital investment in non-federal physical property in the islands was approximately $80.3 million in 1999. This investment supported infrastructure improvements of approximately $32.7 million and compact payments of approximately $47.6 million in seven insular areas (*Figures 47 and 48*).

During 1999, the National Park Service identified over $3 million in non-federal physical asset expenditures which is a significant decrease from 1998. The Fish and Wildlife Service expended approximately $191.2 million for acquiring and improving lands and non-federal physical properties. The Bureau of Indian Affairs and the Federal Highway Administration jointly administer the Indian Reservation Roads and Bridges Program which involves construction and maintenance of approximately 49,000 miles of Indian reservation roads. In 1999, approximately $253.7 million was expended on 1,852 projects in this program. These projects involved road construction and road maintenance work on 2,932 miles of roads and 33 bridges.

Figure 47

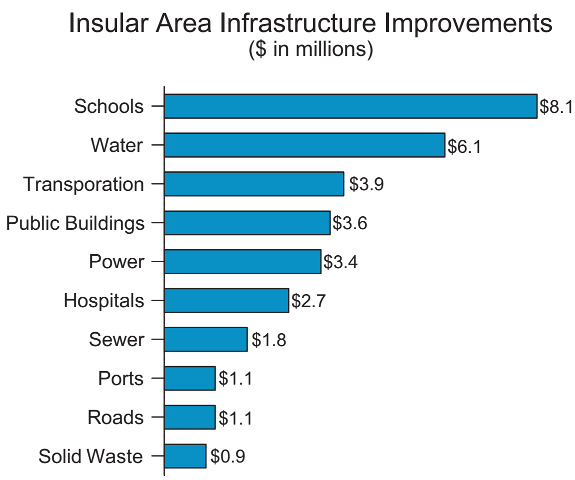


Figure 48

Insular Area Capital Investment (in millions)	FY 1998	FY 1999
Commonwealth of Northern Marianas	$9.0	$9.7
Republic of Palau	1.4	1.1
Republic of Marshall Islands	0.2	0.4
Federated States of Micronesia	1.4	2.4
American Samoa	7.2	11.5
U.S. Virgin Islands	0.5	3.4
Guam	1.9	4.2
Compact Payments in Marshall Islands	25.0	29.7
Compact Payments in Micronesia	17.9	17.9
Total	$64.5	$80.3

Deferred Maintenance

The Department of the Interior owns, builds, purchases, and contracts services for assets such as schools, office buildings, roads, bridges, dams, irrigation systems, and reservoirs. These assets are used to support the Department's stated mission. Interior's assets include some deteriorating facilities for which repair and maintenance have not been funded. Current and prior budgetary restraints require that repair and maintenance on these assets be postponed for future years. Interior refers to this unfunded repair and maintenance of facilities and infrastructure as deferred maintenance.

Inadequately funded maintenance may result from reduced budgets, diversion of maintenance funds for emergency responses, and competition for resources from other program needs. Deterioration of facilities can adversely impact public health and safety, reduce employees' morale and productivity, and increase the need for costly major repair or early replacement of structures and equipment. Undue wear on facilities may not be immediately noticeable to users, but inadequate maintenance can require that the facility be replaced or subjected to major reconstruction before the end of its expected useful life.

Due to the scope, nature, and variety of the assets entrusted to the Department, as well as the nature of deferred maintenance itself, exact estimates of deferred maintenance cannot be determined at this time, and may never be fully determinable. Interior has calculated estimates of deferred maintenance based on data from a variety of systems, procedures, and sources of data. However, the accumulation of deferred maintenance cost estimates is not the primary purpose of many of these sources, so the Department acknowledges that the reliability of these sources as a basis for deferred maintenance estimates can vary greatly.

Interior's current estimate for deferred maintenance includes property categories such as building facilities, fixed and heavy equipment, bridges and roads, dams, irrigation systems, and reservoirs. The estimate generally includes costs for items such as (1) construction contract administration and inspection; (2) construction materials; (3) transportation; (4) removal of existing appurtenances, e.g., guard rails, furnishings, and equipment items that are not physically attached to property, along with related storage, inventorying, and tagging; (5) fixed equipment; (6) employee costs; and (7) indirect cost and/or contract support cost. The estimate excludes costs for items such as routine maintenance of facilities and infrastructures. In addition, the estimate generally excludes vehicles and most other categories of operating equipment.

Initial studies indicate that the estimated amounts necessary to fund the correction of deferred maintenance throughout the Department may range from $8 to $14 billion (*Figure 49*).

Figure 49

Estimated Deferred Maintenance (in millions)			
	Estimated Range of Deferred Maintenance General PP&E	***Estimated Range of Deferred Maintenance Stewardship PP&E***	***Total Estimated Range of Deferred Maintenance***
Bureau of Indian Affairs	$4,390 to $5,940	0	$4,390 to $5,940
Bureau of Land Management	$25 to $125	$75 to $375	$100 to $500
Bureau of Reclamation	$6 to $16	0	$6 to $16
Fish and Wildlife Service	$790 to $1,100	0	$790 to $1,100
National Park Service	$2,260 to $5,420	$240 to $580	$2,500 to $6,000
U.S. Geological Survey	$60 to $100	0	$60 to $100
Total	$7,531 to $12,701	$315 to $955	$7,846 to $13,656

Intra-Governmental Transaction Disclosures

Intra-governmental amounts represent transactions between federal entities included in the Financial Report of the United States Government. These transactions include assets, liabilities, and non-exchange revenue. A portion of Undistributed Royalty relates to an escrow settlement, some of which may be distributed to other federal agencies after the settlement plan is finalized. Financing sources transferred to Treasury include amounts appropriated from certain receipts which are first reported as revenue and transfers-out, and later appropriated to Interior for use.

Department of the Interior
Intra-Governmental Assets
($ in thousands)

Trading Partner	*Fund Balance with Treasury*	*Investments in Treasury Securities*	*Accounts Receivable Due from Federal Agencies*	*Other Assets Federal*
Treasury	$22,872,617	$2,387,873	$389,882	-
Agriculture	-	-	17,627	-
EPA	-	-	10,450	-
Transportation	-	-	5,576	$287,034
NASA	-	-	4,947	-
Energy	-	-	7,813	-
Corps of Engineers	-	-	7,502	-
Defense	-	-	37,669	-
Other	-	-	41,953	11,128
Total	$22,872,617	$2,387,873	$523,419	$298,162

Department of the Interior
Liabilities to Federal Agencies
($ in thousands)

Trading Partner	*Accounts Payable*	*Deferred Revenue*	*Notes Payable*	*Undistributed Royalty*	*Receipts Transferable*	*Other Payables*
Treasury	$2,433	-	$1,463,403	$2,618,414	$65,544	$123,738
Agriculture	8,488	$4,363	-	-	-	-
OPM	9,491	-	-	-	-	-
Commerce	-	2,149	-	-	-	-
GPO	3,082	-	-	-	-	-
Army	-	4,373	-	-	-	-
GSA	8,993	3,899	-	-	-	-
HHS	-	3,465	-	-	-	-
NASA	1,192	1,191	-	-	-	-
Corps of Engineers	1,218	7,214	-	-	-	-
Defense	-	19,928	-	-	-	4,196
Energy	1,014	-	-	-	-	-
Other	6,390	10,454	-	-	-	10
Total	$42,301	$57,036	$1,463,403	$2,618,414	$65,544	$127,944

Department of the Interior
Intra-Governmental Non-Exchange Revenue
($ in thousands)

Trading Partner	*Financing Sources Transfers, Net*	*Imputed Financing Sources*
Agriculture	$2,464	-
Navy	12,258	-
USPS	14,463	-
Treasury	1,531,658	$77,201
OPM	-	295,696
Energy	154,794	5,814
Other	47,060	10,163
Total	$1,762,697	$388,874

Glossary of Acronyms

AML	Abandoned Mine Lands or Appropriate Management Level
BIA	Bureau of Indian Affairs
BLM	Bureau of Land Management
BOR	Bureau of Reclamation
CAP	Central Arizona Project
CAWCD	Central Arizona Water Conservation District
CFO	Chief Financial Officers Act
COPS	Community Oriented Policing Sources
CSRS	Civil Service Retirement System
CNMI	Commonwealth of the Northern Mariana Islands
DCIA	Debt Collection Improvement Act of 1996
DOJ	Department of Justice
EAP	Emergency Action Plan
EFT	Electronic Funds Transfer
EPA	Environmental Protection Agency
FASAB	Federal Accounting Standards Advisory Board
FBU	Funds Put to Better Use
FERS	Federal Employees Retirement System
FFMIA	Federal Financial Management Improvement Act
FFS	Federal Financial System
FMFIA	Federal Managers' Financial Integrity Act
FOGRMA	Federal Oil and Gas Royalty Management Act
FTE	Full-Time Equivalent
FWS	Fish and Wildlife Service
GAO	General Accounting Office
GCDB	Geographic Coordinate Database
GMRA	Government Management Reform Act
GPRA	Government Performance and Results Act
HMA	Herd Management Area
IACB	Indian Arts and Crafts Board
IFF	Interior Franchise Fund
IIM	Individual Indian Monies
IRR	Indian Reservation Roads
LCS	List of Classified Structures
MCAF	Management Control and Audit Followup
MMS	Minerals Management Service
MWH	Megawatt Hour
NAGPRA	Native American Graves Protection and Repatriation Act
NAPA	National Academy of Public Administration
NEPA	National Environmental Policy Act
NHPF	National Historic Preservation Fund
NIIMS	National Irrigation Information Management System
NOAA	National Oceanic and Atmospheric Administration
NPS	National Park Service
NWRS	National Wildlife Refuge System
O&M	Operations and Maintenance
OCS	Outer Continental Shelf
OHA	Office of Hearings and Appeals
OIA	Office of Insular Affairs
OIG	Office of Inspector General
OMB	Office of Management and Budget
OSM	Office of Surface Mining
OST	Office of the Special Trustee for American Indians
OS	Office of Secretary
OTFM	Office of Trust Funds Management
PILT	Payments in Lieu of Taxes
P.L.	Public Law
PP&E	Property Plant and Equipment
RMP	Royalty Management Program
SFFAS	Statement of Federal Financial Accounting Standards
SMCRA	Surface Mining Control and Reclamation Act
SHPO	State Historic Preservation Officer
TAAMS	Trust Asset and Accounting Management System
TCCC	Tribally Controlled Community Colleges
TFAS	Trust Funds Accounting System
TPA	Tribal Priority Allocations
USGS	U.S. Geological Survey
U.S.C.	United States Code
Y2K	Year 2000

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