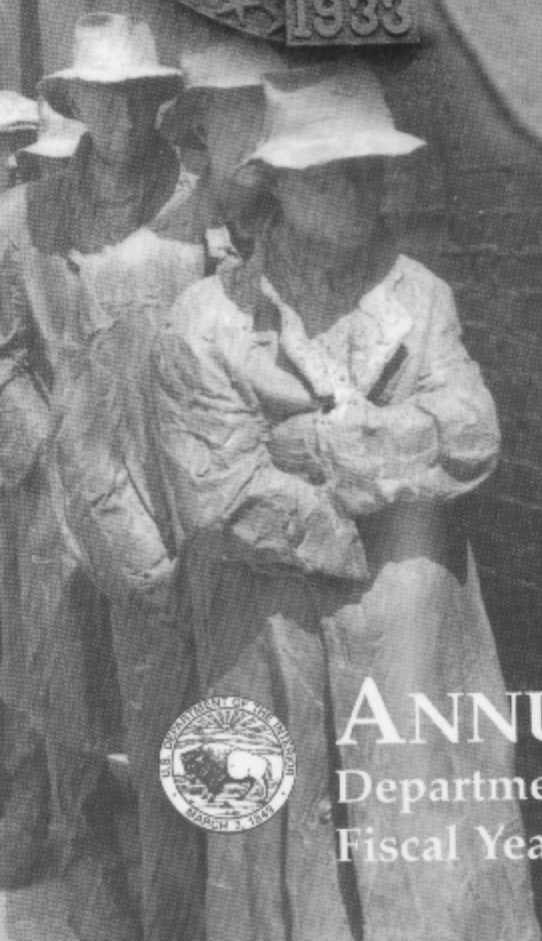


# UNITED STATES DEPARTMENT OF THE INTERIOR



FRANKLIN DELANO ROOSEVELT  
PRESIDENT OF THE UNITED STATES  
1933 - 1945



ELEANOR ROOSEVELT  
FIRST UNITED STATES DELEGATE  
TO THE UNITED NATIONS



## ANNUAL REPORT

Departmental Report on Accountability  
Fiscal Year 1997

# Foreword

The Chief Financial Officers Act of 1990 was enacted to improve the financial management practices of the Federal Government, and to ensure the production of reliable and timely financial information for use in managing and evaluating Federal programs. The Government Management Reform Act (GMRA) of 1994 furthered the objectives of the Chief Financial Officers Act by requiring all Federal agencies to prepare and publish annual financial reports, beginning with fiscal year 1996 activities. At the same time, the GMRA authorized the Office of Management and Budget to implement a pilot program to streamline and consolidate certain statutory financial management and performance reports into a single, annual Accountability Report.

The 1997 Accountability Report is the Department's second report under the pilot program. The objective of this report is to provide complete, concise financial and performance information about how well the Department has achieved its financial program objectives, and how well it managed its limited staffing and funding resources during 1997.

All comments regarding the content and presentation of this report are welcome. An electronic copy of the report is available on Interior's Office of Financial Management World Wide Web site (<http://www.doi.gov/pfm>).

Comments may be addressed to:

U.S. Department of the Interior  
Office of Financial Management, Room 5412  
1849 C Street, N.W.  
Washington, D.C. 20240

For additional information about the Department of the Interior, please contact:

U.S. Department of the Interior  
Office of Communications, Room 6013  
1849 C Street, N.W.  
Washington, D.C. 20240

or visit the Department's Internet Web site at <http://www.doi.gov>.

# U.S. DEPARTMENT OF THE INTERIOR



## Fiscal Year 1997 Accountability Report

April 1998

# 1997 At a Glance

## DEPARTMENTAL HIGHLIGHTS

In 1849 Congress created the Department of the Interior. Over time, Interior's role has changed from being a general housekeeper for the Federal Government to becoming the steward for its natural and cultural resources and administrator of its trust responsibilities to American Indians and Alaska Natives. Interior's mission is achieved through hundreds of programs and activities carried out by its bureaus.

Today, the Nation's principal conservation agency has jurisdiction for about 429 million acres of Federal land and 3 billion acres of the Outer Continental Shelf, as well as managing more than 57,000 buildings. The Department employs approximately 66,000 employees who work at more than 4,000 sites across the country.

Interior-managed lands accommodate a high level of recreational use. The National Park System received more than 280 million visits in 1997, and Bureau of Land Management (BLM) public lands received more than 61 million visits in 1997. The National Wildlife Refuge System receives about 30 million visits per year. Bureau of Reclamation (BOR) projects make water-based recreation visits possible for about 80 million visitors per year. The total economic impact of recreation activities on Interior lands exceeds \$28 billion. These recreation activities generate more than 400,000 jobs.

Lands managed by the Department help provide vital commodities for the Nation. The market value of commodities (oil, gas, minerals, timber, livestock, etc.) produced on public lands managed by the BLM is estimated at about \$12.4 billion per year. In 1997, the Minerals Management Service collected over \$6 billion in revenues from minerals produced from offshore and onshore Federal lands. The Fish and Wildlife Service operates 64 National Fish Hatcheries, which annually produce 160 million fish valued at \$5 billion in total economic benefits. The BOR power program is the ninth largest producer of electricity in the United States, generating about \$800 million in annual revenues.

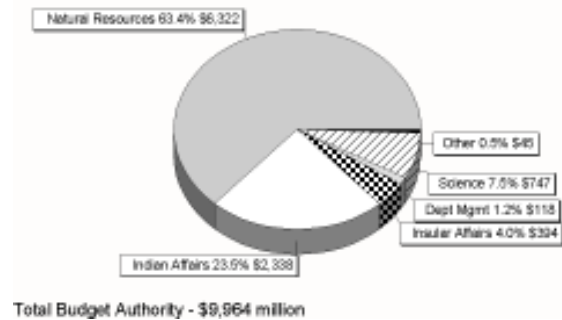
U.S. Department of the Interior <i>"To protect and provide access to our Nation's natural and cultural heritage and honor our trust responsibilities to Tribes."</i>				
<u>Bureau of Indian Affairs</u> <ul style="list-style-type: none"> <li>Administers federal Indian policy for more than 550 American Indian and Alaska Native Tribal governments</li> </ul>	<u>National Park Service</u> <ul style="list-style-type: none"> <li>Manages 376 parks, encompassing more than 83 million acres</li> </ul>	<u>Fish and Wildlife Service</u> <ul style="list-style-type: none"> <li>Manages 512 National Wildlife Refuges, encompassing almost 93 million acres</li> </ul>	<u>Bureau of Land Management</u> <ul style="list-style-type: none"> <li>Manages 264 million acres (1/8 of U.S. land mass) and almost 300 million acres of subsurface mineral estate</li> </ul>	<u>Bureau of Reclamation</u> <ul style="list-style-type: none"> <li>Largest supplier of water in the 17 western States</li> </ul>
<u>U.S. Geological Survey</u> <ul style="list-style-type: none"> <li>Largest U.S. natural science &amp; mapping agency contributing to public / environmental health &amp; safety</li> </ul>	<u>Minerals Management Service</u> <ul style="list-style-type: none"> <li>Collects over \$6 billion annually from the mineral leasing program</li> </ul>	<u>Office of Surface Mining</u> <ul style="list-style-type: none"> <li>Regulates coal mining to protect the environment</li> </ul>	<u>Office of Insular Affairs</u> <ul style="list-style-type: none"> <li>Assists insular governments in achieving political, economic, and social goals</li> </ul>	<u>Departmental Management</u> <ul style="list-style-type: none"> <li>Provides executive leadership, policy, guidance &amp; coordination to Interior programs</li> </ul>

# 1997 At a Glance

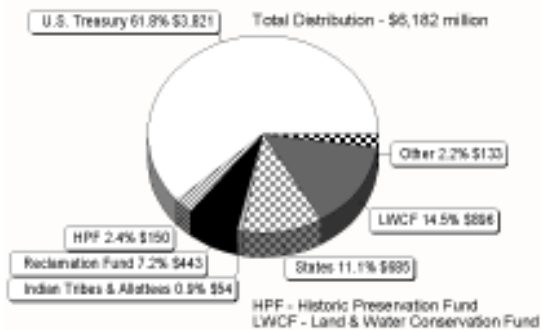
## FINANCIAL HIGHLIGHTS

*The operations of the Department are funded primarily by the general funds of the U.S. Government, managed by the Treasury Department and appropriated for the Department's use by Congressional action. The Department's 1997 budget authority was almost \$10 billion.*

1997 Interior Budget Authority  
(in millions)



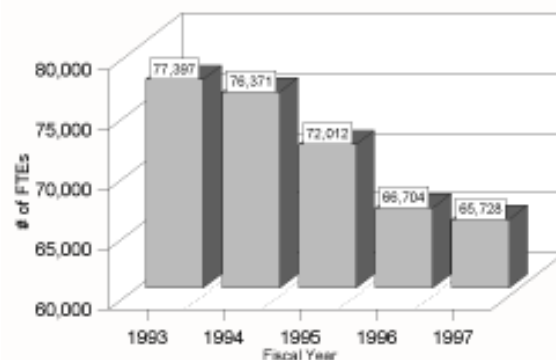
Distribution of 1997 Mineral Leasing Revenues  
in millions



*Interior collected over \$6 billion in rents, royalties, and bonuses from its mineral lease program. These mineral lease revenues are distributed primarily to Federal and State treasuries, Indian Tribes and allottees, the Land and Water Conservation Fund, and the Historic Preservation Fund.*

*Departmental employment totaled 65,728 full-time equivalents (FTEs) during 1997. Since 1993, the Department has decreased staffing by 11,669 FTEs, which represents a decline of over 15 percent. Of the domestic Cabinet agencies, only one other agency has reduced its workforce by a greater percentage than Interior.*

Interior FTE Staffing Levels



# 1997 At a Glance

## PROGRAM HIGHLIGHTS



### **Managing and Protecting America's Natural Resources**

Over the years, the American people have made enormous investments in the public lands and resources of this Nation, investments that have reflected their conservation values, their recreational preferences, and their reverence for their cultural heritage. Our magnificent National Park System, extensive National Wildlife Refuge System, and the vast expanse of public lands under the stewardship of the Department stand as a tribute to the foresight of generations of Americans.

As the caretaker for America's public lands and natural and cultural resources, the Department is committed to providing the resources necessary to protect and preserve the Nation's national parks, refuges, and public lands for current and future generations. This includes maintaining the health, diversity, and productivity of the millions of acres of public lands entrusted to it. These lands contain a variety of resources, including energy and minerals, timber, forage, wild horse and burro populations, fish and wildlife habitat, recreational opportunities, wilderness areas, and archaeological and historical sites. At the same time, the Department is ex-

panding the opportunities for wildlife-dependent recreation in National Wildlife Refuges, and improving services provided to the people who visit or work on public lands.

These public lands and resources span approximately 429 million acres in all 50 States -- or about one-sixth of the United States land mass.

### **Restoring the Environment**

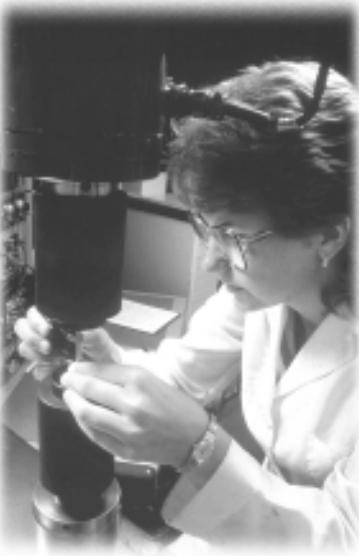
One of the commitments of the Department is to restore America's natural and cultural heritage through regional partnerships with other Federal agencies, State and local governments, community groups, and the private sector. Partnerships are voluntary agreements with state and local governments, corporations, and private citizens that ensure the consideration of divergent interests and the development of consensus solutions to environmental problems, thereby avoiding the time-consuming and expensive litigation that produced gridlock in the past. The partnership approach also enables Interior to leverage its scarce resources with those of other partners to conduct work that might otherwise be unaffordable.



During 1997, the Department continued pursuing partnership efforts to address some of the Nation's most pressing regional environmental problems and challenges. These partnerships included the Everglades Watershed Restoration, the California Bay-Delta Ecosystem Restoration, Habitat Conservation Plans, the Northwest Forest Plan, and the Appalachian Clean Streams Initiative.

# 1997 At a Glance

## PROGRAM HIGHLIGHTS



### **Using Science and Research to Solve Problems**

As a Nation, we face serious questions concerning our global environment. How can we ensure an adequate supply of critical water, energy, and mineral resources in the future? In what way 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, and providing the other critical science needed to underpin resource management decisions is a major responsibility of the Department.

The U.S. Geological Survey (USGS) is the Nation's primary provider of earth and biological science information related to natural hazards; certain aspects of the environment; and mineral, energy, water and biological resources. The USGS carries out scientific research that contributes to the improvement of the health and welfare of the American people, helps to resolve the Nation's environmental issues, and formulates sound Federal

land management and natural resource policies. The USGS is also the Federal Government's principal civilian mapping agency and a primary source of data on the quality and quantity of the Nation's water resources.

### **Promoting and Supporting Tribal Sovereignty**

Today there are more than 550 federally recognized American Indian and Alaska Native Tribal governments in the United States. All share one thing in common: each possesses inherent governmental authority deriving from its original sovereignty, a 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 Alaskan tribal members.

Under the self-determination and self-governance policies, tribes are assuming more and more of day-to-day management responsibilities over trust assets. Achievement of self-determination demands a Federal commitment to investing 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 that is an integral part of the American character. In 1997, more than \$820 million was made available to tribal governments for operating programs and construction projects under contracts, grants and compacts.



In 1997, the Office of the Special Trustee was established to improve the overall effectiveness of the Department in carrying out its Federal Indian trust responsibility. This Office is responsible for assisting Interior offices and bureaus in actions or proposals related to American Indian trust resources, and it supports the Secretary's trust responsibilities and implementation of Indian trust protection policies and procedures. In 1997, a comprehensive strategic plan to reform the trust fund management system was submitted for Congressional approval.

# 1 9 9 7 A t a G l a n c e

## PERFORMANCE HIGHLIGHTS

On September 30, 1997, the Department of the Interior published its first strategic plan under the Government Performance and Results Act (GPRA) of 1993 which requires all federal agencies to develop strategic plans with measurable goals and objectives linked to their budgets. Interior's strategic plan, covering the period from 1997 through 2002, consists of individual bureau strategic plans for Interior's eight bureaus that are focused on discrete missions and functions, along with a Departmental overview linking individual bureau plans with the Departmental mission statement and goals. Interior's plan was developed through a process of coordination and consultation within the Department with other Federal, State, and local agencies; tribes; Congress; and a variety of stakeholders and customers.

Interior's strategic plan includes 10 overarching commitments that encompass the Department's major programs and key statutory requirements. These commitments are:

- 1. We will restore and maintain the health of federally managed lands, waters, and renewable resources.*
- 2. We will preserve our Nation's natural and cultural heritage for future generations.*
- 3. We will provide recreational opportunities for the public to enjoy natural and cultural resources.*
- 4. We will provide for appropriate commercial use and development of federally managed natural resources in an environmentally sound manner.*
- 5. We will encourage the preservation of diverse plant and animal species and protect habitat critical to their survival.*
- 6. We will work to transfer Federal program operations to tribal governments through Indian self-determination and self-governance agreements.*
- 7. We will protect and conserve the trust resources of American Indians and Alaskan Native Tribes and work with these tribes to enhance education, economic opportunities, and the quality of life for their members.*
- 8. We will advance scientific research and monitoring to improve our understanding of the interaction of natural and human systems and to reduce the impact of hazard caused by natural processes and human actions.*
- 9. We will provide useful scientific information for sound resource decision-making.*
- 10. We will apply laws and regulations fairly and effectively, placing priority on compliance and enforcement, prevention, and problem-solving.*

Beginning with the report for fiscal year 1999, within six months after the close of each fiscal year, Interior will be required to submit to the President and the Congress a report on program performance for the fiscal year that has just closed. This performance report will review the Department's success in achieving the performance goals for the fiscal year being reported.



# 1997 At a Glance

## ACCOUNTABILITY HIGHLIGHTS

The Department believes that by maintaining integrity and accountability in all programs and operations, it can promote good government, responsible leadership, sound management in the delivery of services to customers, and achieve desired program outcomes. As a result, the Department has developed and implemented sound management, administrative, and financial system controls which reasonably ensure that:

- Programs and operations achieve their intended results efficiently and effectively;
- Resources are used in accordance with the Departmental 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.

The Department conducts annual assessments of the effectiveness of its management, administrative and accounting system controls in accordance with the Federal Managers' Financial Integrity Act (FMFIA) and guidelines established by the Office of Management and Budget. The Department conducted internal reviews and evaluations of controls in 59 programs and administrative functions. The Department also relied upon the results of the independent bureau financial statement audits conducted by the Office of the Inspector General (OIG) under the auspices of the Chief Financial Officers (CFO) Act of 1990 and the Government Management Reform Act of 1994 during the assessment process, as well as OIG and GAO program audits.

The Department has made substantial progress in obtaining "unqualified audit opinions" on the financial statements of its bureaus and offices. In 1992, only three of its ten bureaus received unqualified (clean) audit opinions. In 1997, nine of the ten bureaus and offices received unqualified audit opinions.

The Department's Inspector General audited the 1997 financial statements of each bureau and the consolidated Department financial statements. The audit opinion on the Department's consolidated financial statements and accompanying notes, along with a summary of bureau audited financial statement results, are presented in the following sections of this report.



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# LETTER FROM THE SECRETARY

As the Clinton Administration began its second term, America looked to the Department of the Interior for insight into the nature and scope of our commitment to conservation. Even before the inauguration, we gave them a response. Fiscal year 1997 became a dramatic year for earth, air, fire, and water.

## Earth

The act of creating the 1.7 million-acre *Grand Staircase-Escalante* National Monument in Utah was not the first time a President protected a landscape under the Antiquities Act (Grand Canyon and Zion are two classic examples). However, Escalante is the first of its kind, because this newest monument is managed by the Bureau of Land Management. Instead of becoming a 1.7 million-acre, self-contained preserve, BLM's management will be closely tied to the local economy, culture, and history of surrounding areas.



While partnerships such as Escalante often work well for public reserves, what about conservation needs on private land? Quite simply, without private land, many rare species may become extinct. To protect endangered wildlife, we need new strategies that take into account the importance of habitat on private property. The Habitat Conservation Plans (HCPs) are the key to making the Endangered Species Act work. A Habitat Conservation Plan is a land management plan agreed to by the Fish and Wildlife Service, private landowners, and state and local governments to protect endangered species, while allowing some land to be developed. It is a blueprint that says, "Build here, log there, but set some land aside for wildlife so fish can spawn." Today, more than 400 HCPs, covering 18.5 million acres of private land, are approved or under consideration.

## Air

In 1997, the world recognized climate change as a serious issue and initiated an international process for addressing this grave environmental threat. At Interior, we are using our scientific expertise to analyze the potential impacts of a changing climate on our parks, refuges, water resources, endangered species and other resources, and educate and inform the American public about the scientific basis for taking climate change seriously. We also are working closely with the Department of Energy to showcase the deployment of energy efficient and renewable energy technologies, like alternative fuel vehicles, for the lands we manage.

## Fire

Every summer, during the first term, I put on fire gear, went out West, joined a Hotshot crew, and helped put out wild fires. However, in the spring of 1997, I started a fire. What's going on? First, let me assure you that whenever flames threaten lives and property, the fire must be extinguished as fast as possible. But now, we also know that for over a decade, wildland fires have burned hotter, bigger, and faster, growing more lethal, destructive, and expensive to fight. Why? A century of snuffing out all small and regular fires has clogged our wildlands with dense and exotic fuels. Once ignited, flames become intense and unpredictable, leading to mudslides and loss of habitat.

Long ago, natural fire cleared out non-native species, digested and recycled nutrients, and kept landscapes healthy, stable, and resilient. Modern infernos generate intense heat, gasses, and wind, killing even fire-resistant old trees, such as Idaho's ponderosa pine, and wiping out entire populations of fish species, such as rare native bull trout. However, aging wildfires stop in their tracks when they hit a landscape that has been thinned and treated with prescribed fire. We cannot control where all lightning bolts fall; however, we can control what, where, and how much fuel will feed the flames. Under this program, we are working with the U.S. Forest Service to double the acreage of fuels reduction through prescribed fire, treating 1 to 2 million acres in 1998.

## Water

Nothing reflects the integrity of a watershed more immediately than the health of native fish. There are many theories on the causes for the population decline of trout, char, and salmon stocks. In essence, we have dammed and diverted America's rivers, mined headwater areas, logged adjacent forests from mouth to source, and imported alien fish species to the waters of native species. To turn around the native fish decline, we have to do more than stop those trends. We have to reverse them.

In 1997, under our drive to "Bring Back the Natives," we released more than \$5 million in new Federal and private grants for 44 innovative projects to replenish aquatic native fish habitat in 14 states. Ultimately, this program will restore habitat on 283,000 miles of streams and 6.5 million acres of lakes within 462 million acres, representing 70 percent of all Federal lands in America. Public and private funds are pumped into the local watershed, generating more than 200 percent in revenues for community businesses in that watershed. This is an example of the Endangered Species Act fueling, guiding, and expanding the base of rural economic growth.

In June of 1997, we entered a partnership with a power company and several conservation groups to remove three dams, restore three entire watersheds, replenish 160 river miles, and protect more than 22,000 acres of pristine lands in the Menominee River Basin of Wisconsin and Michigan. Interior supports decommissioning and removing dams where sensitive habitats and imperiled wildlife populations exist and when the dams no longer serve an important economic purpose. Later in 1997, I climbed aboard a floating barge on the Neuse River near Goldsboro, North Carolina, to demolish the 55-year-old, 260-foot-long Quaker Neck Dam with an industrial wrecking ball. The voluntary removal of Quaker Neck Dam unlocked 925 miles of spawning habitat for shad, striped bass, and endangered sturgeon.

## Indian Responsibilities

In 1997, the Office of the Special Trustee redoubled its efforts to reform the management of the financial trust services functions that are an important part of the Federal Government's overall trust obligations to Native Americans. In addition, we have taken steps to encourage and strengthen Indian self-determination and self-governance, increase the resources available for education and the needs of tribal communities, and improve law enforcement in Indian country. Also, on June 5, 1997, Secretarial Order No. 3206, entitled, *American Indian Tribal Rights, Federal-Tribal Trust Responsibilities, and the Endangered Species Act*, was signed by the Secretaries of the Interior and Commerce Departments. The purpose of the Order is to clarify the responsibilities of Interior and Commerce agencies when actions taken under the authority of the ESA and associated implementing regulations affect, or may affect, Indian lands, tribal trust resources, or the exercise of American Indian tribal rights.

## Other Areas

Other noteworthy accomplishments include a Memorandum of Agreement signed by Interior and the Department of Transportation to address the transportation problems that are causing air pollution, resource destruction, and general visitor irritation in several of our more popular national parks. We also created a comprehensive recovery plan for Yosemite Valley, which was hit hard by floods in early 1997, and implemented key aspects of the Administration's \$1.5 billion Everglades Restoration Plan.

We at Interior remain dedicated to the important job of protecting our Nation's natural and cultural resources and fulfilling our trust responsibilities to the Tribes. While we have made substantial progress in the right direction, much remains to be done. I am committed to continuing our progress.



Bruce Babbitt  
*Secretary of the Interior*

# LETTER FROM THE CHIEF FINANCIAL OFFICER

I am pleased to present the Department of the Interior's fiscal year 1997 Departmental Report on Accountability. The Accountability Report is issued by the Department under a pilot program authorized by the Government Management Reform Act of 1994 and administered by the Office of Management and Budget. This is the second year the Department has participated in the pilot program.

The Department's Accountability Report consolidates a variety of financial management and performance information currently required under four separate statutes, each requiring a separate report. By consolidating financial and performance information into one concise report, the Department is able to provide Congress and the public with a single, consistent source of information about the Department's mission, operations, and performance.

Since I am new to Interior, having joined the Department in November 1997, allow me to summarize my goals for the management of the Department over the next several years. First, I want to ensure that we are accountable to the public in the use of Federal resources provided to us by Congress. Second, I want to build a diverse Department that is as reflective of the strength and creativity of all America's people as the lands entrusted to us are of our Nation's beauty. Third, but not least, I want to create a quality workplace that will attract and retain the brightest workforce, a workforce that will accomplish our mission of stewardship, customer service, and economic development with integrity and vigor.



## **Progress in Implementing the Government Performance and Results Act**

Over the past year, the Department has made great strides in implementing GPRA. On September 30, 1997, the Department of the Interior published its first strategic plan under GPRA. The plan includes outcome-based strategic goals and performance measures for all of Interior's major programs. The Department submitted its first annual performance plan to Congress along with the President's budget in February of 1998.

In the coming year, the Department will develop policy guidance on data management to ensure compliance with the reporting requirements of GPRA. In addition, the Department is beginning to integrate our budget formulation and execution with performance measures and to consolidate reporting requirements for GPRA with other related reports. The Department will continue ongoing consultations with Congress and other key stakeholders to evaluate the current strategic plan and build consensus on revisions to the plan. The Congress has made it clear that we must manage this requirement better.

## **Safe Visits to Public Lands**

The Department is steward to about one sixth of the land mass of the United States and manages an extensive infrastructure -- which includes buildings, dams, vehicles, equipment, and aircraft -- to meet the needs of some 379 million annual visitors who visit and enjoy their Nation's public lands. Funding to maintain this infrastructure is urgently needed to ensure safe visits for those who visit, live or work in our Nation's parks, refuges, fish hatcheries and the like, as well as for those students who attend Indian schools.

In direct response to the leadership of Congressman Ralph Regula, Chairman of the House Appropriations Subcommittee for Interior, the Department has undertaken an aggressive revamping of its maintenance and construction programs. This initiative is aimed at addressing growing infrastructure needs through improved management and accountability and greater scrutiny of projects. We have prioritized our fiscal year 1999 maintenance and construction budgets to address public health and safety, ongoing projects, and critical natural and cultural resources. Those lists, which were developed using uniform criteria across the bureaus, have been

thoroughly reviewed within the Department and OMB and have been well received by Congress. The Department also initiated the development of a five-year construction and maintenance plan for fiscal year 2000 by establishing a Deferred Maintenance Working Group. This group is also charged with developing the strategy and guidelines for reporting deferred maintenance in the fiscal year 1998 financial statements and for improving the management of maintenance and construction funds.

### **Maintaining Accountability and Integrity**

Interior consistently strives to ensure integrity throughout Interior programs and support functions. Being accountable to the Congress and the public for the use of resources entrusted to the Department is part of the process of assuring integrity in program performance. Interior maintains this accountability by measuring ourselves in terms of how well we achieve our goals. The following sections describe some of these efforts.

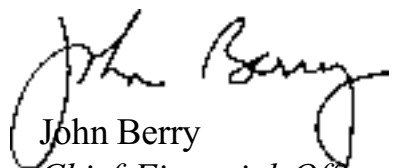
*Addressing Year 2000 Computer Issues:* Much has been written about the impending disaster that will befall organizations -- both public and private -- whose computer systems treat a double zero in the "date field" as signifying the year 1900 rather than 2000. Given our reliance on computers, the failure of systems to operate properly can mean anything from minor inconveniences to major problems. The dimensions of this challenge are enormous and the Department is actively addressing the issue. The Department is implementing a plan to have all systems able to handle year 2000 dates by no later than the spring of 1999.

*Obtaining Unqualified Audit Opinions:* Integrity in financial management activities requires obtaining and maintaining unqualified audit opinions on the Department's consolidated financial statement and on individual bureau financial statements. The Department has embraced the need for audited financial information and has worked to improve its financial reporting. Bureau-level audits of bureau financial statements were begun in 1990, the same year the Chief Financial Officers Act was passed. Starting in 1994, all bureaus began preparing annual financial statements. Since fiscal year 1995, the Department has prepared consolidated annual financial statements. In 1996, the Department produced its first Accountability Report. A year later, the Department is pleased to report that nine of ten bureaus and offices received unqualified ("clean") audit opinions on their fiscal year 1997 financial statements. Our goal is unqualified opinions for all Interior bureaus and offices.

*Paying Our Bills on Time:* The Department must be able to demonstrate that it can pay its bills on time to help assure the public, Congress and others of the integrity of Interior's financial operations. During fiscal year 1997, we improved our on-time prompt pay performance by over 1 percent. However, we recognize that our current 8.8 percent level of payments requiring interest during fiscal year 1997 is too high and that substantial improvement is needed. Our goal is 3 percent, the governmentwide standard.

*Collecting What is Owed to Us:* With the passage of the Debt Collection Improvement Act in 1996, Congress directed that the management of delinquent obligations -- those over 180 days old -- be centralized at the Treasury Department in order to increase the efficiency of collection efforts governmentwide. The Department intends to use Treasury's collection process to the maximum extent possible and is currently in the process of transferring to Treasury any outstanding debt of over 180 days that is not in litigation or under an alternative dispute resolution process and therefore not covered by the Act.

I am proud of the progress and success presented in this report and yet am aware of the need to further enhance and improve our operation and program performance in the future. The Department will continue to improve its conservation of resources, its responsiveness to the public, and its overall performance by identifying and allocating resources to maximize our opportunities and meet our challenges while always demanding positive results.

  
John Berry  
Chief Financial Officer



# DEPARTMENT OF THE INTERIOR

As the Nation's principal conservation agency, the U.S. Department of the Interior's mission is 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; to carry out related scientific research and investigations in support of these objectives; to develop and use resources in an environmentally sound manner and provide an equitable return on these resources to the American taxpayer; and to carry out trust responsibilities of the U.S. Government with respect to American Indians and Alaska Natives.

From its establishment in 1849, the Department has been charged with the responsibility of managing a wide variety of programs. In the last half of the 19th century, the Department's programs ran the gamut of overseeing Indian affairs, exploring western wildernesses, constructing the National Capital's water system, managing hospitals and universities, marking boundaries, improving western emigrant routes, conducting the census, and conducting research on the geological resources of the land.

Following the conservation movement at the beginning of the 20th century, the Department's programs shifted to the preservation, management, understanding, and use of the great natural and cultural resources of the land based on an increasing sense of the fragile nature of those resources. Departmental programs and activities now include park and refuge operations of the National Park Service (NPS) and the Fish and Wildlife Service (FWS); land management responsibilities of the Bureau of Land Management (BLM); delivery by the Bureau of Indian Affairs (BIA) and the Office of the Special Trustee for American Indians (OST) of quality services to American Indians and Alaska Natives; mineral leasing and revenue collection programs of the Minerals Management Service (MMS); research, data collection and scientific activities of the U.S. Geological Survey (USGS); water resources programs of the Bureau of Reclamation (BOR); regulatory responsibilities and reclamation activities of the Office of Surface Mining, Reclamation and Enforcement (OSM); and support for U.S. Territories and other insular areas.

## Interior's Mission

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

## Managing and Protecting America's Natural Resources

Over the years, the American people have made enormous investments in the public lands and resources of this Nation, investments that reflected their conservation values, their recreational preferences, and their reverence for their cultural heritage. Our magnificent National Park System, extensive National Wildlife Refuge System, and the vast expanse of public lands under the stewardship of the Department stand as a tribute to the sacrifices of generations of Americans.

As the caretaker for America's public lands and natural and cultural resources, the Department is committed to providing the resources necessary to protect and preserve the Nation's national parks and public lands for current and future generations. This includes maintaining the health, diversity, and productivity of the millions of acres of public lands and their myriad resources, including energy and minerals, timber, forage, wild horse and burro populations, fish and wildlife habitat, recreational opportunities, wilderness areas, and archaeological and historical sites. At the same time, the Department is expanding the opportunities for wildlife-dependent recreation in National Wildlife Refuges and improving services provided to the people who visit or work on public lands.

These public lands and resources span approximately 429 million acres in all 50 States -- or about one-sixth of the United States land mass.



### A MESSAGE FROM JOHN GARAMENDI DEPUTY SECRETARY OF INTERIOR



*As we look toward celebrating both the 150th birthday of the Department of the Interior and a new century, we can see that the Department is changing, reflecting changes in the Nation whose cultural and natural resources we protect and manage. Sometimes, change is sudden and easy to see, but most often, it is incremental and comes in stages.*

*We are in the midst of a vast incremental change -- America is becoming more diverse as women and people of all nationalities and ethnic groups continue to arrive here, enter the work force, and begin to add their own chapters to the American story.*

*Last spring, I convened a Task Force on Diversity, composed of representatives from each of the Interior bureaus and offices. Our goal was -- and is -- identifying how to help the Department of the Interior hire, and retain, more women and more ethnic groups. The Task Force began work on a strategic plan to improve diversity in all employment categories.*

*We looked for new approaches and new ideas, but the more we looked, the more we realized that the tools that were needed were already in existence. What we needed was not so much new systems and programs, but new ways of thinking. We needed managers and bureau leaders to realize that their bureaus and agencies needed to be more diverse, and that they needed to bring about this diversity through actions specific to their organizations.*

*The plan was signed by the Secretary, Assistant Secretaries, Bureau Directors, and me as a display of our personal support and commitment to this effort. The strategic plan focuses on recruitment, retention, accountability, training, and zero tolerance for discrimination. Bureaus then developed individual implementation plans on how they will reach the goals and objectives of the Department's Plan.*

*In this case, change is incremental but real. We will meet regularly with bureau heads and senior officials to make sure they are meeting the goals of achieving and maintaining a diverse workforce. We want a Department of the Interior workforce that -- as President Clinton said of his administration -- "looks like America."*

*We are stewards of this Nation's most precious heritage -- our parks, lands, and streams. As we celebrate our 150th birthday, we must continue to evolve toward a work force that mirrors the people of our Nation -- all of them.*

## Restoring the Environment

One of the commitments of the Department is to restore America's natural and cultural heritage through regional partnerships with other Federal agencies, State and local governments, community groups, and the private sector. During 1997, the Department continued pursuing partnership efforts to address some of the Nation's most pressing regional environmental problems and challenges. Partnerships are pioneering methods for protecting the environment that are more efficient and more effective than traditional approaches. The process of partnership building with States, localities, and private stakeholders ensures the consideration of divergent interests and the development of consensus solutions and strategies, thereby avoiding the time-consuming and expensive litigation that produced gridlock in the past. The partnership approach also enables Interior to leverage its scarce resources with

those of other partners to conduct work that might otherwise be unaffordable.

Major 1997 partnerships undertaken by the Department include the following:

- *Everglades Watershed Restoration* -- a partnership to restore the natural hydrologic functions of the Everglades.
- *California Bay-Delta Ecosystem Restoration* -- a partnership to restore and protect the Bay-Delta ecosystem (the region where the Sacramento and San Joaquin Rivers meet the San Francisco Bay) while providing a reliable water supply to support the State's long-term economic health.
- *Habitat Conservation Plans* -- partnerships between the Department, private, local, and State

landowners to find endangered species habitat solutions that are biologically and economically feasible for all parties.

- *Northwest Forest Plan* -- a comprehensive and innovative design to manage public forests in Washington, Oregon, and Northern California.
- *Appalachian Clean Streams Initiative* -- an inter-agency effort led by the Office of Surface Mining to address the problem of acid mine drainage in Appalachia.

Details concerning these partnership initiatives are provided in the "Natural Resources" section of this report.

## Using Science and Research to Solve Problems

As a Nation, we face serious questions concerning our global environment. How can we ensure an adequate supply of critical water, energy, and mineral resources in the future? In what way 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, and providing the other critical science needed to underpin resource management decisions, is a Departmental major responsibility. The emphasis on good science covers a broad range of research on natural hazards, studies of biological resources, and resource assets.

The U.S. Geological Survey is the Nation's primary provider of earth and biological science information related to natural hazards; certain aspects of the environment; and mineral, energy, water, and biological resources. The Survey carries out scientific research that contributes to the improvement of the health and welfare of the American people, helps to resolve the Nation's environmental issues and aids in the formulation of sound Federal land management and natural resource policies. The Survey is the Federal Government's principal civilian mapping agency and a primary source of data on the quality and quantity of the Nation's water resources.



California Bay-Delta area (photo by Department of the Interior).

## Promoting and Supporting Tribal Sovereignty

In the last two centuries, the Congress has passed more Federal laws dealing with Indians than any other group of people in the United States. Congress has placed the major responsibility for Indian matters in the Department of the Interior, primarily the Bureau of Indian Affairs. The Bureau's mission is to fulfill trust responsibilities and promote self-determination on behalf of Tribal Governments, American Indians, and Alaska natives.

Today there are more than 550 federally recognized American Indian and Alaska Native Tribal governments in the United States. All share one thing in common: each possesses inherent governmental authority deriving from its original sovereignty, a 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 Alaskan tribal members. One of the most important aspects of the trust responsibility is its application to Indian lands and resources.

Under the self-determination and self-governance policies, tribes are assuming more and more of the day-to-day management responsibilities over trust assets. While these laws contain clear provisions that the Federal trust responsibility is not diminished, the Federal role in the actual operation of trust-related programs may be substantially reduced. Achievement of self-determination demands a Federal commitment to investing sufficient resources over the long-term to assist Tribes in developing self-government, an economic



*Artifacts from the Indian Arts and Crafts Board's Sioux Indian Museum are exhibited at The Journey, a new museum in Rapid City, South Dakota (photo by Indian Arts and Crafts Board).*

base, and social and educational institutions so that they too may share in the full bounty of America's prosperity while preserving the tribal culture that is an integral part of the American Indian character. In 1997, more than \$887 million was made available to tribal governments for operating programs and construction projects under contracts, grants, and compacts.

In 1997, the Office of the Special Trustee for American Indians (OST) was established, under authority provided by the American Indian Trust Fund Management Reform Act of 1994, to oversee all facets of trust management improvement for the Department. In Feb-

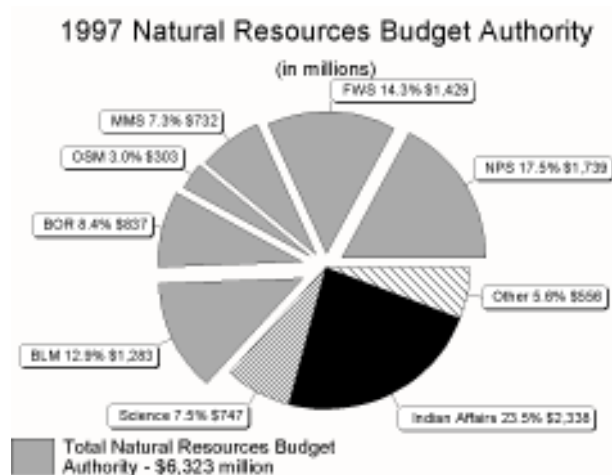
ruary, 1996, the Office of Trust Funds Management (OTFM) was transferred from the BIA to the OST. The Special Trustee has since re delegated program and administrative authority to the Director, OTFM.

The OTFM manages all trust activities associated with the receipt, accounting, investing, and disbursement of funds for American Indians and Alaska Natives in accordance with public laws, regulations, policies, and procedures. OTFM is working with the Special Trustee to mitigate deficiencies in all processes, and to improve the overall administrative activities while providing efficient, timely service to the account holders.

# NATURAL RESOURCES

A major responsibility of the Department of the Interior is to protect and provide access to our Nation's natural and cultural heritage. Managing the Nation's public lands and resources is the combined responsibility of the Bureau of Land Management, the National Park Service, the Fish and Wildlife Service, the Minerals Management Service, the Office of Surface Mining (Reclamation and Enforcement), and the Bureau of Reclamation. *Figure 1* provides 1997 budget authority amounts for Interior's natural resource agencies.

Figure 1



The **Bureau of Land Management** is responsible for managing 264 million acres of public lands and an additional 300 million acres of subsurface minerals estate. The Bureau is charged with sustaining the health, diversity, and productivity of the public lands for the use and enjoyment of present and future generations.

The **National Park Service** is responsible for conserving unimpaired the natural and cultural resources and values of the National Park System. The National Park System comprises 375 units that encompass over 83 million acres, of which approximately 5.8 million acres is non-federal land. The largest area is Wrangell-St. Elias National Park and Preserve, Alaska, at 13.2 million acres while the smallest unit in the National Park System is Thaddeus Kosciuszko National Memorial, Pennsylvania, at two-hundredths of an acre.

The **Fish and Wildlife Service** is charged with conserving, protecting, and enhancing fish and wildlife, and their habitats for the continuing benefit of the American people. The Fish and Wildlife Service administers the National Wildlife Refuge System, the world's largest and most diverse collection of lands set aside specifically for wildlife. The refuge system protects those lands dedicated for fish and wildlife, sustains habitats of endangered species, and provides a network of key stepping stones for migratory species.

The **Minerals Management Service** is charged with collecting, accounting for, and distributing revenues owed by holders of mineral leases on Federal onshore and offshore lands and Indian lands, and managing the energy and mineral resources on the Nation's Outer Continental Shelf (OCS) in an environmentally sound and safe manner. The Minerals Management Service administers over 112,000 mineral leases that supply over 25 percent of the natural gas and 15 percent of the oil produced in the United States. Revenues from these leases support a broad constituency of 38 States, 42 Tribes, and about 20,000 individual Indian mineral owners. During 1997, the Minerals Management Service collected over \$6.27 billion in rents, royalties, and bonuses from its mineral lease program. This represents an increase of approximately \$1.3 billion, or 26 percent, compared to 1996. The primary reason for the large increase is the tremendous growth in sales in the Central and Western Gulf of Mexico. This growth is attributable to new technology which allows for both deep-water production and the recovery of oil and gas beneath the subsalt in shallow waters, and recently enacted legislation that encourages deep-water production.

The **Office of Surface Mining Reclamation and Enforcement** is responsible for ensuring that coal mines are operated in a manner that protects citizens and the environment during mining, ensuring that the land is restored to beneficial use following mining, and mitigating the effects of past mining by aggressively pursuing the reclamation of abandoned mines. The programs and operations of the Office of Surface Mining span across 39 states and depend on strong, mutually supportive relationships with the States, Indian tribes, industry, and citizen groups.

The **Bureau of Reclamation** is charged with managing, developing, and protecting water and related resources in an environmentally and economically sound manner in the best interest of the American people. The Bureau's projects supply water and provide flood control, recreation, and fish and wildlife benefits. Reclamation's responsibilities include the Dam Safety Program involving 464 dams and dikes, of which 378 could endanger people and property downstream if a failure occurred. Reclamation is the largest supplier and manager of water in the 17 western States, delivering water to 31 million people for agriculture, municipal, industrial, and domestic uses, and is also the fifth largest producer of electric power in those States, generating nearly \$1 billion in annual power revenues.

In addition, the Department also administers more than 43 million acres of land owned by Indian Tribes and 10 million acres of individually-owned Indian land held in trust status. This responsibility is discharged by the **Bureau of Indian Affairs**.

## Partnerships

In balancing the goals of public access and preservation, the Department is committed to bringing all interested parties into the decision-making process and to finding new ways of achieving these goals. To this end, the Department has forged strong partnerships with other Federal agencies, State and local governments, community groups, and the private sector to address a number of regional environmental issues. Some of the largest partnership efforts include:

### *Everglades Watershed Restoration (South Florida)*

The restoration of the Everglades and the South Florida ecosystem continues to be a critical environmental ini-

### 1997 Natural Resource Highlights

- *Provided oversight and policy guidance on implementing the Central Valley Project Improvement Act and the State-Federal comprehensive strategy to conserve San Francisco Bay-Sacramento River Delta resources.*
- *Dedicated and opened the Franklin Delano Roosevelt Memorial in Washington, D.C., resulting in a total of 375 park units in the National Park System.*
- *Received one of the first Ford Foundation "Innovations in American Government" awards ever won by a Federal agency for the Bureau of Reclamation's efforts to reinvent itself as a water resources management entity.*
- *Chartered an advisory committee of local citizens to determine the best course for developing the substantial natural gas reserves beneath the Green River Basin area of Wyoming and Colorado while protecting the public lands and other natural resources of this area for the future.*
- *Developed and began implementing pilot programs at Yosemite, Zion and Grand Canyon National Parks in response to President Clinton's 1966 Earth Day request to enhance resource protection and the quality of visitor experiences in national parks through innovative solutions to park transportation, including clean-fuel shuttle systems.*
- *Added three new wildlife refuges and five new water production areas to the National Wildlife Refuge System.*
- *Unveiled the draft Valley Implementation Plan for Yosemite National Park which is designed to reduce traffic and congestion to manageable levels; return some developed land to its natural condition; and remove some bridges, roads, lodging and cabin units, buildings, and parking lots to reduce the human "foot print" on the Valley.*

tiative for the Department and the Administration. This vast region is home to over 6 million Americans and seven of the ten fastest-growing metropolitan areas in the country. In addition, the region supports a large tourism industry and significant agriculture, and it is one of the world's unique environmental treasures, as evidenced by the presence of four national parks and three national wildlife refuges in the region.

Restoring the Everglades watershed while maintaining sustainable development in South Florida requires a partnership effort that transcends political boundaries and agency jurisdictions. The Department has worked closely with Congress to enact two statutes that have done much to further Everglades restoration. During 1997, over 120,000 acres of land was acquired for restoration purposes, including a 50,000 acre sugar plantation and 31,000 acres of prime Florida panther habitat.

### **California Bay-Delta Ecosystem Restoration**

The California Bay-Delta, the region where the Sacramento and San Joaquin Rivers meet the San Francisco Bay, is the largest estuary on the west coast of North America. The region is critical to California's economy, providing water to two-thirds of all homes and businesses in the State and irrigating more than 4 million acres of farmland where, among other crops, 45 percent of the Nation's fruits and vegetables grow.

In December 1994, Federal and State officials signed the historic Bay-Delta Accord encompassing a comprehensive package of actions designed to restore and protect the Bay-Delta ecosystem while strengthening the State's long-term economic health. Implementation of the accord is coordinated by CALFED, a consortium of Federal and State agencies with management and regulatory responsibilities for the Bay-Delta ecosystem.

### **Habitat Conservation Plans**

The Department is committed to working closely with private landowners, local governments, and other groups to develop Habitat Conservation Plans (HCP) that allow economic development activities without harming listed, proposed, and candidate species. The Department has forged strong partnerships with private, local, and State landowners to find endangered species habitat solutions that are biologically and economically feasible for all parties. These partnerships have become an immensely popular approach for protecting threatened and endangered species while allowing economic development to proceed. In addition to successful HCPs in the Pacific Northwest, two other examples of successes in this area are agreements in the Southeast with States and the private sector, and the Department of Defense to protect the red-cockaded woodpecker and to provide habitat for the desert tortoise in Utah. The Department has

### **1997 Restoring the Environment Highlights**

- *As part of the Everglades Restoration Plan, announced the acquisition of over 100,000 acres for restoration purposes, including the purchase of a 50,000-acre sugar plantation and 31,000 acres of prime Florida panther habitat that was once slated to become a residential subdivision; also participated in multi-agency decisions involving environmental concerns related to the transfer of the Homestead Air Reserve Base.*
- *Worked with Congress and constituent groups to enact the National Wildlife Refuge System Improvement Act of 1997. This Act is the first major revision of Refuge System legislation in 30 years and formally establishes wildlife conservation as the mission of the refuge system while establishing certain wildlife-related activities as priority uses.*
- *Oversaw the return of endangered California condors to the Grand Canyon for the first time in 72 years.*
- *Led planning efforts to reintroduce grizzly bears to the Selway-Bitterroot ecosystem in central Idaho and western Montana.*
- *Led activities that completed the Arizona-Florida Land Exchange, which involved Florida lands integral to efforts to restore the Everglades and south Florida ecosystem.*
- *Helped further the Exxon Valdez ecosystem restoration program through the acquisition of over 30,000 acres of land in Kenai Fjords National Park and the Alaska Maritime National Wildlife Refuge.*
- *Sponsored the 1997 Department of the Interior Environmental Achievement Awards, which recognize employees, bureaus, and contractors for their exceptional achievements and contributions in pollution prevention, waste reduction, recycling, and acquisition of environmentally preferred products and services. Lever Brothers Company was selected for work done to improve visitor access and reduce environmental degradation at Old Faithful in Yellowstone National Park.*

made great strides over the last four years in developing and approving HCPs. From 1982 to 1992, only 14 HCPs were approved. In comparison, as of June 30, 1997, the Department had approved 217 HCPs.

During 1997, the Central Valley Improvement Act and the State-Federal comprehensive strategy to conserve San Francisco Bay-Sacramento River Delta resources were also implemented.

### **Northwest Forest Plan**

The Northwest Forest Plan is a comprehensive inter-agency blueprint to strengthen the economic and environmental health of the Pacific Northwest. This innovative plan provides for sustainable timber production on Federal lands while protecting critical wildlife and

fish species and habitats on Federal, State, local, and private lands.

This plan has refilled the timber pipeline by allowing over 1.7 billion board feet of timber to be offered for sale from Federal forest lands in Washington, Oregon, and Northern California. The plan has helped streamline the Section 7 consultation process of the Endangered Species Act, reducing average consultation from 135 days to 35 days, and has promoted the establishment and signing of Habitat Conservation Plans to find habitat solutions that are biologically and economically feasible for State, local, and private landowners. In addition, four Adaptive Management Areas have been developed to demonstrate new ways to integrate ecological and economic objectives, and to establish a comprehensive system of old-growth preserves.

### Appalachian Clean Streams Initiative

Within the Appalachian region, the most serious water quality problem is pollution caused by acid mine drainage resulting from coal mining. To date, over 7,000 miles of streams have been devastated by the effects of this drainage, which causes direct human health effects and kills fish and wildlife. As the environmental and recreational value of the region's streams have deteriorated, local economies that depend on these natural resources for jobs and tourism have suffered. While this is a regional problem, the cost to correct the problem exceeds regional capabilities.

The Office of Surface Mining Reclamation and Enforcement has established the Appalachian Clean Streams Initiative as a focal point for Federal action. This initiative involves key partnerships with Federal agencies, State coal regulatory authorities, fish and wildlife agencies, local water conservation districts, the mining industry, environmental groups, and coal field residents to use the latest technology to address acid mine drainage and restore and enhance high priority streams in the region.



*Canoeing (photo by Department of the Interior).*

### **Clean Streams Team**

*The Clean Streams Team, composed of 16 Office of Surface Mining employees and 3 employees from the U.S. Environmental Protection Agency, was honored in 1997 for reinventing the process OSM and other federal agencies use to clean up more than 7,000 miles of streams in nine Appalachian states that are polluted by acid mine drainage from abandoned mines. Students from Chartiers Valley High School, partners in the Appalachian Clean Streams Initiative, were recognized for spearheading the clean-up effort at Scrubgrass Run. Secretary Babbitt visited the Scrubgrass Run site last spring, describing it as a national model for the Appalachian Clean Streams Initiative.*

*The work of the Clean Streams team has resulted in an unprecedented degree of cooperation by Federal, State, and local government agencies, as well as non-government partners, making this a unique initiative to reclaim the environment in the most cost-effective manner, with the best on-the-ground results for the American people. Thanks to all the public and private cooperation and support the program has received over the past year, the Appalachian Clean Streams Initiative has the potential to be one of the Federal government's most successful activities in 1997 and beyond.*

# NATIONAL PARK SERVICE

## Celebrating Our Collective Heritage

On May 2, 1997, the Franklin Delano Roosevelt (FDR) Memorial was dedicated and opened to visitors in Washington, D.C. In doing so, it became the 375th park unit in the National Park System. The memorial celebrates America's longest-serving President, whose spirit and optimism led this Nation through the dark years of world economic collapse and World War II. When one walks through the 7.5 acre setting of the granite memorial to America's 32nd President, one can not fail to go back to this time when the United States served as the beacon for hope and freedom around the world. The legacy of both Franklin Delano Roosevelt and a generation of Americans is celebrated in four distinct "outdoor rooms" which use granite walls, landscaping, bronze sculpture, and 21 inscribed quotations to commemorate this moment in our history. This memorial is quickly becoming one of the popular destinations on trips to the Nation's capital. Many of the visitors linger in the quiet alcoves, absorbing the sights, sounds, and moods of the memorial.

The FDR Memorial provides the National Park Service with an excellent opportunity to educate and celebrate a crucial era in our country's heritage. This is what was envisioned in 1916 when the National Park Service was established. The Park Service does so, across the width and breadth of our land, at a diversity of places that reflect our environmental and cultural heritage. This array of heritage areas is of such national significance and value so as to justify special recognition and protection in accordance with the various laws of our land.

The units, with designations as varied as national park, national lakeshore, national historic site and national recreation area, encompass more than 83 million acres in 49 States, the District of Columbia, Puerto Rico, the Virgin Islands, American Samoa, Guam, and the Northern Mariana Islands. Our preserved heritage ranges from the awe-inspiring wonder of the Yosemite Valley to the ancient forests of Redwood National Park; from the rare opportunity to view grizzly bear at Denali, to the contemplation of stirring ideas at the Lincoln Memorial; from at-risk youth enjoying their first park experience in the marshes of Gateway National Recreation Area in New York, to the silent ruins of New

### Park Service Mission

*"To preserve unimpaired the natural and cultural resources and values of the national park system for the enjoyment, education, and inspiration of this and future generations."*

Mexico's Fort Union, standing guard over the trails of western expansion; from the hallowed grounds of our country's battlefields at Yorktown and Fredericksburg, to the dignity and eloquence represented at the home of Frederick Douglass.

## The Omnibus Parks Act

On November 13, 1996, President Clinton signed into law the Omnibus Parks and Public Lands Management Act of 1996 (Public Law 104-333). This Act, the most far reaching and comprehensive park bill in recent years, significantly increased National Park Service authorities and responsibilities, and established several new park areas. Foremost among its provisions was the creation of five new National Park System units for which the Park Service assumed operational management responsibilities in 1997:

- Tallgrass Prairie National Preserve (Kansas)
- Boston Harbor Islands National Recreation Area (Massachusetts)
- Nicodemus National Historic Site (Kansas)
- New Bedford Whaling National Historical Park (Massachusetts)
- Washita Battlefield National Historic Site (Oklahoma)

The Tallgrass Prairie provides the Park Service an opportunity to preserve, protect, and interpret for the public an example of a tallgrass prairie ecosystem on the Spring Hill Ranch, located in the Flint Hills of Kansas. Of the 400,000 square miles of tallgrass prairie that once covered the North American continent, less than one percent remains, primarily in the Flint Hills of Kansas. Boston Harbor Islands preserves a large number of islands in Massachusetts Bay to provide open space and recreational opportunities, as well as protecting important historic and natural features. At Nicodemus, the new park unit interprets the only re-



maining western town founded by African-Americans during the Reconstruction period. New Bedford, center of the American whaling industry during its peak in the 19th Century, offers the Park Service an opportunity to interpret this important era and its impact on American society, culture and economics. In western Oklahoma, along the meandering banks of the Washita River, the Park Service will tell the story of one of the largest engagements between Southern Plains tribes and the United States Army, with emphasis on the struggle of the Southern Plains tribes to maintain their traditional ways of life.

Also included in the Omnibus Parks Act was the authorization of the Presidio Trust which clarified Park Service responsibilities and provided the framework for management of the Presidio, a unique urban park located within the boundaries of Golden Gate National Recreation Area in San Francisco. In addition, the law authorized the Secretary to make matching grants to Historically Black Colleges and Universities for the preservation of their cultural heritage. Preservation goals include the restoration or rehabilitation of selected buildings to preserve their historic character while ensuring continuing contemporary uses. In the law, nine new Heritage areas were designated. The Heritage site designation enables the Park Service to serve as a catalyst to help state and local governments and private groups to protect and conserve important resources with a minimal Federal dollar investment.

## Recreation Fee Demonstration Program

In 1997, Congress approved a three-year test fee demonstration program covering the Federal land management agencies. Under the new authority, the National Park Service identified 97 fee demonstration "projects" to test the pilot program. The program is designed to increase funding available to the Service in addressing the backlog of maintenance and resource projects throughout the Park System, while testing new and innovative methods of fee collection. Participating demonstration park sites will retain 80 percent of any new revenue generated as a result of this new program. The remaining 20 percent of this new revenue will be available to the Director of the National Park Service for discretionary distribution to parks throughout the System. Funds made available to the parks through this program will remain available for obligation until September 30, 2002.



*Collecting fees at Jefferson National Expansion Memorial (photo by Park Service).*

During 1997, parks implemented flexible rate schedules, identified new categories of fees, and tested innovative and cost-effective methods for collection. A total of 34 parks initiated a fee for the first time. Many new types of fees were initiated, including fees for special interpretive programs, backcountry fees for overnight usage, boating fees and recreational vehicle dump fees. Automated fee collection machines, designed to accept both cash and credit cards, were installed at 31 parks. For many of these parks, the automated machines are now the primary means of collection.

In fiscal year 1997, the fee demonstration resulted in an additional \$45.078 million becoming directly available to parks without being subject to congressional appropriation. Examples of projects undertaken in 1997 include the rehabilitation of boardwalks at Glacier Bay National Park, creek restoration at Muir Woods National Monument, and the upgrade of a sewage treatment plant at Mount Rainier National Park.

## Upheaval and Opportunity at Yosemite

During the first three days of 1997, heavy rains caused record flooding in numerous western parks. Hardest hit was Yosemite National Park, California, where flooding of major rivers and tributaries severely damaged the park infrastructure and forced the park to close for ten weeks. Four primary highway routes leading into the park were impassable, stranding up to 1,200 visitors and employees in Yosemite Valley for several days. Floodwaters backed up in the central valley, submerging park offices in eight feet of water. Employee housing, roads, 350 campsites and 500 guest lodge units



*Flooding at Yosemite National Park (photo by Park Service).*

were flooded. Seventeen resource restoration projects, ten known archeological sites and several historic structures were damaged in the high waters.

Funds were provided by Congress to cover flood recovery projects. However, many of the structures that were destroyed or severely damaged were located in a floodplain. The flood provided a unique opportunity to implement the park's General Management Plan (GMP), as approved in 1980. The GMP included guidance for the relocation of buildings and facilities from the floodplain into more protected locations. Consensus was reached between Congress and the Administration that this would be the wisest course to pursue and funds for this purpose were included in the Supplemental Appropriation. The flood, so devastating in its immediate impact, opened the doors to a future teeming with opportunity.

### **Preservation through Partnership**

The Park Service has made considerable strides in achieving its commitment to preserve America's natural and cultural heritage through partnerships with State and local agencies, community organizations, and private groups. In 1997, the partnerships that were forged enabled the Service to preserve important battlefields that shaped our Nation's history, to promote parks as outdoor classrooms, and to improve resource management through science and education. Our partners were directly responsible for an important preservation victory at Fredericksburg and Spotsylvania County Battlefields Memorial National Military Park. The Willis Hill property, an 8.5 acre tract on Mary's Heights in the heart of Fredericksburg battlefield, threatened by

development, was put up for sale. Faced with both the prospect of potential incompatible use of this land within the Park Service boundary, as well as a higher competing offer, the Civil War Trust, a national organization dedicated to the preservation of Civil War battlefields, and the local Central Virginia Battlefields Trust, came to the aid of the Park Service. With the financial assistance offered by these groups, the Park Service was able to match the competing proposal. Due in no small part to the enthusiastic fervor of the battlefield preservation community, the seller elected to accept the offer of the Park Service and its partners. On June 21, 1997, amidst much fanfare, the land was officially conveyed to the Park Service. The land, with its panoramic view of the battlefield, is now open to the public and the Park Service is now initiating efforts to integrate the new land into the park experience.

### **Resource Stewardship**

Traditionally, preservation of resources was adequately accorded to parks when they were first established. However, as outside influences continue their ever increasing march towards park boundaries, the protection offered by being a unit of the National Park System is not enough to safeguard habitats and historic landscapes. Threats to resources in National parks are as varied as the parks themselves. Agricultural runoff containing toxic pollutants drains into delicate wetlands; air pollution from near and far wafts across park boundaries, diminishing visibility and harming sensitive streams, soils, and vegetation; urban encroachment into historic scenes imperils the integrity of cultural landscapes and impairing scenic views. Compounding the problem is the existence of degraded resources in new units at the time of their acquisition, such as historic buildings in need of repair, or land with abandoned mines that drain pollutants into park waters. Inside the parks, increasing or inappropriate visitor use is also damaging resources. As the American and the world populace grows more enthralled by national parks, resource management must keep pace with our success in accommodating visitors. Left unchecked, these factors of change could threaten the very existence of our natural and cultural heritage.

The Park Service undertakes an array of research, preservation, mitigation, and restoration activities to combat these threats. The Park Service has defined a basic set of 12 inventory data needs critical for every park, in addition to the other specialized inventory needs



*The Presidio at Golden Gate National Recreation Area (photo by Park Service).*

existing for individual parks. A Servicewide network of prototype ecosystem monitoring programs is being implemented to help acquire the common basic data sets in an effective and cost-efficient manner. To date, work on seven of the 12 prototypes has begun. Collection of this baseline data is necessary to plan future actions and develop useful measures of performance.

Cultural landscapes provide the physical environment associated with historical events and reveal important aspects of our country's origins and development through their form, features, and use. To date, over 875 cultural landscapes have been inventoried at some level. In fiscal year 1997, a new system of software that automates the data collected from the Cultural Landscapes Inventory (CLI) was finalized and system training was provided to CLI coordinators in the field. To ensure consistency in the inventory work conducted throughout the System, the *Cultural Landscape Inventory Professional Procedures Guide* was prepared and a five-year plan was developed by each National Park Service region to implement the CLI.

The museum collections of the National Park Service reflect our heritage. One of the most impressive and important collections is maintained at Longfellow National Historic Site. An estimated 650,000 museum items and objects are included: historic furnishings; fine and decorative arts representing a broad range of American and European painters and sculptors; Henry Wadsworth Longfellow's personal library of 10,000 books; a unique collection of Asian decorative and fine arts; and thousands of letters, journals, and photographs including documents from George Washington, Thomas Jefferson, and Abraham Lincoln. These collections possess exceptional research and aesthetic value

and serve as an exquisite index to the birth and flowering of the nation. In 1997, Longfellow National Historic Site continued an active program of collections management and long-term preservation aimed at maximizing public education and access. A total of 46,000 archives and manuscript materials in the collection were processed and made available for reference and research as part of a multi-year cataloging and processing initiative.

## **Implementing the Government Performance and Results Act**

The release of the first Servicewide Strategic Plan, as required by the Government Performance and Results Act (GPRA), was a major highlight of fiscal year 1997. In addition, individual parks and programs prepared their own strategic and annual performance plans during the year using a Park Service developed eight-step process. During the year, the Park Service trained 2,000 people in performance management practices and published resource materials, including a *Field Guide to the Government Performance and Results Act and Performance Management*. The Park Service developed software that allow parks and programs to identify their budget dollars as they relate to Servicewide GPRA goals.

## **Visitor Services**

Our national parks commemorate the historical and cultural events, social movements and people from which we derive our collective national heritage. Individual experiences can help people gain a sense of place and a stronger sense of history and national identity. Equally as important is the sanctuary that the parks provide for the mind and spirit. The most advanced science and research, the most efficient park management, and the best resource conservation will not guarantee the preservation of the parks. Rather, it is only by making available to the public the stories and scenic wonders of the parks and by creating bonds -- emotional, intellectual, spiritual, and recreational -- that people will assume greater responsibility for the protection of their natural and cultural heritage and ensure their preservation for generations to come. To this end, the Park Service strives to provide high quality visitor experiences.

The Park Service prides itself on its interpretation of the resources entrusted to its stewardship. Proper in-

terpretation must provide visitors with the information necessary for the fullest understanding, enjoyment, and appreciation of the park story, as well as sufficient information to ensure the protection of both the visitor and the park resources. In 1997, 67 million hours of interpretation and education programs were provided. The array of services included 571 staffed information centers; 1,974 talks and campfire programs; 2,390 guided tours; and 903 historical demonstrations. Over 4 million visitors benefited directly from these programs.

With millions of park visitors seeking to enjoy the national parks each year, the responsibilities of the Park Service in providing a safe and secure park experience necessitates a proactive program of law enforcement. Although national parks remain safe places for the vast majority of visitors, crimes against persons and property within the parks have been on the rise. As part of its authority and jurisdiction, the Park Service is required to enforce Federal laws and regulations within park units. Park Service park rangers and the United States Park Police perform demanding law enforcement and resource protection activities, including drug enforcement, traffic control, watercraft and aircraft supported enforcement activities, criminal investigations and wildlife enforcement activities. Park Service rangers are also involved with drug enforcement activities such as eliminating marijuana fields on park property and apprehending violators. Rangers also participated in drug prevention programs involving elementary and junior high students, including the Drug Abuse Resistance Education (DARE) programs in schools across the country in 1997. In 1996 (latest available information), park rangers investigated 87,000 law enforcement offenses and made nearly 27,000 arrests. There were over 5,000 felony crimes, including 14 murders and 200 aggravated assaults. Theft, particularly from parked cars, constitutes the bulk of felony crimes within park areas. The U.S. Park Police investigated over 10,000 criminal acts and arrested over 2,600 people for crimes committed on park lands and adjacent areas in addition to the capture of 448 fugitives and wanted persons.

Conducting search and rescue duties and responding to medical emergencies are critical activities performed by park rangers in coordination with emergency rescue personnel (park and area communities). Last year, over 4,800 search and rescue missions were conducted in national parks that included locating and assisting individuals lost or trapped in remote or confined spaces.



*Interpretative program at Independence National Historic Park (photo by Park Service).*

When visiting the parks, people may choose to procure products and services from a variety of park concessionaires. In fiscal year 1997, park concessionaires deposited \$15.1 million in franchise fees to the General Fund of the U.S. Treasury and \$21.9 million to special accounts for improvements to concession service facilities without accruing possessory interest therefrom. In calendar year 1996, concessionaires provided nearly \$12 million in possessory interest extinguishment and other benefits. The net average return to the government, as a percent of gross concession revenue, has risen to approximately 7.9 percent in recent years, bringing the Park Service close to achieving the GPRA goal of having contracts return at least 8 percent of gross concessionaire revenue by September 30, 2002.

## FISH AND WILDLIFE SERVICE

Meeting the challenges of providing and protecting a healthy environment for fish and wildlife and for people are central to the programs of the U.S. Fish and Wildlife Service (Service) and is based in tradition since its predecessor agencies were established more than a century ago. Meeting this challenge requires the cooperation and support of other Federal agencies, State and local governments, conservation groups, and local communities. Dedicated Americans, combined with our dedicated international partners, are sharing a common commitment to conservation and are working hand-in-hand with the Service to ensure that our Nation's irreplaceable natural heritage and the world's fish and wildlife resources are protected for the enjoyment of future generations.

### National Wildlife Refuge System

The National Wildlife Refuge System (NWRS) includes 512 National Wildlife Refuges, 37 Wetland Management Districts, and 50 Coordination Areas encompassing over 92 million acres. This national treasure provides a reservoir of wildlife, fish, and plant resources, and essential habitat while at the same time allowing 30 million visitors nationwide to enjoy wildlife watching, photography, hiking and educational programs. In addition, more than 287 refuges are open for hunting and over 293 refuges are open for fishing.

On October 9, 1997, President Clinton signed the National Wildlife Refuge System Improvement Act of 1997. This law serves as the organic act for our National Wildlife Refuge System, establishes fish, wildlife and plant conservation as the primary mission of our National Wildlife Refuge System, and gives priority to wildlife-dependent recreation on refuges.

The National Wildlife Refuge System conducts a wide variety of land management, fish and wildlife management, and public use activities. Fish and wildlife populations are monitored and investigated, disease problems attended to, nesting structures provided, contaminants cleaned up, and exotic animals controlled. Habitats are actively managed through crops grown for wildlife food, selective grazing or mowing, grassland and forest management, management of water levels, and treatment of invasive plants. A host of activities

### FWS Mission

*"To conserve, protect, and enhance fish and wildlife and their habitats for the continuing benefit of the American people."*

associated with being a landowner also occur, ranging from identification and protection of cultural and historic resources to health and safety provisions for staff and visitors. Collectively, these activities make Refuge System lands very busy places.

Over 36 stations within the National Wildlife Refuge System provide critical habitat and support and protect threatened or endangered species. Of the nations 1,107 threatened and endangered plant and animal species, 247 are found within the National Wildlife Refuge System.

Four new hunting and sixteen new sport fishing programs were opened on refuges in fiscal year 1997. With these new programs, 287 of our refuges are open to hunting and 293 are open to sport fishing. Refuge hunting and fishing programs are managed to provide the public with a high quality outdoor experience. About 4 percent of refuge visitors engaged in hunting activities and 14 percent in fishing activities this past year.

During 1997, the Service's Economics Division completed the report *Banking on Nature - The Economic Benefits to Local Communities of National Wildlife Refuge Visitation*. By analyzing a sample of refuges, economists found that refuge visitors contribute over \$400 million annually to local economies.

The Service outreach campaign promotes the National Wildlife Refuge System as a natural resources laboratory where visitors can learn about Service programs, from endangered species to fisheries to migratory birds, in an ecosystem approach. Outreach strategy targets local communities, Congress, conservation groups, communications media, and corporate sponsors. The strategy focuses on four annual events: the Refuge System birthday on March 14, International Migratory Bird Day in May, Fishing Week in June and Refuge Week in mid-October.

Started by the Service's late Director, Mollie Beattie, in 1995, Refuge Week has been an unqualified success in increasing public appreciation for the Refuge System. Over 150 refuge units staged Refuge Week events hosting 280,000 visitors in October 1996. One-third of these events involved partner organizations. In Washington, D.C., the National Geographic Society hosted Refuge Week which was attended by representatives from the public and private sectors and where longtime advocates of the Refuge System were honored.

## **New Refuges and Waterfowl Production Areas**

Three new refuges and five new Waterfowl Production Areas were added to the National Wildlife Refuge System and the Mississippi River CAUE was merged with the Upper Mississippi River National Wildlife Refuge (NWR), bringing the total number of National Wildlife Refuges to 512. The new Key Cave National Wildlife Refuge in Alabama, Black Bayou Lake National Wildlife Refuge in Louisiana, and the Ten Thousand Islands National Wildlife Refuge in Florida all contribute significant wetland, riparian and upland habitat for endangered and threatened flora and fauna and other fish, wildlife and plant species. Also, the lands at Midway, so important to hundreds of colonies of migratory sea birds, were officially transferred to the Service from the Department of Defense pursuant to Executive Order 13022, signed by President Clinton on October 31, 1996. These new entities are now part of our total Refuge System comprising over 92 million acres spread throughout all 50 States and several territories.

## **Recreation Fee Demonstration Program**

The Service is one of four Federal land management agencies participating in a Recreation Fee Demonstration Program. Of 72 sites approved, 57 are currently implementing the program with the balance preparing for implementation. Refuge fee programs are not expected to generate nearly enough revenues to administer recreation programs. However, estimates are that \$1.5 to 2 million will be available to maintain and improve visitor services and facilities (e.g., expand tours/demonstrations, maintain trails/signs) after deducting the costs of collection.



*River otter with fish (photo by FWS).*

## **Habitat Conservation Planning, Restoration and Land Acquisition**

The Service works in partnership with local governments and private landowners to develop Habitat Conservation Plans (HCP), that allow the development of private land while protecting threatened and endangered species and their habitats. These HCP's enable the Service to work with industry, States, communities, and individuals to balance the need for economic growth with the need to protect habitats for vulnerable species.

In 1997, the Service improved guidelines and procedures under the Endangered Species Act (ESA) and National Environmental Policy Act, which made the two environmental laws more accountable and flexible to better meet the needs of the American public. This included the implementing of a "no surprises" proposed rule to assure landowners there will be no additional ESA requirements on their land and accelerated approval processes for private, small-scale development projects that fit a "low effects" category. With these improvements and as of June 1997, the Service issued 225 HCP permits for hundreds of species and more than 5.8 million acres of land, which includes land that

will be preserved as habitat and land that will be actively managed or developed.

The purchase of land is often required at the local level for habitat protection within and adjacent to HCP areas. A pilot program in 1997 allocated \$6 million to the Service to provide grants to States for just such land acquisition. Some examples of grant activities stemming from this pilot include:

*Balcones Canyonlands Conservation Plan (Texas): \$1 million.* This is a regional HCP encompassing 111,428 acres that benefits local development needs while protecting 35 listed and candidate species;

*San Diego Multi-Species Conservation Plan (California): \$2,750,000.* This HCP will conserve habitat for 85 rare plants and animals, including the threatened coastal California gnatcatcher, a tiny songbird, and 22 other species on the Federal endangered species list.

## Safe Harbor Policy

As a new incentive for private landowners to voluntarily manage their lands for the benefit of listed species, the Service and the National Marine Fisheries Service developed the "Safe Harbor" policy. Landowners are encouraged to practice good conservation measures that benefit listed species without the fear of being subject to additional Endangered Species Act regulatory restrictions. At the conclusion of a Safe Harbor agreement, landowners can return their property to its original baseline condition without penalty. Safe Harbor agreements provide conservation benefits to listed species in the form of reduced habitat fragmentation and increased population numbers, while providing new areas for wildlife managers to field test innovative management techniques.

Safe Harbor agreements average about 1,000 acres and range in size from 2.5 acres to 1 million acres, making these agreements attractive to both small landowners and corporate interests. Currently, 25 Safe Harbor agreements have been completed, covering 36,000 acres of privately owned land and serving as valuable habitat for listed and declining species. Another 15 Safe Harbor agreements are in various stages of development.



*Redheads (photo by David E. Sharp).*

## Conserving Migratory Birds

Because many bird species fly thousands of miles in their annual migrations, they cannot be effectively conserved by any single State or Nation, but only through cooperative efforts. The Service is responsible for leading migratory bird conservation under several laws and international treaties with Canada, Mexico, Japan, and Russia. This includes the conservation of more than 800 species of migratory birds. The Service establishes harvest limits for over 30 species of migratory game birds. The Migratory Bird Management Program provides monitoring and scientific assessments of many populations to inform the decisions relative to acquisition and management of National Wildlife Refuges and the efforts of the North American Waterfowl Management Plan and Partners in Flight.

The process of amending the migratory bird treaties between the U.S. and Canada and between the U.S. and Mexico moved closer to reality in 1997. Two Protocols were negotiated and transmitted to the U.S. Senate for advice and consent to ratification. Senate action is expected in early 1998. These changes will provide for a managed harvest between March 10 and September 1, thereby increasing the number of options available to manage populations breeding in far northern regions.

## Restoring Waterfowl Habitat

During the 1980's, duck populations plummeted to record low numbers as a result of decades of wetlands habi-

tat loss and a severe drought that affected major prairie nesting areas of Canada and the north-central United States. To counter this loss of wetlands, the United States, Canada, and Mexico are working together in a historic effort -- the North American Waterfowl Management Plan. The Plan is a long-term strategy to protect and restore habitat throughout the continent for waterfowl and other wildlife that use wetlands. A broad coalition of partners work to achieve the goals and objectives of the Plan, including conservation organizations, corporations, private individuals, Native American tribes, and state and federal agencies.

## International Conservation

The Service's most extensive international achievement in 1997 was the 10th Meeting of the Conference of the Parties to the Convention on International Trade in Endangered Species (CITES) in Harare, Zimbabwe. In preparation for the event, the United States, as the former host country, provided extensive advice and consultation to Zimbabwe, the 1997 host. Service employees organized the United States delegation, in addition to providing Zimbabwe with financial assistance and computer expertise.

The 1997 conference dealt with a full slate of contentious issues, and our CITES delegation negotiated hard for positions favored by the United States. In supporting the invasive species proposal, CITES recognized that international commercial trade in live plant and animal specimens can lead to potentially disastrous introductions of alien species into new habitats. The sturgeon listing is also significant in that CITES placed all the world's sturgeon not already covered by CITES on Appendix II of the treaty. The major caviar exporting nations of Russia and Iran endorsed this action, which speaks well for the cooperation and sound science that went into the decision making process.

## Fisheries Conservation

The Fisheries program uses the expertise of National Fish Hatcheries, Fishery Resource Offices, and Fish Health and Technology Centers to successfully combat a variety of aquatic resource problems. In many cases, the Fisheries program collaborates with other Service programs or external partners to protect or restore fishery resources. These partnerships ensure a unified approach in conserving aquatic environments



*Fisherman with pike (photo by Milt Friend).*

for the continuing benefit of recreational, commercial, and subsistence interests. In a broader context, these cooperative management efforts benefit a plethora of aquatic and terrestrial species that depend on healthy aquatic ecosystems. The result of this approach has been a greater commitment to conservation through internal teamwork and external partnerships.

## Assistance to the States

Fiscal year 1997 marked the 60th anniversary of one of the most innovative wildlife conservation programs of all time -- the Federal Aid in Wildlife Restoration Program, commonly known as Pittman-Robertson for its congressional sponsors. Hunters themselves petitioned Congress to dedicate a portion of the excise tax on firearms and ammunition to State programs benefiting wildlife conservation, in what has become a model for shared commitment to conservation. Since its beginnings, the program, which is funded through a Federal excise tax on firearms and ammunition, has distributed \$3.2 billion to the states for wildlife conservation programs. The amount each state receives is determined by a formula that considers land area and the number of hunting license holders in each state. Part of the total is set aside for hunter education and shooting ranges and is distributed according to the relative population of each state. Combined contributions in 1997 of hunters, anglers, boaters and other outdoor recreationists have funneled more than \$439 million to state programs designed to purchase wildlife habitat, conduct needed research, reintroduce game animals, educate hunters, provide boating access, and establish other fish- and wildlife-related recreational programs.





Refuge manager with child on bike trail in San Francisco Bay National Wildlife Refuge (photo by John and Karen Hollingsworth).

In 1997, the Service's Federal aid undertook a number of concerted efforts to improve management of these funds and increase the amount of money available to the states for their vital wildlife conservation efforts. Approximately \$13 million was made available to the States through Federal aid grants that would not have otherwise been available. The Internal Revenue Service (IRS) decided to convert from monthly to quarterly transfers on the archery equipment portion of the excise tax. During these conversions, the IRS decided to withhold the receipts collected on archery equipment for nine months in 1997. By doing this, States that were dependent on these funds for their conservation and hunting education programs were not going to receive them for 1998. With great support from Tennessee, the International Association of Fish and Wildlife Agencies, and the Archery Manufacturers and Merchants Organization, the Service appealed the decision of the IRS. The IRS decided not only to release the \$13 million but also to return the monthly excise tax transfers.

## Conservation Training

In September 1997, the National Conservation Training Center's (NCTC) Shepherdstown, West Virginia campus opened its doors for classes. The facility, under construction since 1994, is the first fish and wildlife conservation training campus of its kind. Fish and Wildlife conservation professionals from the Federal, State and local government, non-government organizations, and the corporate sector can all send people to the NCTC for timely training to help them address difficult conservation issues. The campus includes twelve classrooms, four teaching laboratories, two computer classrooms, including one with Geographic Information System technology, and a 250 seat auditorium. Two lodges provide housing for 100 students, and a third lodge is presently under construction. There is also an education building which houses the NCTC education staff, a distance learning production facility, and dining facilities for students.

During 1997, the National Conservation Training Center offered 191 classes on 94 separate subjects. Most of these courses were offered in field locations throughout the country. Over 3,300 Fish and Wildlife Service employees participated in these courses, as did approximately 850 employees from other Federal, State, tribal and non-government organizations, for a total of over 4,000 conservation professionals. The summary evaluations for these courses indicate a high level of customer satisfaction. The NCTC anticipates expanding course offerings to over 250 courses in fiscal year 1998.

## Implementing the Government Performance and Results Act

The Fish and Wildlife Service has a long history of commitment to conservation, a practice that has been further formalized through the Government Performance and Results Act (GPRA). During 1997, the Service completed its first strategic plan in support of the Government Performance and Results Act. The Service has developed four mission goals which are supported by underlying strategic goals and related performance measures. The four mission goals are:

- *Sustainability of Fish and Wildlife Populations.* Migratory birds, endangered fish and wildlife species, interjurisdictional fish and marine mammals are conserved, protected enhanced or restored. The

Service is participating in conservation of other species when its expertise, facilities or lands can enhance state, tribal or local efforts.

- *Habitat Conservation: A Network of Land and Waters.* An ecologically diverse network of lands and waters -- of various ownerships -- is conserved, in cooperation with others, to provide habitats for marine mammals and migratory, interjurisdictional, threatened, endangered and other species associated with ecosystems conserved.
- *Americans and Wildlife.* Americans have the opportunity to understand and participate in the conservation and use of fish and wildlife resources.
- *Workforce Excellence.* The Service's workforce, scientific capability and business practices -- in cooperation with the Department's scientific expertise -- fully support the achievement of its mission.

## Customer Service -- "Communicating with the American Public"

Communicating effectively with a growing and diverse public is essential to the success of any sustained wildlife conservation effort. Wildlife habitat continues to vanish in the face of development pressure, while our growing urban population has less direct connection with fish and wildlife than any previous generation. As a consequence, professional fish and wildlife managers face new, constantly changing challenges in addressing the social and cultural dimensions of their work.

To help employees communicate their shared commitment to conservation with the American people, the Service focused on public outreach and education this year and developed a new national outreach strategy for 1997. The newly-adopted outreach strategy focuses on conveying three key messages to the American people about the Service:

- We are the Federal agency established with the primary mission to provide expert leadership for fish and wildlife conservation;
- We help protect a healthy environment for fish and wildlife and people; and
- We help Americans conserve and enjoy the outdoors.

### Banner Year for Wildlife Lands

*Fiscal year 1997 was unlike any other year in the 95-year history of the National Wildlife Refuge System (NWRS), the world's largest and most diverse network of lands and waters dedicated to wildlife. Significant accomplishments include the following:*

- *The National Wildlife Refuge System Improvement Act of 1997 made wildlife conservation the overarching mission of the NWRS and gave priority to wildlife-dependent uses, namely fishing, hunting, wildlife observation and photography, and environmental education and interpretation. This legislation not only establishes a clear mission for the NWRS, but also sets the tone for future resource management in refuges.*
- *Communities increased their support for surrounding refuges and assisted the Service by providing wildlife conservation and visitor services. The "Friends" initiative of the Service, with the help of the National Audubon Society, National Wildlife Refuge Association, and the National Fish and Wildlife Foundation, will complement the NWRS Improvement Act and a separate bill under consideration in Congress, the National Wildlife Refuge System Volunteer and Community Partnership Act. Living up to its longstanding tradition of providing premier migratory bird habitat, the NWRS acquired prime wetlands and other important bird habitats within 22 national wildlife refuges strategically located along major bird migration corridors.*
- *Key partnerships were forged to increase public awareness of and public participation in fish and wildlife conservation. The Service joined hands with the National Audubon Society and the Safari Club International to benefit the conservation of fish and wildlife and the ecosystems on which they depend. The North American Nature Photography Association is promoting nature photography that will highlight the tremendous opportunities offered to capture amazing wildlife spectacles and unique scenic landscapes in units of the NWRS.*
- *New hunting and fishing programs opened in the NWRS. New fishing programs in Colorado, Louisiana, and Nebraska raised the total opportunities in the NWRS to 293. New hunting programs in Florida, and Texas are now two of 287 within the NWRS. From lunger bass fishing at the Upper Mississippi National Fish and Wildlife Refuge to prime snow goose hunting at Bombay Hook National Wildlife Refuge in Delaware, refuges offer some of the best fishing and hunting opportunities in America.*

## BUREAU OF LAND MANAGEMENT

The Bureau of Land Management (BLM) manages 264 million acres of public lands -- about one-eighth of the land area of the United States -- and approximately 300 million additional acres of subsurface mineral estate. Altogether, the BLM manages 41 percent of the public land acreage managed by the Federal government, putting the Bureau in a unique position to manage and protect our Nation's priceless natural and cultural heritage.

The Bureau of Land Management's mission is to sustain the health, diversity, and productivity of the Nation's public lands for the use and enjoyment of present and future generations.

The lands administered by the BLM are some of the most ecologically and culturally diverse and scientifically important lands in Federal ownership. The Bureau is responsible for protecting and preserving paleontological localities and archaeological and historical sites, including museum collections derived from those areas; wild free-roaming horses and burros; wilderness and wilderness study areas; wild and scenic rivers; rare, vulnerable, and representative habitats, plant communities, and ecosystems; the Grand Staircase-Escalante National Monument; areas of critical environmental concern; and other outstanding natural and cultural areas.

### Grand Staircase-Escalante National Monument

The Grand Staircase-Escalante National Monument, created by Presidential Proclamation on September 18, 1996, is a dramatic, multi-hued landscape that is rich in natural and human history. Extending across 1.7 million acres of Utah public lands managed by the BLM, the Monument represents a unique combination of archeological, historical, paleontological, geological, and biological resources. The Bureau is working closely with State and local government officials and citizens to protect the land while allowing, within the proper conservation context, a number of traditional uses that will help keep people on the land and preserve our Western heritage.

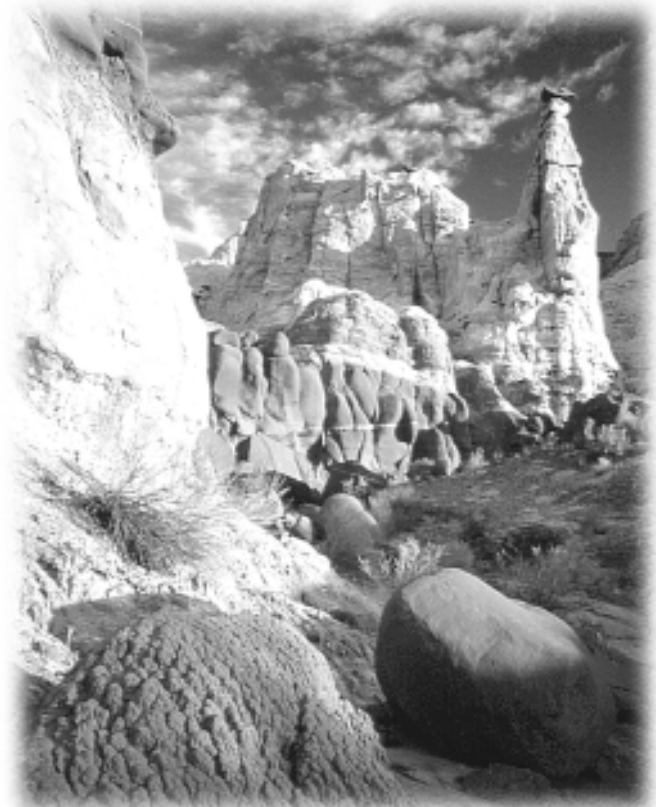
### BLM Mission

*"To sustain the health, diversity, and productivity of the Nation's public lands for the use and enjoyment of present and future generations."*

### Providing Opportunities for Environmentally Responsible Recreation

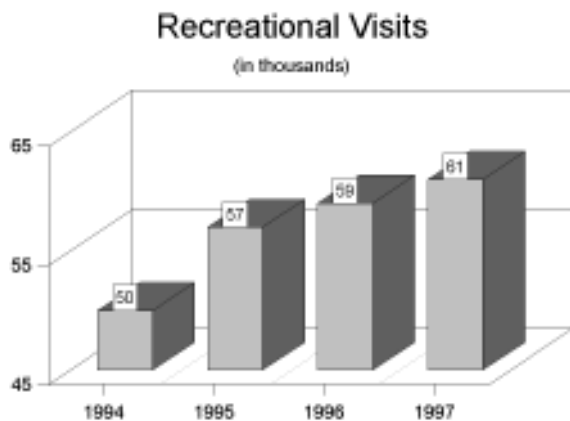
Studies indicate that 94.5 percent of the United States population participates in some form of outdoor recreation. These studies also reveal that the demand for recreation will continue to expand as the population increases. Visitation to BLM public lands in 1997 was 61 million visits, resulting in nearly 72 million visitor days of recreation use.

The BLM public lands provide visitors with a vast array of recreational opportunities. These include hunting, fishing, camping, hiking, boating, hang gliding, off-



*Hoodoos near the Paria River in BLM's Grand Staircase-Escalante National Monument (photo by Ray Mathis).*

Figure 2



highway vehicle driving, mountain biking, birding, and visiting natural and cultural heritage sites.

The BLM administers 205,498 miles of fishable streams, 2.2 million acres of lakes and reservoirs, 6,600 miles of floatable rivers, over 500 boating access points, 69 National Back Country Byways, and 300 Watchable Wildlife sites. The BLM also manages 4,500 miles of National Scenic, Historic, and Recreational Trails, as well as thousands of miles of multiple use trails used by motorcyclists, hikers, equestrians, and mountain bikers.

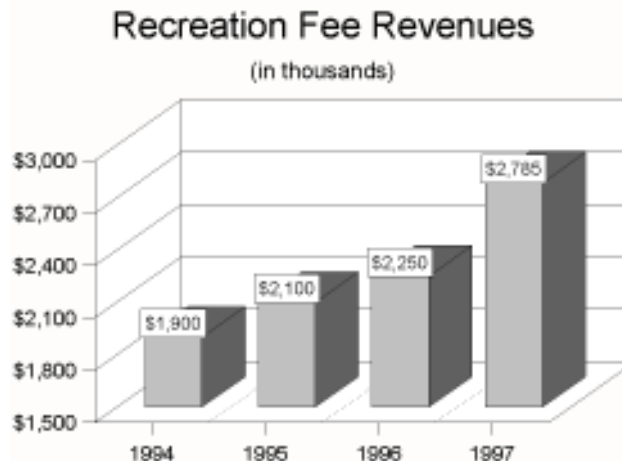
### Preserving Our Natural Heritage

A total of 696 Areas of Critical Environmental Concern totaling almost 10.4 million acres have been designated nationwide on the public lands to protect important historical, cultural, scenic and natural areas or to identify areas where hazards to human life and property exist. About 7 million of these acres have been designated to protect biological resource values.

In addition, the BLM continued its stewardship of 136 Congressionally designated wilderness areas (5.3 million acres) and its management of 622 wilderness study areas (18 million acres).

The Bureau also continued to manage 34 Wild and Scenic River segments totaling 2,022 miles, including 392 miles of the Fortymile River in Alaska, the longest designated river in the National Wild and Scenic Rivers System.

Figure 3



Finally, the BLM exercised stewardship responsibilities for eight National Conservation Areas (11.7 million acres), one National Scenic Area (65,000 acres), one National Recreation Area (1 million acres), 43 National Natural Landmarks (600,000 acres), 100 Research Natural Areas (326,000 acres), and two Globally Important Bird Areas (56,500 acres).

### Preserving Our Cultural Heritage

The BLM is steward for the Federal government's largest, most varied, and scientifically most important body of archaeological and historical resources -- an estimated 4 to 4.5 million cultural properties. These range in age, encompassing various early human occupation sites such as the 11,700-year-old Mesa Site in the Brooks Range; the comparably old Mill Iron and Lehner sites in Montana and Arizona, respectively; and the prehistoric Anasazi complex of the southwestern United States. Also represented are the remains of Spanish period exploration and settlement; the traces of buffalo soldiers at western forts; and the more recent historic sites documenting westward migration and the histories of ranching, railroading, homesteading, and even military maneuvers in anticipation of and preparation for World War II.

In fiscal year 1997, the Bureau inventoried 623,170 acres for cultural resources, recorded 9,939 properties, and issued or had in effect 448 study or management permits (excluding permits for paleontological collecting). To date, the Bureau has inventoried a total of 12.9 million acres and recorded 212,342 cultural resource properties. Of these, 241 are listed on the

National Register of Historic Places, with 22 listed as National Historic Landmarks.

## Providing Opportunities for Environmentally Responsible Commercial Activities

The public lands provide myriad opportunities for commercial activities. Commercially valuable natural resources include energy and mineral commodities, forest products, grazing forage, and special uses such as rights-of-way for pipelines and transmission lines.

The public lands produce 33 percent of the Nation's coal, 8 percent of its natural gas, and 5 percent of its oil. These lands also produce a large portion of the Nation's fertilizer minerals, mineral materials, gold, silver, and other metals. In addition to overseeing activities on the Nation's public lands, the BLM provides technical supervision of mineral development on Indian lands.

Of the total of \$1.4 billion in annual revenues derived from BLM-managed lands, energy and minerals generated over \$1.3 billion from mineral royalties, rents, bonuses, sales, and fees. Energy and minerals also generated 98 percent of the total \$12.4 billion of production value from BLM-managed public lands. The total direct and indirect economic output impact of the mineral production value amounted to \$26.6 billion out of the \$27.5 billion total in commercial activities on public lands administered by the Bureau.

Currently, BLM administers about 46,000 oil and gas leases, of which 19,650 are producing or producible leases. During fiscal year 1997, the Bureau processed 2,795 oil and gas applications for permit to drill. As of the end of fiscal year 1997, BLM administered 370 coal leases, of which 123 leases were producing.

The BLM also administers over 77,600 rights-of-way grants for electrical transmission lines, communication sites, oil and gas pipelines, and other facilities nationwide and, at the end of fiscal 1997, was processing 6,148 right-of-way actions.

The BLM authorizes livestock grazing for more than 17,000 operators on about 164 million acres of public land in 16 Western States, providing nearly 9.8 million animal unit months of grazing. A total of 88 percent of the cattle produced in Idaho, 64 percent of the cattle in



*As Devil's Gate rock formation looms in the background, modern-day pioneers form a wagon train in celebration of the Oregon National Historic Trail's sequicentennial anniversary (photo by BLM).*

Wyoming, and 63 percent of the cattle in Arizona graze at least part of the year on public rangelands.

## Conserving and Recovering Threatened and Endangered Plants and Animals

The public lands encompass unique and unusual natural areas that provide habitat for more than 8,000 native fish, wildlife, and plant species. Many of these special habitat areas are critical for the protection and recovery of more than 350 plant and animal species that are either listed or candidates for listing under the Endangered Species Act. The BLM manages these areas in cooperation with State Fish and Wildlife agencies that are responsible for managing animal populations.

## Reducing Threats to Public Health, Safety, and Property

The Bureau suppressed 2,046 wildland fires on BLM lands that burned a total of 1,037,144 acres and helped suppress an additional 624 fires on 468,788 acres of non-BLM lands. Overall, 80 percent of these fires were controlled at 10 acres or less and 90 percent were controlled at 100 acres or less.

This past year, the BLM carried out 162 hazardous material removal actions (short-term, rapid responses to hazardous substance releases) and conducted 11 remedial actions (longer-term responses leading to a permanent remedy). Among these was the cleanup of the Monite Explosives site in Sparks, Nevada; several thousand cubic yards of soil contaminated with TNT

and DNT were removed to hazardous waste disposal facilities. This is the largest cleanup that the Bureau has ever conducted.

The Bureau also:

- Initiated 7,613 investigations and enforcement actions and reinvigorated drug suppression effort on public lands, which resulted in the eradication and seizure of 159,024 marijuana plants and other drugs valued at over \$350 million.
- Identified over 3,100 safety hazards at abandoned mines, abated 868 priority safety hazards, and mitigated environmental hazards at 21 priority locations through partnerships with States and other stakeholders.
- Maintained 1,515 buildings and 1,140 recreation sites, maintained or improved 8,900 miles of roads and 4,400 miles of trails, and inspected 135 bridges.

## Improving Land, Resource, and Title Information

The BLM has extensive current and historical information about land ownership, use, and condition in the United States. The agency maintains cadastral survey and historical data on lands patented, along with information on the mineral estate, resource conditions, and permits or leases on Federal lands.

The BLM is also responsible for providing customers with efficient and effective means to retrieve and use this information. 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.

### National Historic Trails

*"... husband traded two yoke of oxen for a half section of land with one-half planted to potatoes and a small log cabin and lean-to with no windows. This is the journey's end."*

Amelia Stewart Knight, 1853

*For Amelia Stewart Knight and her family, and for countless others who went before or came after, journeys across the Nation by wagon train were bridges from one life to another. The stories told by these journeys--stories of how natives and newcomers alike struggled to accommodate themselves to the land and to each other--form the history of the United States. It is a story that can be read by all Americans in the rich tapestry woven by our National Historic Trails.*

*The BLM is America's principal on-the-ground steward of these fragile and nonrenewable resources, resources that are of national and, in some cases, international significance. Guided by the goals of the National Trails System Act to promote the protection and public enjoyment of the National Trails, BLM manages nearly 3,600 miles along nine National Historic Trails, plus nearly 1,000 additional miles along two National Scenic Trails and 26 National Recreation Trails.*

*The National Historic Trails pose unique management challenges. These linear and narrow corridors, thousands of miles long, cross numerous agency and State jurisdictions. The remote and sparsely populated lands along the trails also include vast expanses of private holdings. In addition to the challenge of developing and implementing multi-jurisdictional approaches to managing the trails, everyday activities such as mineral development, fire suppression, and wildlife management are just a few of the other activities that can impact the trails.*

*The increasing public demands for access to and enjoyment of the trails can be equally challenging for trail managers. And some trails, such as the Iditarod National Historic Trail in Alaska, remain the only available means of travel and communication between remote settlements on frontiers that are as real today as they were a century or more ago.*

This past year, the Bureau continued to implement the Automated Land and Mineral Record System (ALMRS), with a total of 5,854 workstations now installed Bureauwide. General Land Office (GLO) land title records automated now total 1,835,000. The BLM also accomplished all of the actions required by the 1996 Freedom of Information Act Amendments by the target date; the public can now search electronically for records and can even electronically file requests for information directly with BLM offices.

## Providing Economic and Technical Assistance

BLM-managed public lands generate substantial revenue from multiple use activities, much of which is returned in direct payments to the States and counties of origin. These payments are distributed to local gov-

ernments to pay for such things as schools, roads, and employee salaries.

Each year, the Bureau calculates and sends the Payments in Lieu of Taxes (PILT) to counties. These payments are intended to offset property tax shortfalls (under a Congressional formula) occurring in counties with public land holdings. In 1997, a total of \$113.1 million in PILT payments were made.

## Restoring and Maintaining the Health of the Land

Working with others to restore and maintain the health of the land is the foundation for everything the BLM does. Livestock grazing, timber harvesting, hunting, fishing, and other resource uses can be sustained over time only if the land is healthy.

During 1997, standards for land health were approved for all of BLM's rangeland acreage. This was done in concert with the Healthy Rangelands Initiative supported by the Secretary of the Interior. Standards have also been incorporated into land use plans in the Pacific Northwest Forest Area.

Successful development and application of health standards depends upon general agreement and acceptance by all affected interests. To help accomplish this, the Secretary of the Interior has established Resource Advisory Councils. These Councils have been carefully structured to represent the wide array of diverse views and ideas in each region. There are 24 Resource Advisory Councils advising BLM's State Directors.

### Fossils from America's Public Lands

*The public lands managed by the BLM have served as our Nation's greatest outdoor laboratory and classroom for investigating the fascinating history of life on earth. Fossils from America's public lands have contributed significantly to scientific research and public education projects. Many of the earliest described and most widely known dinosaurs, such as Apatosaurus, Stegosaurus, and Allosaurus, came from the public lands. Starting in the mid-1800s, professional and amateur paleontologists have made discoveries that helped to launch the new scientific discipline of paleontology, and have filled America's new 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. Guided by such laws as the Federal Land Policy and Management Act, the BLM manages these fragile and nonrenewable resources in the public trust not only to assure preservation of their scientific values, but also to see that their public educational and recreational values are realized.*

*While the BLM takes paleontological resources into account on all public lands, over 50 specially designated areas, such as Research Natural Areas, Areas of Critical Environmental Concern, and National Natural Landmarks, totaling nearly 300,000 acres, are managed wholly or in part for their outstanding paleontological values. Permits issued specifically for the collection of fossil vertebrates not only help advance scientific research, but also serve as an invaluable tool for communication between researchers and the BLM, which enhances the Bureau's ability to fulfill its public trust role as America's principle steward of this fragile and nonrenewable legacy. By working in partnership with the research community, the BLM also helps to assure that collections from the public lands are properly curated so that the information they contain is preserved.*

*Fossils from the public lands and the information they contain contribute to outstanding public exhibits such as the Denver Museum of Natural History's "Prehistoric Journey", Montana's Museum of the Rockies exhibits of carnivorous dinosaurs, and blockbuster movies such as "Jurassic Park" and "The Lost World." The BLM manages a number of publicly accessible and interpreted paleontological sites such as the Cleveland-Lloyd Dinosaur Quarry, the Trilobite Trail, and the Trail Through Time. And, to meet public demands for recreational opportunities, the Bureau makes most public lands available for collecting invertebrate fossils and limited amounts of petrified wood.*

During fiscal year 1997, the BLM worked together with the Natural Resources Conservation Service to determine how well the National Resources Inventory, conducted by that agency periodically on private lands for the past several decades, might be adapted for assessing and tracking the health of rangelands. The test effort was conducted on 7 million acres of BLM-managed rangelands in Colorado. The test results are not yet complete; analysis of these results and the lessons learned will take place during 1998.

The BLM is also participating in a number of other interagency and intergovernmental assessments of ecological condition, trend, and function. Examples include the Eastside and Upper Columbia River Basin assessments, primarily in Oregon and Idaho, and the

Henry's Fork assessment in Idaho and Wyoming. These assessments are crucial to improving BLM's understanding of natural and human sources of ecosystem stress. They also help identify areas that warrant restoration and maintenance activities.

## Promoting Collaborative Management

Natural resource agencies are becoming increasingly aware of the complexities involved in public land management and the effects land use decisions have on others. Land ownership patterns in the West are fragmented. Public lands are intermingled with lands owned and managed by many others. As a result, watersheds, plant and animal populations, and human uses frequently cross jurisdictional boundaries.

The BLM is committed to managing the land and its resources for the good of both the environment and the people who rely on resources from public lands. But the BLM is acutely aware that it cannot accomplish this in a vacuum. The Bureau's land use decisions affect adjacent landowners and State, local, and Tribal governments, as well as BLM public lands themselves. Given these realities, the BLM is dedicated to understanding socioeconomic and environmental trends, being more inclusive in its decision-making, and implementing appropriate on-the-ground activities.

In fiscal year 1997, the BLM, in collaboration with its science partners, supported and participated in 56 research projects dealing with rangeland ecosystem function and restoration, weed management, riparian improvements, minerals, threatened and endangered plant and animal species, forest ecosystem restoration, wild horse fertility and genetics, and wildfire control. The Bureau also approved six Resource Management Plans (RMPs), along with their integrated Environmental Impact Statements (EISs).

## Implementing the Government Performance and Results Act

The BLM is working to chart a new course for the next century. The Chief Financial Officers Act, the Government Performance and Results Act (GPRA), the National Performance Review, and other initiatives all require Federal agencies to be accountable for performance and results.

During this fiscal year, the Bureau issued its first Strategic Plan under GPRA and is making strides on the measurement and evaluation components required by the Act. The Plan outlines the mission-oriented goals and objectives for the agency over the next 3-5 years, building on BLM's *Blueprint for the Future* and the following five overarching goals for the agency:

- Serve current and future publics.
- Restore and maintain the health of the land.
- Promote collaborative management.
- Improve business practices.
- Improve human resources management.

The BLM does not view its Strategic Plan as "just another paperwork exercise"; in fact, it already permeates day-to-day activities. Resource allocations (i.e., which programs and offices get funding) and daily operational decisions are starting to be linked to the Strategic Plan through a required Annual Performance Plan that will be transmitted to Congress.

## Customer Service

The BLM is responsible for providing cost-efficient, quality customer service. This is in keeping with initiatives such as the National Performance Review, which requires all Federal agencies to take a customer-oriented approach to work processes and results.

Customer research is being conducted to help find out what is really important to its customers and partners -- to recreation users, livestock operators, local government officials, and others -- and to identify any barriers its own employees might face in serving customers in the field. This research will help the agency understand where it is now and what it needs to do to improve customer service and measure the results.

Good customer survey data at both the national and local levels is critical to strategic planning, performance measurement, and the evaluation of results required by the GPRA. Progress was made in fiscal year 1997 to establish baseline data on customer satisfaction and to ensure the consistent gathering and use of customer research information.

One way to improve customer service is by working across jurisdictional lines with other Federal, State, Tribal, and local agencies to develop more efficient ways of serving customers and increasing customer





Bluebird boxes being built with volunteer assistance on National Public Lands Day in Virginia (photo by BLM).

satisfaction. Collocation is one tool for accomplishing this.

A good example of collocation efforts is the “Trading Post” initiatives being undertaken jointly with the U.S. Forest Service in Colorado and Oregon, in which the BLM and Forest Service share common offices and staff responsibilities. These provide “one-stop” service and have greatly improved service to customers at the local BLM District and Forest level.

The BLM conducted three customer surveys in fiscal year 1997:

- *State and Local Government Customer Survey:* Based on a random nationwide telephone survey of 821 individuals and organizations conducted in August and September 1997, 51 percent of state and local governments are satisfied with the BLM. Just

under half of the respondents were from State governments, while 30 percent were from county governments.

- *Stakeholder and Partner Customer Survey:* Based on a random nationwide telephone survey of 904 individuals and organizations conducted in August and September 1997, 46 percent of the BLM’s stakeholders and partners are satisfied with BLM’s performance.
- *Wild Horse and Burro Adopters Customer Survey:* Based on a random nationwide telephone survey of 1,201 wild horse and burro adopters conducted in August and September 1997, 89 percent of the BLM’s wild horse and burro adopters are satisfied with BLM’s performance, while 70 percent are satisfied with the animal they adopted.

## BUREAU OF RECLAMATION

The Bureau of Reclamation is the largest supplier and manager 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; and its multipurpose projects also provide substantial flood control, recreation, and fish and wildlife benefits.

Over the past 95 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.

### Reclamation Facilities and Benefits

Facilities on Reclamation projects include 348 reservoirs, 58 hydroelectric powerplants, and more than 300 recreation areas. Reclamation operates its facilities to promote improved water use efficiency and cost effectiveness, while maintaining system reliability and meeting all contract commitments for water and power.

### Hydroelectric Power

In general, Reclamation's hydroelectric power production is directly proportional to the amount of water avail-



Irrigated acreage in California (photo by Reclamation).

### BOR Mission

*"To manage, develop, and protect water and related resources in an environmentally and economically sound manner in the interest of the American people."*

able each year. Power production rose from about 40 million megawatt hours in 1995 to more than 46 million megawatt hours for the first 10 months of 1997.

Reclamation is also using available water more efficiently to generate hydropower by improving operating techniques and equipment. The effects of unit uprating and efficiency increases over the past 20 years have added more than 2,000 megawatts of power capacity or the equivalent of building another Hoover Powerplant.

As a renewable, reliable, and cost-effective energy source, hydropower plays a vital role in the electric utility industry. As part of Vice President Gore's National Performance Review, Reclamation was selected for its Power Management Laboratory. In April 1997, the laboratory team received a "Hammer Award" for government excellence. The Laboratory report, *Future Generations: A New Era of Power, Performance, and Progress*, was released in March 1997. The report notes that the Federal power wholesale rate is approximately two-thirds the industry average and that Reclamation's average production costs are significantly lower than the industry average.

### Dam Safety

Many maintenance and rehabilitation activities help sustain facilities in a safe and operable condition. The goal of Reclamation's Dam Safety Program is to identify all structures that pose unacceptable risks to public safety and welfare, property, the environment, and cultural resources and take appropriate actions to reduce or eliminate risks in an efficient and cost-effective manner.

Throughout the 17 Western States, Reclamation has 464 dams and dikes, of which, 378 would endanger people if a failure occurred. Approximately half of



*Commissioner Eluid Martinez talks with Tribal members at the dedication of a cooperatively developed groundwater well on the Havasupai Reservation, Arizona (photo by Reclamation).*

these structures are more than 50 years old. In addition, approximately 90 percent were built before many of the state-of-the-art design and construction practices in use today. As structures age, continued safe performance becomes a greater concern. In fiscal year 1997, \$74.3 million was expended in the Dam Safety Program.

The Commissioner's independent peer review, completed in 1997, concluded that Reclamation's Dam Safety Program is effective. The review also offered valuable recommendations, which are currently being evaluated and implemented.

## Flood Control

Reclamation facilities helped prevent flood damages during the record floods of 1997. In California, Central Valley Project dams and reservoirs played an important role in reducing the effects of the January 1997 floods. Shasta, Folsom, New Melones, and Friant Dams were operated to reduce peak flows in downstream channels and significantly reduced property losses.

During the spring and summer, Reclamation reservoirs in the Upper Missouri River basin helped control record flood runoff. Reclamation facilities were credited with reducing downstream flood damage by more than \$100 million.

## Assistance to Native Americans

Reclamation assists Indian Tribes in developing and managing their water resources to promote economic self-sufficiency and improve their standard of living.

In 1997, Reclamation continued construction of the Mni Wiconi Project rural water system, which will serve parts of nine counties in central South Dakota, including the Pine Ridge Indian Reservation. Work on the \$17 million water treatment plant began in August 1997 and will be completed in 1999. Total fiscal year 1997 funding for the Mni Wiconi Project was \$26.6 million.

The agency also provided funding and technical assistance for operating water systems on three Indian Reservations in North Dakota, administering three cooperative agreements that totaled nearly \$2 million in 1997.

## Water Conservation

Water conservation is a major agency priority with an \$8 million budget in 1997. Reclamation offers direct assistance to water districts and others under the Water Conservation Field Services Program, introduced in 1996. The program helps water districts develop, implement, and coordinate conservation measures by providing technical and financial assistance, offering educational and training opportunities, and distributing informational guidebooks and handbooks.

## Shasta Temperature Control Device

The \$80 million temperature control device at Shasta Dam in California began operating in 1997. The 300-foot underwater structure, weighing 8,000 tons, allows



*Secretary Bruce Babbitt attends the dedication of a new temperature control device at Shasta Dam in California (photo by Reclamation).*



*Reclamation participates in recovery programs to help endangered species such as this razorback sucker (photo by Reclamation).*

water previously bypassed for power generation to be efficiently used, resulting in increased revenue of about \$7 million annually to the U.S. Treasury. The structure gives flexibility to provide cooler temperatures while optimizing the quality of water releases for preserving and restoring the downstream chinook salmon fishery.

## Bay-Delta Protection Plan

The State of California and the Federal Government established the Bay-Delta Accord in 1994 to provide environmental protection for the San Francisco Bay/Sacramento-San Joaquin Delta and Estuary and ensure a water supply for the State of California's 20 million people. In fiscal year 1997, progress on the Bay-Delta plan was boosted by passage of a \$995 million State bond issue and assurance of \$85 million in Federal funding through the California Bay-Delta Ecosystem Restoration Appropriation in fiscal year 1998.

## Glen Canyon Adaptive Management Program

Reclamation is involved in cooperative efforts to manage and protect Colorado River resources. An Adaptive Management Program was implemented by the

Operation of Glen Canyon Dam Environmental Impact Statement that Reclamation, as the lead agency, completed in 1995. The program provides an organizational process for using future scientific information to make decisions about Glen Canyon Dam operations and protect affected downstream resources, consistent with the Grand Canyon Protection Act.

## Platte River Cooperative Recovery

Reclamation has joined with other Interior agencies and the States of Wyoming, Nebraska, and Colorado to improve the Platte River habitat of four threatened and endangered species -- the whooping crane, the interior least tern, the piping plover, and the pallid sturgeon. In July 1997, the organizations signed a cooperative agreement that proposes a basin-wide plan to provide additional river flows and to acquire and restore habitat in Nebraska's Central Platte region.

## Multi-Species Conservation Program

Reclamation helped form a 35-member steering committee representing Federal, State, Tribal, environmental, and other interests to direct the Lower Colorado River Multi-Species Conservation Program. Goals of the program are to work toward the recovery of sensitive, threatened, and listed species along the Lower Colorado River corridor; attempt to reduce the likelihood of future listings under the Endangered Species Act; accommodate current water diversions and power production; and optimize opportunities for future water and power development.

## Water Recycling

In 1997, Reclamation assisted States and communities in water recycling as one important aspect of water management. This assistance, provided under the Reclamation Wastewater and Groundwater Study and Facilities Act, as amended, includes studying water reclamation and reuse projects and conducting research and demonstration programs to test water reclamation and reuse technologies. With cost-sharing, Reclamation may also construct reuse projects authorized by the Congress. Potential sources of water for recycling and reuse are agricultural drainage, municipal and industrial wastewater, and sources that contain toxins and/or other contaminants.



*White-water rafting in the Grand Canyon (photo by Reclamation).*

In fiscal year 1997, Congress appropriated \$38.2 million for Reclamation's recycling and reuse program, which includes construction, demonstration, and research activities.

## Research and Technology Transfer

The Research and Technology Transfer Program supports innovative management of environmental resources, water resources, and facilities and infrastructure resources. Major program accomplishments in 1997 include developing fish friendly water lifts for salvaging fish at major South Delta Water diversions in California's Central Valley; applying intermediate and long-term river system computer modeling capabilities on the Colorado River Basin; and developing and applying a lower-cost method to locate power failures at Glen Canyon Dam.

## Enhance Recreational Opportunities

Recreation and tourism is the single largest industry in the Western States where Reclamation projects and lands are located. Almost 90 million people annually visit the 310 designated recreation areas on Reclamation projects, and visitation is increasing at an average rate of 1.2 million visitors per year.

For the second straight year, visitation and revenue increased at the Hoover Dam Visitor Center. A record 1.1 million visitors toured the dam and powerplant in 1997. Total revenues for fiscal year 1997 reached \$6.7 million, an increase of more than \$2 million over fiscal year 1996.

## Cultural Resources Management

Reclamation is responsible for protecting cultural resources located on its lands or affected by its actions. Data are still being prepared for fiscal year 1997, but in fiscal year 1996 Reclamation spent \$2.5 million for field studies that covered 73,000 acres under its jurisdiction and located more than 1,400 cultural resources sites.

Fifty-seven sites and more than 2,000 resources under Reclamation's jurisdiction are listed or eligible for listing on the National Register of Historic Places.

Reclamation has expended nearly \$8 million to ensure the long-term protection and appropriate accessibility of museum property for research and other public uses. Reclamation's museum property includes more than



*A new interpretative exhibit gallery at the Hoover Dam Visitor Center was opened to the public, adding new educational and informational opportunities for visitors to the dam. A record 1.1 million visitors toured the dam and powerplant in 1997 (photo by Reclamation).*

4.5 million objects housed in more than 100 non-Federal repositories such as public and private museums and universities.

## **Implementing the Government Performance and Results Act**

During 1997, Reclamation produced its first strategic plan in support of the Government Performance and Results Act (GPRA). This plan sets forth three mission objectives to articulate the general, long-term activities and initiatives necessary for Reclamation to carry out its mission. The three specific mission objectives are (1) water and energy, (2) environmental and related resources, and (3) business practices and productivity. The identification of these mission objectives enabled Reclamation to develop strategies and performance indicators to ensure that its resources, both people and financial, are focused on the accomplishment of specific goals.

## **Customer Service**

Reclamation has developed a customer service plan to guide its relationship with customers. The specific services and programs targeted in the plan parallel the tasks and activities identified in the new Reclamation budget structure. During 1997, Reclamation worked to reconfigure and relate its customer service plan and surveys to its GPRA performance measurement process. In response to customer concerns, Reclamation is continuing to provide opportunities for customers' early input into agency operations.

# MINERALS MANAGEMENT SERVICE

The Minerals Management Service (MMS) manages the Nation's natural gas, oil, and other mineral resources on the Outer Continental Shelf (OCS), and collects, accounts for, and disburses revenues from offshore Federal mineral leases and from onshore mineral leases on Federal and Indian lands.

Since 1992, the MMS, like many Government agencies, has had to adjust to increased demands for services while undergoing reductions in available resources. In order to operate in this new environment, the MMS has been continually reevaluating how it goes about its business. In 1995, the MMS initiated a process which evaluated every part of the organization to see if it could be streamlined or improved to better serve our constituents' needs. These processes resulted in *MMS 2000*, a comprehensive reorganization of the entire Bureau. The plan received Congressional approval in November 1996, and was implemented in January 1997. *MMS 2000* was developed with input from all levels of the MMS. It was designed to result in a more efficient and effective organization, to make the MMS more responsive to its overall mission, and to move the MMS of today toward the MMS envisioned in its Strategic Plan. The results of the reorganization included reducing management layers and providing increased opportunities for the delegation of decision making to lower levels. *MMS 2000* was accomplished within the existing allocated FTE ceiling and budget.

The MMS is composed of two specialized operating programs, the Offshore Minerals Management (OMM) and the Royalty Management Program (RMP). The Associate Directorates of Policy and Management Improvement and Administration and Budget, and the Executive Offices of the Director provide support for the programs.

## Offshore Minerals Management

As the manager of the Nation's OCS energy and non-energy mineral resources, the long-term strategy of the MMS is to assess those resources, in consultation with affected parties, to determine if they can be developed in an environmentally sound manner and, if leased, to regulate activities to ensure safety and pro-

### MMS Mission

*"To manage the mineral resources on the Outer Continental Shelf in an environmentally sound and safe manner and to timely collect, verify, and distribute mineral revenues from Federal and Indian lands."*

tect the environment. This long-term strategy affects the way the MMS manages OCS resources and the way the MMS faces the challenge of providing energy while protecting the Nation's unique and sensitive environments and other natural resources.

Although a relatively small bureau, MMS provides major economic and energy benefits to the Nation, taxpayers, States and the Indian community -- benefits at both the national and local level. For example, *Figure 4* shows the distribution of contractors that have supplied materials or services in support of a single deep water development in the Gulf of Mexico. While the great majority of contractors are located in the States of Texas and Louisiana, contractors from all over the country are involved in and benefit from OCS development.

Since 1982, approximately \$90 billion in revenues from mineral activities on Federal lands has been distributed by the MMS to the U.S. Treasury, States, Indian tribes

Figure 4

### Distribution of Contractors MARS Development

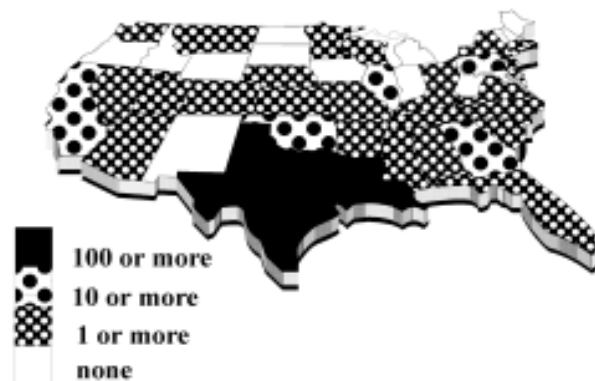
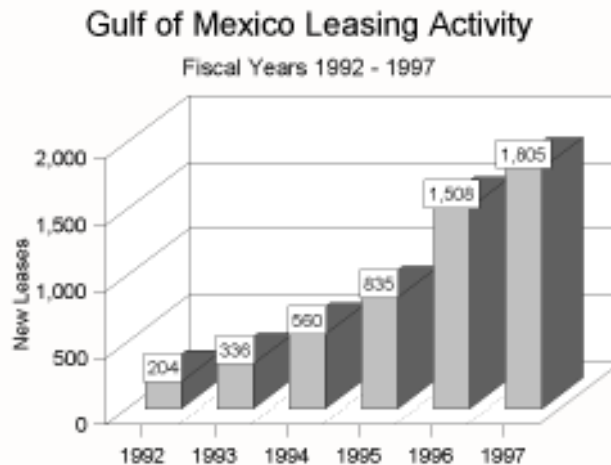


Figure 5



and Indian allottees. A portion of the revenues distributed to the U.S. Treasury goes into accounts that support the Land and Water Conservation Fund and the National Historic Preservation Fund. The largest recipient of funds produced by the MMS is the General Fund of the U.S. Treasury. Since 1982 the Treasury has received over \$57 billion in MMS collections. The fiscal year 1997 disbursement to the General Fund was the largest in over 10 years and reflects a resurgence in OCS activity in the Gulf of Mexico.

The OCS continues to play a significant role in our Nation's energy picture. The MMS administers 27 million acres of the OCS under active lease, which supplies over 27 percent of the natural gas and more than 18 percent of the oil produced in the United States. This role will become even more significant with the recent discoveries and legislation related to the Gulf of Mexico.

Because of technology, new discoveries, and the passage of the Deep Water Royalty Relief Act (DWRRA) of 1995, there has been a renewed interest in leasing, especially deep water leasing, in the Gulf of Mexico. During fiscal year 1996, the number of new leases in the Gulf of Mexico increased by 80 percent. In fiscal year 1997, the number of new leases increased by another 20 percent (*Figure 5*). For the past two years, each sale in the Gulf of Mexico has set a new record for the number of tracts leased.

Due to this increased leasing activity, the number of inspections conducted in the Gulf of Mexico is expected to increase 20 percent in fiscal year 1998. Between

1992 and 1995, the number of exploration plan applications increased by 70 percent.

It is projected that this renewed activity in the Gulf of Mexico will raise current Gulf of Mexico oil production of 940,000 barrels per day to about 1.7 million barrels per day. Potentially, this could generate an additional \$700 million in annual royalties by the year 2000.

## Royalty Management

The Royalty Management Program is that part of the MMS which is responsible for collecting revenues earned from the leasing and production of mineral rights on all Federal and most Indian lands, and for disbursing these revenues to various recipients as authorized by numerous statutes. The RMP collects and disburses revenues collected on lands administered by the Department of the Interior (the MMS Offshore Program, Bureau of Indian Affairs, and Bureau of Land Management), the Forest Service, the Army Corps of Engineers, and the U.S. military.

In order to meet its expanding responsibilities, the RMP has been examining the way it does business. This examination or reengineering began in fiscal year 1996 and will continue for several years. However, improvements will be introduced into the work environment as early in the process as possible. Contractor and reengineering team analysis now underway will ultimately yield final reengineered process designs and plans for future implementation.

The principal objective of this initiative is to design, develop, and implement new core business processes. Reengineering challenges the underlying assumptions upon which the organization is built and fundamentally redesigns systems, processes, and structures around desired outcomes, rather than functions and departments. Initially, the RMP reengineering effort was focused on its activities ensuring compliance. In March 1997, the RMP expanded the reengineering initiative beyond compliance activities to conduct in-depth reengineering of all RMP core business processes.

## Implementing the Government Performance and Results Act

During 1997, the MMS completed its first Strategic Plan in support of the Government Performance and Results Act. While the Strategic Plan describes a five-



year action plan, the Annual Performance Plan will define what will be accomplished in any one year. The Annual Performance Plan sets out measurable goals to be accomplished during the fiscal year linked to the budget request using the program activity structure.

MMS's performance objectives and measurement indicators are linked directly to its two mission goals and to one human resources goal. These goals and objectives are clear, measurable, and relevant to the fundamental MMS mission. The first two goals are directly linked to the mission and are based on legislative mandates, the mission statement of the Department of the Interior, stakeholder input, and MMS experiences. The third goal, the human resources goal, encourages improved performance at all levels of the organization by providing a work environment that supports excellence and productivity.

The MMS has developed measurement indicators for each performance objective. These indicators will measure program outcomes using available data and will provide a quantitative assessment of annual progress towards reaching long-range goals. During fiscal year 1997, all of the major program areas within MMS were refining their performance measures, establishing baseline measurements, and collecting actual measurement data.

## Customer Service

The MMS has involved its constituents in participatory decision-making through multi-constituent teams of MMS, State, Indian, and industry representatives. MMS constituents welcome the opportunity to review and recommend improvements to the royalty accounting process through various National Performance Review work groups and negotiated rulemaking committees.

To obtain timely and constructive advice on collection policies and procedures, the Department established the Royalty Policy Committee (RPC) in 1995 as part of the Minerals Advisory Board. The MMS believes it

can best reinvent its activities and serve the needs of its customers by working closely with constituents. Accordingly, the RPC includes representatives from States, tribes, Indian allottees, industry, Federal agencies, and the public. The RPC has provided recommendations to MMS on a variety of royalty management issues, including: audit; report streamlining; disbursements to the States; net receipts sharing; appeals; settlements and alternative dispute resolution; treatment of phosphate, trona, and other leasable non-energy minerals, coal; and alternatives to conventional royalty collection methods.

The MMS is improving its relationships and coordination efforts with State and tribal auditors by treating them as partners in our compliance strategies. The MMS regularly participates in quarterly meetings of the State and Tribal Royalty Audit Committee, providing information and receiving input. States and tribes provide RMP policy formulation and regulatory development, and representation on RMP's reengineering team.

An example of this type of MMS customer relations is the MMS establishment of a "205 Delegation Team," comprised of State representatives and MMS staff. This team worked to develop the proposed regulation authorizing the delegation of Federal royalty management functions to State governments. The MMS also met with industry in four locations in January 1997 and again in June 1997 prior to publication of the final rule.

The Alaska OCS Region Advisory Committee serves as a direct link between the Alaska Regional Director and the key constituents in individual planning areas during the lease sale process. Current committee membership focuses on sale 170, Beaufort Sea, and represents the State of Alaska, North Slope Borough, Alaska Eskimo Whaling Commission, Nuiqsut, the oil and gas industry, the National Marine Fisheries Service, and the U.S. Fish and Wildlife Service. Based on recommendations of the committee, the MMS is developing modifications to the proposed sale that will be analyzed in the final Environmental Impact Statement.

## OFFICE OF SURFACE MINING

The Office of Surface Mining Reclamation and Enforcement (OSM) ensures that coal mines are operated in a manner that protects citizens and the environment during mining to assure that the land is restored to beneficial use following mining, that mitigates the effects of past mining by aggressively pursuing reclamation of abandoned coal mines.

August 3, 1997, marked the twentieth anniversary of the passage and enactment of the Surface Mining Control and Reclamation Act (SMCRA). Through SMCRA and OSM, a level set of regulatory standards was created for the industry. The implementation and enforcement of SMCRA have produced one of the most successful regulatory and environmental programs in the country. SMCRA has greatly benefited both the coal industry and the citizens of the coal fields. Since 1977, coal production has risen significantly, prices have been stable, and over 1.5 million acres of land have been mined and successfully reclaimed. Safety hazards and high priority problems have been eliminated on thousands of acres of abandoned mine lands (AML).

Under SMCRA, 24 States currently have programs approved by the Secretary of the Interior to regulate coal mining activities. The State programs are funded through grants issued by OSM and include the review and issuance of mining permits, inspection and enforcement, designation of lands unsuitable for mining, administration of bonding and bond release programs that ensure proper reclamation of land after mining, and administration of small operator assistance programs. In 1997, OSM provided primacy States with regulatory program funding of \$50.7 million. In the absence of a State program (e.g., Tennessee and Washington), or a cooperative agreement with a State to regulate mining on Indian and Federal lands, OSM serves as the regulatory authority.

Thousands of dangerous hazards have been mitigated or eliminated, some of which preserve our heritage. For example, the Aladdin mine site was reclaimed by the Wyoming AML program after the historic qualities of the site came to light (see details in Aladdin Tipple sidebar). The Abandoned Mine Land Reclamation program is funded through the collection of a tonnage based reclamation fee assessed on current mining op-

### OSM Mission

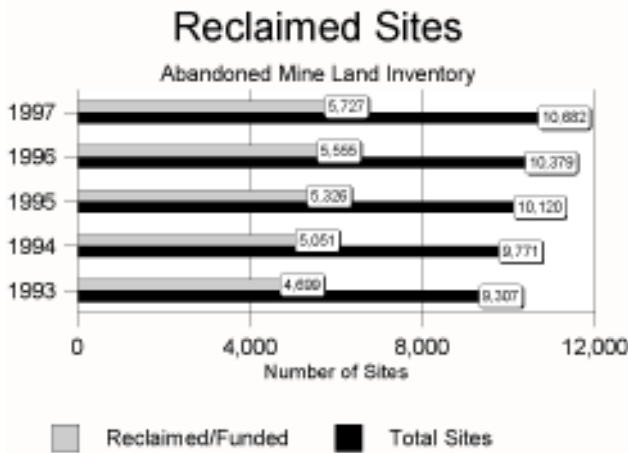
*"To carry out the requirements of the Surface Mining Control and Reclamation Act (SMCRA) in cooperation with States and Tribes."*

eration. Through appropriations from the AML fund by Congress, OSM provides grants to 23 States and 3 Indian tribes that have approved abandoned mine reclamation plans. OSM funds reclamation projects in non-primacy States and on Federal and other Indian lands. The agency also administers the AML emergency program in States that have not chosen to do so (e.g., Kentucky and Pennsylvania). The AML program has contributed to improved quality of life for the coal field citizens. In some cases, it has revitalized communities and brought new incentive and hope into depressed areas. It has infused over \$2 billion into the coal field economies. It has stimulated growth in construction-related industry and has created jobs.

Since 1993, the rate at which the program has increased reclaimed/funded sites listed in the inventory has been approximately one-half of one percent per year. The inventory does not have a static base and continues to increase annually, due to more sites being identified and lower priority sites gaining higher priority. As an example, in 1993 the inventory had 9,307 sites of which 4,699 had been reclaimed or funded. In 1997, the inventory had grown to 10,682 sites, of which, 5,727 had been reclaimed or funded (*Figure 6*).

In recent years, OSM has undertaken several initiatives in support of its mission to carry out the requirements of SMCRA. OSM's Appalachian Clean Streams Initiative is leading a multi-faceted effort to address the region's number one water problem -- acid mine drainage from pre-SMCRA abandoned coal mines -- by restoring the waters to their original state through coordination of efforts by government and other organizations. OSM's Tribal Primacy initiative provided grants in 1997 to Indian tribes totaling \$600,000 designed to prepare them for full primacy. Since 1993, technology transfer and technical assistance initiatives have been moved to the forefront of OSM/State partnerships with the philosophy of problem solving on the front end, and the involvement of all stakeholders in

Figure 6



the process. The Applicant Violator System (AVS) is the principal means by which OSM, together with the States, can address situations where violators have crossed State lines or have re-appeared under the guise of new organizations. Federal and State settlement agreements, following AVS permit blocks, have prompted \$7 million in reclamation for 2,500 acres. An additional \$5 million in unpaid AML fees and civil penalties have been collected.

In executing its oversight duties under SMCRA to evaluate the administration of approved State programs, the Office of Surface Mining works with States and other interested parties to seek consensus on oversight techniques, conducts inspections and independent reviews, and technical analyses. In 1996, OSM implemented a new, innovative results-based oversight strategy for measuring whether the public protection requirements and environmental protection standards of SMCRA are being met. OSM and the States developed evaluation plans tailored to the unique conditions of each State program and governed by performance agreements developed by an OSM field unit and a State. Under the new results-based oversight strategy, OSM's oversight evaluation activities primarily focus on end results and on-the-ground success of States in meeting SMCRA's requirements. OSM oversight is no longer rigidly formulated or driven primarily by centralized mandates based on arbitrary processes and procedures.

On July 23, 1997, Assistant Secretary of the Interior Bob Armstrong presented the oversight team with Vice President Al Gore's Hammer Award for "reinventing" the process that OSM employs to meet its responsibilities for oversight of State regulatory programs as re-

quired by SMCRA. Armstrong called the new results-based oversight strategy "a model of what President Clinton and Al Gore have in mind when they talk about reinventing government."

## Implementing the Government Performance and Results Act

To meet the objectives of the Government Performance and Results Act (GPRA), OSM began its strategic planning process in conjunction with the Bureau's restructuring plan under this Administration. Through a series of comprehensive customer and stakeholder outreach efforts, OSM re-evaluated all aspects of its mission. From those efforts came the following goals:

- Aggressively pursue the reclamation of abandoned mine lands;
- Prevent environmental problems in the coal fields; and
- Strengthen the capabilities of States, Tribes, and OSM to enforce SMCRA effectively through quality technical and scientific information, expertise and training.

OSM developed the concept of business lines to provide the link between its goal and the measurable indicators.

During 1997, the Office of Surface Mining completed its first strategic plan in support of the GPRA. Efforts are now being directed toward development of the annual performance plan and performance measures. OSM's key performance measures focus on three areas: (1) restoring abandoned lands adversely affected by past mining, (2) protecting lands from current mining, and (3) improving customer satisfaction in the areas of technical assistance and transfer. Specific annual performance measures relating to these three key areas include:

- The Abandoned Mine Land Program will annually reclaim 8,000 acres.
- The Surface Mine Program will report the number of acres released from Performance Bonding Phases I and II in order to show the status and progression of permitted acreage being reclaimed.



Aladdin Tipple mine (photo by OSM).

- OSM will attain a 85 percent customer satisfaction rate in our technical training.

## Customer Service

Our customers and partners include coalfield residents, environmental and citizens groups, the coal industry who operate under and are affected by SMCRA, and the States who are the primary regulators of SMCRA. In soliciting feedback on customer service, OSM is using a combination of surveys and focus groups. As recently as November 1997, OSM senior management met with individuals representing environmental groups, industry, State agencies, and local government agencies. OSM is expanding its customer surveys to gather information of specific functions such as technical training, technical assistance, technical transfer, and financial support services. OSM will continue to use the information gained from these activities to correct problems leading to better service and to plan future improvements.

### Aladdin Tipple

*The Aladdin mine began operation in the late 1800's and coal was mined until it was abandoned in 1942. The mine is about 83 miles northeast of Gillette, Wyoming. The coal was used as a local fuel source and to fire the gold smelters in Lead and Deadwood, South Dakota. It was one of the first underground mines in northeastern Wyoming and was a privately owned operation. The mine was first investigated for reclamation by the Wyoming AML program in 1989, and the historic qualities of the site immediately came to light. The old Tipple was in imminent danger of collapse because of neglect and weathering, and it posed a significant safety hazard as it was located adjacent to a popular tourist route. The tipple, hoist house, and mine opening were restored, and the site was reclaimed and developed as a historical interpretive park. It receives extensive use by the schools in the area for history and heritage field trips and is a popular tourist stopover. Another reason for retaining the site was the presence of two organisms that are unusual and unique to the Rocky Mountain west. These organisms play fundamental roles in the natural bioremediation of disturbed lands. Scientists at Black Hills State University in nearby Spearfish, South Dakota, are studying the saprophytic relationships in this process of natural bioremediation in the living laboratory provided by the historic Tipple site. The site is maintained by the Crook County Commissioners and the local historical society, and it has been nominated for the National Register of Historic Places.*

# INDIAN AFFAIRS

The Bureau of Indian Affairs (BIA) is the primary agency of the Federal Government charged with the responsibility to administer federal Indian policy and to discharge the federal trust responsibility for American Indian tribes, Alaska native villages and tribal organizations. Federal Indian policy and the trust responsibility are derived from the special legal and political relationship between the tribes and the Federal government. From Maine to Florida and from Rhode Island to Alaska, there are more than 550 federally recognized American Indian and Alaska Native Tribal governments in the United States. While the tribes are as different as the lands they occupy, each retains inherent governmental authority derived from their original sovereignty.

Today, the BIA provides services directly, or through Self-Determination contract, grant and compact agreements with tribes, to more than 1.2 million American Indians and Alaska Natives in 31 states. The scope of BIA programs is extensive and 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 range lands development
- water resources;
- fish, wildlife and parks;
- roads and housing;
- adult and juvenile detention facilities; and
- irrigation and power systems.

More important, BIA's programs are funded and operated in a highly decentralized manner with more than 90 percent of all appropriations expended at the local level with an increasing amount operated by tribes and tribal organizations under contracts or self-governance compacts. In addition, the BIA administers more than 43 million acres of tribally-owned land, over 11 million

## BIA Mission

*"To fulfill trust responsibilities and promote self-determination on behalf of Tribal Governments, American Indians, and Alaska natives."*

acres of individually owned land held in trust status and 443,000 acres of Federally-owned land.

The BIA's most basic responsibilities are fulfilling its trust obligations and facilitating tribal self-determination. However, while the protection of trust resources is a fundamental responsibility, tribal communities struggling to meet the basic needs of their communities must compete for the same limited resources the BIA uses to protect trust resources. The BIA's success relies on judiciously balancing these competing mandates.

## Indian Self-Determination and Self-Governance

A primary objective of the BIA is to support the sovereignty, self-determination, and self-governance of federally-recognized Indian tribes. The Indian Self-Determination and Education Assistance Act of 1974 (Public Law 93-638, as amended) authorizes tribal governments and organizations to operate federal programs under contract, grant, and compact agreements. Under these agreements, tribes deliver program services to their members and have the flexibility to redesign the federal programs to meet their local needs and priorities.

In fiscal year 1997, the BIA obligated \$1.049 billion to tribes and tribal organizations under self-determination contracts, grants, and compacts, accounting for 49.9 percent of all obligations. For the Operation of Indian Programs and Construction accounts, the total obligations under contracts, grants, and compacts have continued to grow to more than \$887 million in fiscal year 1997, and 53 percent of the total obligations.

The number of tribes operating federal programs under self-determination contract or grant agreements has increased significantly over recent years, from an estimated 317 tribes in fiscal year 1991 to 449 tribes today. Recently, a large number of those tribes chose to convert from contract and grant agreements to the more flexible self-governance compact agreements. Over 34 percent of all tribes, including most of the Alaska native villages, have entered into compact agreements.

## Tribal Services

The Office of Tribal Services has overall responsibility for the Delegation of Authority Initiative. This initiative delegates authority for the administration of non-construction contracting under the Indian Self-Determination and Education Assistance Act to the lowest level of the Bureau. Presently, there are 50 agencies and two field offices authorized to administer self-determination contracts under a delegation of authority from Area Directors.

Consolidation, strengthening and expansion of existing authorities of the current delegate agencies should occur in the next fiscal year. Few new agencies will be delegated authority for contracting. Under the plan to separate commercial from self-determination contracting, 45 contract office staff will be converted to self-determination specialists to work exclusively with Public Law (P.L.) 93-638 contracts and grants.

## Education

Nearly one-third of BIA's annual appropriations in the Operation of Indian Programs account supports Indian education. These funds provide elementary and secondary education and residential programs for Indian students not served by public and sectarian schools, residential care for some Indian students attending public schools, and special services to meet the needs of Indian students in such areas as early childhood develop-

### 1997 Indian Affairs and Trust Management Highlights

- *Completed and submitted to Congress the Strategic Plan to implement the American Indian Trust Fund Management Reform Act of 1994.*
- *Obligated over \$1 billion to tribes and tribal organizations under self-determination contracts, grants, and compacts accounting for 50 percent of all Bureau of Indian Affairs obligations.*
- *Continued aggressive streamlining and decentralization activities resulting in the elimination of 491 full-time equivalent positions (4.6 percent reduction over 1996 levels)*
- *Increased the number of Tribes covered by flexible self-governance compact agreements from 190 to 202.*
- *Achieved accreditation and met state, regional and or Bureau academic standards for all Bureau-funded day schools and boarding schools.*
- *Resolved issues associated with 60 self-governance agreements covering 202 federally-recognized tribes, and completed negotiations on 64 annual funding agreements that will be executed in FY 1998. These 64 agreements cover 206 Indian tribes.*
- *Worked collaboratively with Indian tribes to develop the Secretary's legislative proposal to establish an alternative dispute resolution process for settling Tribal claims alleging mismanagement of trust funds. The American Indian Trust Fund Management Reform Act of 1994 required the Department to review trust accounts and advise Congress on the steps that will be taken to reconcile balances.*
- *Achieved at least a temporary resolution to a serious internal governance dispute that has plagued the Nation's second largest Indian Tribe, the Cherokee Nation, and that had some potential for violence.*

ment, 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 operates two post-secondary schools, Haskell Indian Nations University and Southwestern Indian Polytechnic Institute, and provides financial support to 24 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.

*Elementary and Secondary Education:* About 90 percent of all Indian elementary and high school students attend public or private schools. The remaining 10 percent attend BIA operated or funded schools. During

the 1996-97 school year, the BIA's school operations programs supported 118 day schools, 55 boarding schools and 14 dormitories. These facilities served more than 49,200 students. The BIA directly operated 82 of these facilities and tribes operated the remaining 105 facilities under self-determination grants and contracts. Most school operations funds are allocated by three program formulas: Indian School Equalization Program (ISEP), Student Transportation, and Administrative Cost Grants for the tribally-operated schools. The ISEP supports the basic instructional activities of the schools and the funds are allocated on weighted student units (WSUs). Students are assigned weights which reflect the relative costs of different grade-levels and special education programs.

Since the 1992-93 school year, the BIA schools have had average annual growth rates of about 3 percent in the number of students and 3.7 percent in the number of weighted student units. The annual ISEP allocations have increased an average of about 2.9 percent per student and 2.4 percent per weighted student unit. The ISEP formula program has kept pace with recent increases in service population and has partially covered inflationary cost increases.

In the 1996-97 school year, all of the BIA-funded day schools and boarding schools met state, regional or/and BIA academic standards. State and regional accreditation requirements usually exceed the academic standards that BIA has established as minimum criteria for its funded schools.

Among the BIA's special education programs, the Family and Child Education (FACE) Program has received national and international recognition since it was initiated in 1991. FACE provides educational training to preschool children, their parents, and school staff. More than 1,810 children and 1,400 families participated at 21 school sites during the 1996-97 school year.

*Post-Secondary Education:* The Haskell Indian Nations University in Lawrence, Kansas, and the Southwestern Indian Polytechnic Institute (SIPI) in Albuquerque, New Mexico, provide a variety of educational opportunities for Indian students at the junior college level to prepare them to enter four-year colleges and universities. Haskell offers students three associate degree programs in Science, Applied Science, and Arts, and one baccalaureate degree program in Elementary Education. SIPI awards associate degrees in Liberal



Haskell Indian Nations University (photo by Teri Peterson).

Arts and Computer Sciences, and is establishing programs in environmental sciences, electronics, and other specialized technologies. These national institutions attract Indian students throughout the United States.

Tribally Controlled Community Colleges (TCCCs) are chartered by tribal governing bodies, governed by local boards of regents, and promote educational goals that are compatible with the needs of the tribe and its members. In fiscal year 1997, there were 24 TCCCs eligible for federal assistance. Most funds are distributed on the number of enrolled students and their credit hours. Some tribes supplement the federal grant for their TCCC with Tribal Priority Allocations funding.

*Scholarships:* Undergraduate scholarship assistance is provided though funds available in Tribal Priority Allocations. With Tribal Priority Allocations, the tribes set funding priorities for the various programs based on local needs and priorities. The scholarship programs may be administered by BIA's agency or area offices, or operated by the tribes under self-determination contracts, grants, or self-governance compacts. While all Indian students attending accredited post-secondary institutions are eligible to apply, the amount of award is based on each student's certified financial aid requirement such as the Pell Grant and National Direct Student Loan Program.

*Adult Education:* Tribes also support continuing adult education through the Tribal Priority Allocation program. Tribal members are encouraged to attend courses that prepare individuals for the General Education Development (GED) examination, employment skills such as driver training, typing and computer literacy, and basic skills such as household budgeting and preparing state and Federal tax forms. In fiscal year

1997, the tribes allocated \$2.486 million to support adult education.

## Trust Lands and Resources Management

The Bureau's trust lands and resources management programs protect, develop, and enhance the management of over 54 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.

*Forest Resources Management and the President's Forest Plan:* 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 managing, developing, and protecting their forest resources through the use of sound ecosystem, silvicultural, and economic principles. These activities provide employment and revenue to the Indian owners.

The BIA is responsible for the presale, contract compliance, and other administrative activities associated with the sale of forest products. During fiscal year 1997, an estimated 650 million board feet of timber with a value of \$130 million was harvested. The application of silvicultural treatments to Indian commercial forests land is necessary to maintain these lands at their full productive level. Forest development activities include preparing sites for reforestation, planting tree seedlings, and maintaining optimal stocking levels (timber stand improvement) to protect forest health. During fiscal year 1997, an estimated 14,116 acres were planted and 66,625 acres were improved.

Long-range forest management planning is essential for maintaining Indian forests in a perpetually productive state while harvesting timber resources to achieve tribal economic development goals. Planning is an ongoing process that responds to changing tribal needs. Ninety-seven Indian reservations require forest management plans. During fiscal year 1997, ten forest management plans were completed and six forest management plans expired. The total number of current plans increased to 75.

BIA participation in the President's Forest Plan has two main components: (1) ecosystem restoration projects and (2) timber harvest initiatives in the Pacific



Wapato irrigation facility (photo by Teri Peterson).

Northwest and Northern California regions. The ecosystem restoration projects improve the quality of fish and riparian habitats in watersheds and streams. During fiscal year 1997, 175 miles of streams were enhanced and 76 jobs were created for displaced forest workers. The harvesting of additional timber from Indian forests increased wood supplies for the domestic and export markets and helped the northwest commercial economy recover from the court ordered restrictions on timber harvests on Federal lands. During fiscal year 1997, Indian tribes received \$50 million from the 100 million board feet of timber that was harvested. Thirty additional jobs were created on or near Indian reservations.

*Agricultural and Range Land Management:* The BIA provides technical assistance to the tribes and more than 125,000 Indian operators and producers. Indian irrigation and power systems also support the agricultural and rangeland economies. With about 85 percent of Indian trust lands in active production, Indian operators and producers use about 45 percent of the irrigated acreage, 30 percent of the dry farming acreage, and 75 percent of the rangelands. The balances of the producing lands are leased to non-Indian operators and producers with emphasis placed on the further development of Indian agricultural resources.

*Mineral Resources Management:* The development of mineral resources provides significant income to tribes and individual Indian landowners. The Bureau provides technical assistance and information through geological and economic studies, marketing and training programs for Indian landowners seeking to manage and develop their mineral resources.



The Minerals and Mining program has been especially active in promoting the production of oil, coal, precious metals, granite, gypsum, sand and gravel, and natural gas resources on Indian lands nationwide that have been identified through four phases of mineral assessment studies. Nationwide revenues from mineral royalties, rents, and other revenues on Indian lands increased by 15 percent to over \$166.8 million with sales value of more than \$1.3 billion. The increase was attributed to a significant rise in oil and gas prices during the period that resulted in additional collections. The Bureau administered 3,952 mineral leases, licenses, permits, and applications on 1.9 million acres of Indian lands. This number included 3,754 producing or producible Indian oil and gas leases on 1.7 million acres, six coal leases on 115,630 acres and 45 leases for other minerals on 17,516 acres. In 1997, Indian revenues increased by approximately \$32 million, or 28 percent, which was primarily attributed to higher oil and gas prices and additional bonus collections for competitive lease sales.

*Real Estate Services:* The Bureau is responsible for the management and administration of more than 43 million acres of tribally owned land and 10 million acres on land owned by individual Indians. Major functions include leasing and permitting, lease compliance, rights of way, land acquisition and disposal, preparation and administration of probates, and land records. These activities provide Indian landowners with essential data and assistance to support the management and development of their surface and subsurface land resources, consistent with the trust management role of the federal government. Trust land leasing activities are a major part of the real estate program and provide a major source of income to owners.

The General Allotment Act of 1887 transferred Indian lands in 40, 80, and 160 acre parcels to individual tribal members and families and opened the remainder of tribal owned lands to non-Indian settlement. Checkerboard patterns of Indian and non-Indian ownership resulted. More than 100 million acres of the Indian trust land base was lost between 1887 and 1934. The enactment of the Indian Reorganization Act of June 18, 1934, stopped further allotment of tribal lands.

As the land allotted to individual Indians passed from generation to generation, ownership often has been divided among an increasing number of heirs. It is common for as many as 100 to 300 individuals to hold undi-



Road construction on Northern Cheyenne Reservation (photo by Teri Peterson).

vided interests in a single allotment. This division of ownership interest is referred to as fractionation. Currently, it is estimated that there are more than one million fractionated interests, with many of these interests at 2 percent or less.

During 1997, Secretary Babbitt submitted a draft bill "to reduce the fractionated ownership of Indian lands..." to the Honorable Albert Gore, Jr., President of the Senate, recommending that the bill be introduced, be referred to the appropriate committee for consideration, and be enacted. In October of 1997, Representative Don Young of Alaska introduced the draft bill as H.R. 2743 which was subsequently referred to the Committee on Resource. This bill is still pending before Congress. If enacted, this bill will reduce further fractionation of ownership in Indian allotments.

## Economic Development

The BIA provides financial assistance to American Indian tribes, Native Alaska groups, and individuals for the establishment, acquisition, or expansion of business enterprises on or near American Indian reservations or land held by Alaska Native groups incorporated under the provisions of the Native Claims Settlement Act, as amended. This financial assistance helps tribes, corporations, and individuals to achieve greater economic self-sufficiency in the communities and expand employment opportunities for tribal members and Alaska natives. Financial assistance is made available through the Indian Loan Guaranty Program, Indian Direct Loan Program, Indian Development Grant Program, and management and technical assistance grants, which are authorized by the Indian Financing Act of

1974 (P.L. 93-262), Indian Financing Act Amendments of 1984 (P.L. 98-449), and Indian Financing Act Amendment of 1988 (P.L. 100-442). Although Congress has not appropriated funds for grants and direct loans since fiscal year 1995, the loan guaranty programs remains active.

In fiscal year 1997, the BIA awarded 34 loan guarantees for approximately \$2.6 million to finance Indian business start-ups and expansions, as well as infrastructure development. The BIA's financial assistance leveraged an additional \$17.9 million and created or sustained 295 jobs.

American Indian tribes and Alaska Native Villages received 55 percent of the total capital for farming, clinics, office building, restructuring tribal enterprise loans, and tire recycling loans. Individuals received the remaining 45 percent of total capital for cattle ranching, apartments, restaurants, hotels, service stations, boat charters, and retail shops and services.

## **Implementing the Government Performance and Results Act**

As required by the Government Performance and Results Act, the BIA developed a strategic plan in fiscal year 1997 as a component of the Department of Interior's strategic plan. Based on a number of statutes, court rulings and treaty obligations, the BIA's Strategic Plan defines the Bureau's long-term mission and general goals. Performance goals reflected in the annual performance plan will support these broad goals. The achievement of these annual performance goals will determine the BIA's progress in meeting its mission as set forth in the strategic plan.

## **Customer Service**

The Bureau has made substantial progress in achieving its Customer Service Standards, initially published in September 1994 as part of its Customer Service Plan. Progress is primarily evidenced by the increased number of area-wide consultation meetings and customer service conferences held throughout the year. BIA is using partnerships and reengineering to help meet the customer service standards established in the agency's 1994 Customer Service Plan.

## **Trust Fund Management**

Funds have been held in trust for American Indians by the federal government since 1820. The Office of Indian Affairs (OIA) was made a part of the War Department on March 11, 1824. The OIA operated informally until 1832, when the first Commissioner of Indian Affairs was appointed by Congress. In 1834, during the 23rd Congress, the House of Representatives Committee on Indian Affairs passed legislation to address the management of Indian trust funds. In 1849, the OIA was transferred to the Department of the Interior. The Act of February 12, 1929 authorized the payment of interest on certain funds held in trust by the United States for Indian tribes, and the Act of June 24, 1938 authorized the deposit and investment of Indian monies. In 1947, the Bureau of Indian Affairs was officially established. Since then, the responsibility for the management of Indian trust funds has been determined by a series of treaties, statutes, and court decisions.

## **Treaties, Laws and Agreements**

The responsibility, or trusteeship, for the holding of funds by the United States for the benefit of individual Indians and Indian Tribes was first and most importantly established by treaties. However, it was not until 1820 that the Federal government adopted the policy of holding tribal funds in trust and since 1871, the Congress, acting within the scope of its constitutional powers, controlled and managed Tribal and individual Indian funds through legislation.

There are also agreements involving fund management between the Tribes and the Federal government by which a specific Indian trust fund is established. The holding and management of trust funds has also been a long standing principle of the Federal government.

## **Designated Trustee**

The Secretary of the Interior (the Secretary) is designated as Trustee of funds held by the Federal government for Indian Tribes and individual Indians. The Secretary delegated authority for the management of Indian trust funds to the Assistant Secretary for Indian Affairs. This authority was re-delegated to the BIA and was administered by the BIA's Office of Trust Funds Management.

The Office of the Special Trustee for American Indians (OST) was established, under authority provided by the American Indian Trust Fund Management Reform Act of 1994, to oversee all facets of trust management improvement for the Department. In February 1996, the Office of Trust Funds Management (OTFM) was transferred from the BIA to the OST. The Special Trustee has since redelegated program and administrative authority to the Director, OTFM.

The OTFM manages all trust activities associated with the receipt, accounting, investing, and disbursement of funds for American Indians and Alaska Natives in accordance with public laws, regulations, policies, and procedures. OTFM is working with the Special Trustee to mitigate deficiencies in all processes, and to make the appropriate improvements to the overall administrative activities while providing efficient and timely service to the account holders.

There is a constant value of approximately \$2.9 billion held in over 300,000 Tribal and Individual Indian Monies accounts. There is a cash flow including the daily Overnighter money market in excess of \$75 billion annually. In addition, OTFM provides continuous interface with the Tribal and individual account holder community across the Nation.

Due to numerous General Accounting Office reports, Office of Inspector General audits, Department reports, and Congressional reports, the management of Indian Trust Funds has been and continues to be a highly visible program that will be closely scrutinized during the next few years. The creation of the OST in 1994 was a big step towards improving trust funds management and achieving the major reforms necessary to resolve program deficiencies.

### Trust Fund Accounts

Indian Tribes and individual Indians trust funds are primarily derived from judgment awards from claims and proceeds from surface and subsurface leasing such as agriculture, business, timber, minerals, or oil and gas. The major portion of tribal funds consists of judgment awards while individual Indian funds realize receipts primarily from royalties on natural resource depletion, land use agreements, enterprises having a direct relationship to Trust fund resources, per capita payments, and investment income. The composition of Indian trust funds, in terms of the source of funds, has not



*Bureau of Indian Affairs agency office (photo by Teri Peterson).*

changed significantly since April 1993. With the establishment of the Tribal Economic Recovery Fund, however, the value of the funds and number of the accounts have grown.

### Appropriated Account

In fiscal year 1997, OTFM received direct appropriations for operational services. The fiscal year 1997 funds were used for Executive Direction, Program Operations, Support and Improvements, Past Reconciliation and Improvement Initiatives.

The fiscal year 1997 funding for Executive Direction supports staffing for the Office of Special Trustee, funding for the Special Trustee's Advisory Board, and the Intertribal Monitoring Association (ITMA). The Advisory Board advises the Special Trustee on all matters pertaining to trust funds operations and management. The ITMA is a tribal membership organization with a 12 member Board of Directors that provides the Special Trustee and the Department with tribal views on reconciliation of past trust fund activities, and reform initiatives.

Part of the program operations funding provides for service bureau agreements for administrative support services with the Bureau of Indian Affairs, the United States Geological Survey, the Washington Administrative Service Center, the Bureau of Reclamation, and the General Services Administration.

Another part of program operations funds staffing and operating costs for 62 field offices located throughout the United States. These include 11 Area Offices, 50

Agency Offices and one Division of Field Operations Office.

Improvement Initiatives funding included the ongoing IIM Data Clean-up project and a Requirements Analysis/User Needs Assessment which was completed in April 1997. The assessment began in December 1996 to determine the approximate costs associated with the development of a comprehensive automated records system to support the information needs of OTFM. The assessment included development of a comprehensive master trust beneficiary accounting system with a master trust and custody function, including supplementary systems necessary to handle assets such as real estate, oil and gas rights, timber and other land management assets. The Special Trustee's comprehensive Strategic Plan built on this work.

Other ongoing costs are for improvements to the trust funds management programs such as the Annual Lease Trust System, Centralized Custodial Services, and Annual Financial audits.

### **Government Performance and Results Act**

The American Indian Trust Fund Management Reform Act of 1994 directs the OST 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 towards developing a results-based strategic plan. The Special Trustee submitted his strategic plan to the Secretary of the Interior and the Congress on April 11, 1997. This plan has identified a mission and goals for improvement and operation of a Trust Fund Management system for the American Indians. It is likely that the Administration and Congressional review and final approval of a strategic plan for trust fund management reform could take another year to complete. As a result, while following the intent of GPRA, OST's compliance with some of the time frames of GPRA may be delayed. Once approved, the OST strategic plan will become part of the strategic plan for the Department.

### **Customer Service**

The Office of Trust Funds Management has offices which provide intensified trust funds management services to field offices, Tribes, and individual account owners. They are responsible for assisting in planning recommending policies and procedures, and governing the management of controlled trust fund accounts. Technical advice and assistance are provided to America Indian Tribes in developing financial plans, as well as developing investment strategies for tribal and individual Indian trust funds.

A new toll-free number to improve customer service is currently being implemented. Currently, 1-888-OST-OTFM (678-6836) is installed and is answered by OTFM's Division of Trust Services in Albuquerque, New Mexico. By the end of the third quarter of fiscal year 1998, account holders will be able to dial the 1-888 number, enter the first three digits of their account number and be connected with the agency that services their account. At any point during the process, the customer will have the capability to connect with Albuquerque.

OTFM staff conducted 65 physical Tribal meetings to discuss investment holdings and/or to provide OmniTrust system training. These visits were mostly on-site at Tribal or Agency offices; however, seven meetings were held with Tribal officials at OTFM's Albuquerque office. Twenty-eight of the Tribes participating in these meetings were from the top 100 Tribes (in terms of dollars) for which OTFM provides service. Additionally, meetings were held with BIA staff members at 19 Agency offices during this period. Numerous daily contacts are made by telephone and telefax, as well as written communication of information to tribes and their independent auditors regarding tribal funds held in trust.

# SCIENCE

The U.S. Geological Survey (USGS) is a natural science organization that is recognized worldwide as scientifically credible, objective, and demonstrably relevant to society's needs. The USGS provides the Nation with reliable information to describe and understand the Earth. This information is used to minimize loss of life and property from natural disasters; manage water, biological, energy, and mineral resources; enhance and protect the quality of life; and contribute to wise economic and physical development. USGS conducts research in four major science disciplines -- biology, geology, hydrology and cartography -- through which it develops and applies innovative means to solving problems in resource management.

The USGS has an important and essential role in building and rebuilding the Nation in the 21st century as we did in the 19th and 20th centuries, but the role will be different and it will change with time. We have become the Nation's chief natural science agency for a reason and a purpose -- to provide the kind of science that will serve the citizen and help the Nation adapt to a rapidly changing world; to be the agency that can help this Nation find, protect, develop, and enjoy the natural resources that are essential for building and living in the next century; and to be an agency that can help significantly reduce the risks from natural hazards. The new USGS motto, "science for a changing world," appropriately reflects the importance of looking forward and being sensitive to the changing needs of society.



USGS scientist uses a theodolite to measure the volcano dome at Redoubt Volcano, Alaska (photo by USGS).

## USGS Mission

*"The U.S. Geological Survey provides the Nation with reliable, impartial information to describe and understand the Earth."*

The USGS is well positioned to make major scientific contributions. Land and water resources are increasingly constrained and the use and conservation of these national assets will become increasingly important in the future. Several decades of major research accomplishments related to earthquakes, volcanic eruptions, floods, and other natural hazards place the USGS in an excellent position to make further contributions in reducing the loss of human life and property resulting from these events. The capability to provide information about hazards on a real-time basis is transforming the way Government officials and the public prepare for and respond to natural disasters. The Bureau's extensive mapping, geographic information, and data storage and transfer expertise will allow USGS to play a leadership role in ensuring a solid scientific foundation for future natural resource decision making. The USGS will certainly continue to be called on to use its multidisciplinary expertise to address the many environmental challenges facing the Nation and the world. All of these activities benefit from appropriately balanced fundamental and applied research and other activities.

The following sections summarize 1997 accomplishments as they relate to the USGS's Government and Performance Results Act business activities and performance measures.

## Water-Quality Monitoring

USGS data and new scientific methods resulting from the National Water-Quality Assessment Program (NAWQA) are being used by a number of State agencies to design new and more cost-effective water pro-

tection strategies, or to improve water-quality monitoring and assessment techniques. For example:

- USGS biological and habitat protocols have recently been integrated into Idaho's statewide surface water-quality monitoring network. The prior network design had focused primarily on water chemistry constituents.
- The Texas Natural Resource Conservation Commission is initiating a new Source Water Assessment Program, mandated by the Environmental Protection Agency (EPA), with significant technical support from the USGS. The approach, designed with input from USGS, borrows heavily from the NAWQA program's retrospective approach and relies on USGS pesticide data sets for the State of Texas.
- The Pennsylvania Department of Agriculture has decided to begin using the concepts of the NAWQA program to prioritize groundwater areas for assessments of pesticides. This constitutes a major component of the State's strategy for groundwater protection. As part of this effort, the USGS will provide pesticide analysis and quality assurance support for the Pesticides and Ground Water Strategy. Also, based on USGS findings of bacterial contamination in rural household wells, the State is analyzing additional samples from rural areas to determine the extent of bacterial contamination.

## Avian Botulism in Wetland Ecosystems

Avian botulism, caused by a highly potent toxin produced by bacteria commonly found in wetland soils, kills large numbers of birds annually throughout North America and the world. Tens of thousands of birds can die in a single outbreak, and annual losses in the hundreds of thousands are common. USGS scientists have developed models for the occurrence of this disease based on specific environmental conditions in wetland ecosystems that cause the bacteria which pro-

### 1997 Science and Research Highlights

- *Provided oversight and policy guidance on numerous water resource management issues throughout the Western states such as implementing the Central Valley Project Improvement Act and the State-Federal comprehensive strategy to conserve San Francisco Bay-Sacramento River Delta resources.*
- *Developed eight geospatial data integration applications including the Mississippi River, Yazoo River and Rio Puerco River Basin data sets.*
- *Increased State usage of the National Water Quality Assessment Program to design new and more cost-effective water protection strategies.*
- *Established a flood monitoring network for the Amite River Basin to provide real-time stage and discharge data to emergency response agencies and the public.*
- *Expanded monitoring activities for high-altitude volcanic ash at the Alaska Volcanic Observatory to improve flight safety for commercial and military aircraft in the Alaska and Pacific regions.*

duce the toxin. These models will allow wildlife managers to predict outbreaks and develop wetland management techniques to reduce the risk of avian botulism.

## Flooding in Louisiana

Flooding in Louisiana is a serious and recurring problem. Seven major floods have occurred in the Amite River basin since 1977, primarily the result of backwater flooding along the Amite and Comite Rivers and their tributaries. In cooperation with the Amite River Basin Drainage and Water Conservation District, the USGS has established a flood monitoring network in the Amite River Basin to provide real-time stage and discharge data to emergency response agencies and the general public.

During a flood event, real-time data is available through a USGS World Wide Web page on the Internet and also via a telephone information line provided by a local newspaper and updated frequently by USGS staff. In addition to these resources, the USGS published a "Flood Tracking Chart" for the Amite River Basin, Louisiana (USGS Open-File Report 96-649). Modeled after a hurricane tracking chart common along the Gulf and Atlantic Coast States, the chart includes a map showing the location of gages from which real-time data are available during floods and bar charts showing the relative peaks of historical floods at each station. By providing this geographical and historical



*Ash/steam plume rises from one of the many active Cook Inlet, Alaska volcanos. Photo shows the aviation hazard to an airplane (upper right) in its normal flight path (photo by USGS).*

context, the chart aids users in understanding and responding to a flood.

A local Congressman from Baton Rouge combined the tracking chart with public safety information from a local USGS cooperator and published it in a mail-out to 290,000 Baton Rouge area residents, with appropriate credit to the USGS. He further pointed out that communities in his district could claim public education credit from Federal Emergency Management Agency for his mail-out and help lower their flood insurance rates.

### **Improved Aviation Safety**

With funding from the Federal Aviation Administration (FAA), the USGS expanded its monitoring activities at the Alaska Volcanic Observatory (AVO) in 1997. Volcanic ash erupted high into the atmosphere is very hazardous to modern high-performance aircraft because it erodes compressor blades, melts onto critical engine parts, and causes loss of engine power. Hazardous concentrations of volcanic ash can drift at air-

traffic altitudes for hundreds to thousands of miles downwind following a volcanic eruption. Worldwide, about 80 jet aircraft in the past five years have accidentally entered volcanic-ash clouds and put thousands of passengers at risk. Within U.S.-controlled airspace, the ash-aviation issue is especially important in the North Pacific region where many active and potentially active volcanoes are overflowed daily by commercial and military aircraft in heavily traveled international and domestic air routes. By using data from its monitoring networks, USGS provides eruption reports and prognoses of future activity to the National Weather Service (NWS), the FAA, and the aviation industry. The NWS uses USGS information to help track eruption clouds, while the FAA uses the USGS and NWS information to route air traffic away from dangerous ash clouds. In 1997, USGS monitored seismic unrest at three Alaskan volcanoes and tracked eruptions at an additional three, as well as one in the Kamchatka Peninsula of Russia.

### **Water Resources Data on the Internet**

Historical streamflow data is available on the Internet for all 50 States. Having this information available is a valuable tool for Federal and State agencies when they are designing water resource projects or making water resource decisions.

Real-time streamflow information is available for all States except Hawaii. The real-time streamflow sites are the most popular and useful sites on the USGS water resources Internet pages with an estimated 1.2 million real-time hydrographs being downloaded from January to September 1997. Not only is this information critical to resource managers and emergency management coordinators during times of flooding, but citizens also use the information for making decisions about when and where to repair the dikes and levees on their farms, when to move their property to higher ground, and when to evacuate.

USGS water resources web sites are building a loyal clientele. For example, 18,000 users of USGS water resources web sites, 16 percent of the total, come back more than once per month. Almost 96 percent of users are from outside the USGS; the majority -- 78 percent -- are from commercial sites; about 12 percent are from educational domains; 6 percent are foreign; and 4 percent are from government sites other than the USGS.

“Webmaster Magazine” named the USGS as one of its “50/50” awardees, signifying the agency as one of the 50 Internet sites contributing most to its organization’s business purpose. The USGS was chosen by a panel of judges from over 700 entrants, including many major corporations and government sites.

## Abandoned Mine Lands

In 1997, the USGS successfully implemented the Abandoned Mine Lands (AML) Initiative. The goal of this five-year initiative is to develop a watershed approach to gathering the scientific information needed by Federal land management agencies to effectively and cost-efficiently remediate contamination associated with abandoned mine lands. A significant early accomplishment of the AML Initiative is the completion of four tracer injection studies in mountain streams affected by acid mine drainage. A tracer injection study identifies and prioritizes the many individual sources of metals and acid in a mountain watershed, thus enabling targeting of resources on contaminant sources that will have the greatest improvement in watershed quality. The tests were conducted in the Initiative’s pilot watersheds -- the Upper Animas River, Colorado, and the Bolder River, Montana. As a result of their success, two additional tests were requested by the U.S. Environmental Protection Agency to support their decisions related to remediation at Fisher Creek, Montana (New World Mine), and Wightman Fork, Colorado (Summitville Mine).

## Louisiana Wetlands Restoration

Results from the USGS barrier island and wetland studies in Louisiana are being widely used by the Federal-State Coastal Wetlands Restoration Task Force as part of a \$200 million effort to conserve and restore coastal wetlands in Louisiana. This is a long-term activity and much of the baseline scientific information and guidance is provided by the USGS. A follow-on study in Louisiana addresses loss of biologically important wetlands and pollution in Lake Pontchartrain; these issues concern Federal agencies, State and city governments, and the public. Results of these USGS studies are providing information in the form of workshops, computer data bases, and detailed maps of the sea floor and shoreline used to restore the estuary and manage the urban coastal region.



*Great Plains Desertification - sand dunes in the Great Plains (photo by USGS).*

## Great Plains Desertification

Windblown sand deposits with sparse vegetation surround primary croplands in the central United States. These deposits are vulnerable to extensive movement during periods of prolonged drought. USGS research is designed to find out when these sands were active in the past and to anticipate the conditions under which they could reactivate in the future, encroaching on lands that are now in productive agriculture. USGS research on desertification in the Great Plains has attracted the attention of the “New York Times,” ABC News, the Public Broadcasting System, and the Smithsonian Institution for news articles and stories, thereby informing a larger audience of the potential impacts of climate change.

## Evaluation of Water Management in South Florida

USGS scientists in South Florida developed the Across Tropic Level System Simulation (ATLSS). This simulation is linked to a series of ecological models that integrate landscape and hydrological factors and predict the effects of changes in important groups of organisms, such as wading birds and endangered species. ATLSS was used for the first time to aid in evaluation of water-management alternatives for the South Florida Ecosystem Restoration.

## Mineral Deposits in Alaska, Canada, and Russian Far East

In an unprecedented cooperative effort with Alaskan, Canadian, and Russian organizations, the USGS has





USGS, Russian, and Alaskan State field party at Democrat lode gold mine, East-Central Alaska. From left to right Warren Nokleberg (USGS, Menlo Park), Ilya Rozenblum (Roskomnedra, Magadan), Stanislav Byalobzhesky and Roman Eremin (Russian Academy of Sciences, Magadan) and Thomas Bundtzen (Alaska Division of Geological and Geological Surveys, Fairbanks) (photo by USGS).

just completed a series of maps providing locations and narrative summaries of geologic features and settings for mineral deposits in mainland Alaska, Canada and the Russian Far East. These maps correlate the occurrence of known deposits and mineralized belts across the northern Pacific and provide information critical to the exploration for new deposits. The first of these maps has been published by the USGS (Open-File Report 96-727) in collaboration with the Geological Survey of Canada; joint publication of other maps is expected. This unique data set promotes trade, joint exploration ventures, and international scientific cooperation.

## Postings and Closures

The National Park Service (NPS) used data collected by a USGS study in Nevada to support their rationale for posting notices that the Las Vegas Wash inlet to Lake Mead was affected by urban runoff and treated sewage effluent. USGS scientists cooperated with several agencies, including NPS and the EPA, to investigate the occurrence of human-made organic chemicals in Las Vegas Wash and Lake Mead and to evaluate glandular irregularities in common carp. Results of the study indicated that these constituents were present, resulting in the posting of the Las Vegas Wash inlet. Study results also led the NPS and Nevada Division of Wildlife to sample edible tissues of striped bass and catfish for exceeding pesticide consumption guidelines. Finally, all these results led to the formation of the Lake Mead Water Quality Forum by the Nevada Division of Environmental Protection. This forum of local, State,

and Federal agencies was formed to enhance communication and cooperation on Lake Mead water-quality issues.

## Mercury and Fishing in Alaska

USGS studies of mercury in southwestern Alaska showed that mercury levels in the environment do not pose a significant risk to fish, which supply both food and income to residents. USGS investigations, in this historical mercury mining district that covers thousands of square kilometers, demonstrated that mercury concentrations in stream sediment, stream water, plant, soil, and fish samples collected near the old mines are elevated over local backgrounds. However, mercury concentrations in stream water, freshwater fish, and salmon are below regulatory guidelines, and mercury concentrations in fish are still below the Food and Drug Administration (FDA) standards. These conclusions are the result of cooperative studies with the U.S. Fish and Wildlife Service and the Calista Corporation (an Alaska Native Corporation).

## Wetlands Restoration

USGS scientists are coordinating a multiagency evaluation of restored wetlands in the U.S. portion of the prairie pothole region. This region includes portions of Montana, North Dakota, South Dakota, Minnesota, and Iowa. In 1997, the USGS completed an extensive survey of 204 restored and reference wetlands to assess the ecological outcome of wetlands restoration. Data will be made available to agencies conducting studies on a subset of these wetlands and will allow them to extrapolate their results to the prairie pothole region. Studies at the Delta National Wildlife Refuge, located at the mouth of the Mississippi River, have demonstrated that vegetated wetlands that have degraded to shallow open-water habitats can be restored to vegetated marsh by use of artificial, uncontrolled, sediment diversions. Sediment deposition through artificial crevasses constructed along tributaries of the Bird's Foot delta have been successful at restoring elevations to the height needed to sustain vegetated marsh.

## Cooperative Fish and Wildlife Research Units

In 1997, USGS continued its partnership with States and universities to operate 40 Cooperative Fish and

Wildlife Research Units in 38 States. These units performed research on over 1,200 topics, addressing a diversity of issues in response to management information needs expressed by State and university cooperators and collaboratively conducted with funding from Department of Interior agencies as well as the U.S. Department of Agriculture, EPA, Department of Defense, NOAA, and other Federal and State agencies. Research products delivered to management agencies included detailed scientific reports that are being used to establish management policy and actions for resource management on issues related to biodiversity, environmental toxicology, animal population assessment and management, habitat management and restoration ecology, fishery resource management, and numerous others as identified by Unit cooperators. Results from these studies were made available to the scientific and management community at large via more than 600 published papers, books, and presentations made before scientific conferences. As university faculty members at host universities, USGS scientists participated in the training of graduate students in several fields of natural resource science and management.

## Implementing the Government Performance and Results Act

During 1997, the USGS completed its first five-year strategic plan in support of the Government Performance and Results Act (GPRA). The plan describes the present and future scientific and technical efforts of the USGS as business activities. The business activities convey the breadth, integration, and flexibility in the description of programs in which the USGS must excel over the next decade. The eight USGS business activities and goals are:

### Water Availability and Quality

**Goal:** Manage the Nation's water resources wisely for present and future generations.

The USGS provides reliable, impartial, timely data on and an understanding of the quantity and quality of the Nation's water resources. This enables decision makers to plan, operate, and regulate the water resources infrastructure of the Nation and to undertake cost-effective programs to preserve and enhance water quality.

### Natural Hazards

**Goal:** Reduce the loss of life and property from natural hazards.

The USGS roles are to advance our understanding of the fundamental processes that control or trigger hazardous events or situations; lead in developing real-time monitoring and warning systems; and enhance the use of hazards assessments by decisionmakers, in order to improve disaster response and mitigation planning.

### Geographic and Cartographic Information

**Goal:** Provide maps and map data for the Nation.

The USGS role is to acquire, produce, manage, and disseminate geospatial data; cultivate partnerships with other governmental organizations, academia, and the private sector for geospatial-data activities; provide leadership in establishing national geospatial data policies and standards; and conduct a geographic research and development program focused on interpretation and application of geospatial data.

### Contaminated Environments

**Goal:** Reduce both environmental contamination and the cost of cleaning up existing contamination.

The USGS role is to identify and define the occurrence and effects of contamination, broaden our basic understanding of contaminant hazards, and provide pertinent information to those concerned with mitigation and prevention.

### Land and Water Use

**Goal:** Improve the land and water use decisions made by the public and private sector.

The USGS role is to provide integrated earth science information about land and water use in support of management and other policy decisions, develop analytical tools for improved decision-making, and enhance the understanding of how natural processes at the Earth's surface are affected by changes in climate or land and water use.

## Nonrenewable Resources

**Goal:** Enhance economic development and growth.

The USGS role is to determine the location, quantity, and quality of nonrenewable resources both domestically and internationally; determine the environmental effects of resource extraction and use; and improve assessments of resource potential, making possible the formulation of the best strategies for development of future resource supplies.

## Biological Resources

**Goal:** Conserve and manage the Nation's biological resources for present and future generations.

The USGS role is to provide reliable, impartial and timely data on the status and trends of the Nation's biological resources, to provide an understanding of biological systems, and to assess natural and human induced changes to those systems.

## Environmental Effects on Human Health

**Goal:** Reduce risks to human health from hazardous chemicals and disease-causing organisms.

The USGS role is to provide information on the occurrence of environmental toxins and pathogens and the factors affecting fate and transport of these agents from their sources to humans.

## Customer Service

The USGS is committed to improving customer service as a key component of "good government," and considers customer satisfaction to be a reflection of our effectiveness as an organization. This concept is so important to the USGS that the need to strengthen customer relationships and partnerships was included as a goal in its strategic plan. In 1997, USGS chartered a Customer Service Team to develop ways to obtain customer satisfaction feedback from its customers, to identify success stories and opportunities for improvement, and to integrate customer feedback into its programs. The Team's efforts during the year have yielded a USGS Customer Service Policy and a refined set of customer service goals that more accu-

### Geospatial Data Integration

*Eight innovative geospatial data integration applications were developed in fiscal year 1997 to synthesize thematic spatial data from various scientific and cultural fields to promote creative solutions to resource and development issues. Detailed below are three of these applications.*

*Mississippi River Basin data set. This data set models the role of land use, erosion, sedimentation, and soil development on carbon storage and nutrient cycles. The aim of the application is to better understand and balance the carbon cycles.*

*Yazoo River Basin data set. The Yazoo River Basin is located in the northwestern portion of the State of Mississippi. Data on soil, land cover, and climate are used as input to models of soil erosion, sedimentation, and carbon storage and flux. The project includes application methods for compiling, integrating, and analyzing spatial data.*

*Rio Puerco River Basin project. This project is located west of Albuquerque, New Mexico. It is a global change research study to develop information and gain knowledge about the interaction of climate and land use change on the environmental, economic, and social systems of the region.*

rately reflect the importance USGS places on serving its customers with excellence.

**Goal :** To gratify our customers by delivering science and technology that satisfies their requirements and adds value to their work products.

During 1997, USGS collected qualitative and quantitative data to evaluate its progress in meeting this goal. Highlights for the year include:

- The Biological Resources Division (formerly National Biological Service) of the USGS asked 759 of its customers (wildlife managers, State agencies, non-government organizations) how satisfied they were with biological products and services of the USGS. Of the 281 respondents to the survey, more than 90 percent indicated they were satisfied or very satisfied with these products and services. Many indicated that they used USGS information to make important management decisions. The USGS is using these comments to make improvements to its products and customer relations.

- The Information Services Branch in Denver, Colorado, which fills orders for USGS publications and maps, continues to improve. Response cards are mailed with every order shipped (about 300 per day), and about 5 percent of these cards are returned with customer comments. Based on these comments, the Branch identified several areas needing improvement and changed some of its business practices as a result. For example, telephone calls are now answered within 25 seconds; customers can now order maps over the Internet using a credit card; an inventory management project has helped assure that USGS maps do not go out-of-stock so customers do not need to wait for reprints; and, quality control of customer orders has also improved. Before June 1997, the Branch had a fairly high error rate in orders. By implementing a product retrieval contract with 100 percent quality/accuracy requirements, a significant reduction in the number of resent orders has been achieved.
- The USGS Minerals Information Team reaches out to its customers by offering mineral commodity production, consumption, and trends data through a Web page that gets over 12,000 hits per month. It also makes this information available to customers through a FaxBack system that averages 1000 requests per month and a mailing list with over 20,000 subscribers. In addition, the Team receives about 2,000 telephone calls per month, giving team members an ideal opportunity to talk to customers directly to identify problems or customer needs. Customer ideas have led to changes in the way business is conducted. For example, in response to feedback from one customer, the Portland Cement Association, the USGS revised both a monthly and annual minerals statistics survey form. These revisions significantly improved the quality of minerals

### Note of Appreciation

*The following is some feedback received by the USGS from a customer who uses the Water Resources Web information on a regular basis:*

*"Just a note of great appreciation for your site. Your site has been the best source of river information we have ever been able to obtain to make rescue and evacuation decisions. We are currently using the...river data to plan the search for two (missing persons)...Your work and site is much appreciated and invaluable to us. Thanks from the citizens of (our) county."*

production data collected by USGS, and enabled USGS to provide customers with the type of information they need.

- The Water Resources program of the USGS provides its customers with hydrologic information through its Web pages in a variety of forms, including real-time flood data. These Web pages have links to customer feedback mechanisms so that USGS hydrologists can stay in touch with their customers and ensure customer needs are being met. USGS responds to customer feedback within two business days. Analysis of feedback shows that USGS Water Resources Web information is used for education and to make personal, business, emergency and policy decisions. Feedback is used to make modifications to improve service.
- A 1997 survey of over 1,600 topographic map users and buyers has helped USGS understand how maps are being used and levels of customer satisfaction. Respondent data are being considered as a basis for improving maps and for identifying new types of products, such as digital maps.

# INSULAR AFFAIRS

The Office of Insular Affairs (OIA) carries out the responsibilities of the Secretary related to the U.S. Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands (CNMI), the Republic of Palau, the Republic of the Marshall Islands, and the Federated States of Micronesia. The mission of the Office of Insular Affairs is to assist the islands in developing more efficient and effective government by providing financial and technical assistance; and to serve as a focal point for the management of Federal-island relations by developing and promoting appropriate Federal policies.

The Office of Insular Affairs provides both financial and technical assistance to the insular areas on many complex and politically sensitive issues covering all aspects of governmental operations. Grants are provided for small technical assistance projects as well as major construction projects, and require continuous management and monitoring. Examples of these grants include: grants for construction of hospitals, sewer systems, water systems, power systems, roads, ports, airports, and school systems; grants for anti-drug activities and crime control; grants to enhance health care and public safety; grants to improve education; and grants to assist the governments in becoming self-sufficient.

## Relationship with the Insular Areas

### The Northern Mariana Islands

The Northern Mariana Islands has negotiated a Commonwealth status which provides for the organization of local government and defines its relationship with the United States Government. This negotiated agreement was enacted in law (Public Law 94-241) and is commonly referred to as the Covenant. Under its terms, the Northern Mariana Islands has received guaranteed financial assistance since 1978. This assistance is still the primary means for financing capital infrastructure. The Commonwealth also actively participates in all OIA technical assistance programs.



*South Pacific Island landscape (photo by Office of Insular Affairs).*

### Guam

Guam's relationship with the Federal government is defined in an organic act (48 U.S.C. 1421 et. seq.). Guam receives a coverover, or transfer payment, of certain Federal income taxes, but generally has achieved significant self-sufficiency. Guam also receives annual mandatory funding of \$4.58 million to assist in mitigation of the impact of the Compact of Free Association on social and education programs. Guam actively participates in all OIA technical assistance activities to achieve economic and social goals.

### U.S. Virgin Islands

The U.S. Virgin Islands also has an organic act (48 U.S.C. 1391 et. seq.) to define its relationship with the Federal government. Similar to Guam, the Virgin Islands receives a transfer payment of certain Federal excise taxes, but generally has achieved a high level of self-sufficiency. The Virgin Islands actively participates in all OIA technical assistance activities.

### American Samoa

Federal law vested all civil, judicial, and military powers over American Samoa in the President, most of which have been delegated to the Secretary of the Interior by Executive Order. Various Federal laws over the years have given American Samoa a degree of self-government comparable to the other territories.

American Samoa is highly dependent on grants from OIA to meet basic operational needs and to finance capital improvements. American Samoa is also an active participant in all technical assistance activities.

### **Freely Associated States**

The Federated States of Micronesia, the Republic of the Marshall Islands and the Republic of Palau, now sovereign nations, were formerly part of a United Nations trusteeship administered by the Department of the Interior. The United States has entered into Compacts of Free Association with each of these entities. Under these compacts, the United States provides guaranteed financial assistance over a 15-year period in exchange for certain defense rights. The U.S. also treats these nations uniquely by giving them access to many U.S. domestic programs. The freely associated states are all highly dependent on U.S. financial assistance to meet both government operational and capital needs. The OIA administers this financial assistance. The freely associated states also actively participate in all OIA technical assistance activities.

## **Implementing the Government Performance and Results Act**

During 1997, the Office of Insular Affairs developed its first Strategic Plan in support of the Government Performance and Results Act. The plan organizes OIA's functions and activities around four general goals: (1) improve infrastructure; (2) improve governmental systems and services; (3) improve governmental relations; and (4) manage special problems. Strategic goals and related performance measures have been defined for each of four the general goals.

### **Improving Infrastructure**

OIA's general strategy for improving infrastructure in the insular areas is threefold. First, OIA provides significant financial assistance to help the governments construct new infrastructure and improve maintenance of existing facilities. The fiscal year 1997 budget included new authority of \$156.3 million for this purpose. Second, OIA provides technical assistance to help the insular governments institutionalize operations and maintenance improvements. Third, OIA is working with the insular governments to help them develop capital improvement plans that are based on objective criteria and are capable of being financed.



*Container dock in the American Samoa (photo by Office of Insular Affairs).*

### **Improving Governmental Systems and Services**

OIA's strategy for improving governmental systems and services is to provide both technical and direct financial assistance. In its 1997 budget, OIA dedicated \$8.5 million to technical assistance and \$111.1 million was dedicated to direct financial support of insular government operations.

### **Improving Government Relations**

The insular governments are thousands of miles from the mainland and do not have voting representation in Congress. Insular officials look to OIA to help resolve Federal issues and problems and to help enunciate or advocate their position in Washington. The Congress and the Administration look to OIA as a repository of knowledge on insular issues and a major source of information for identifying problems and recommending solutions. Improving communications and helping to solve problems are the basic strategies for achieving better relations. Approximately \$1.7 million of OIA's administrative budget is dedicated to performing functions designed to improve the Federal/insular relationship.

### **Managing Special Problems**

The insular governments are particularly susceptible to special problems that often do not occur in the states or mainland communities. For example, they are particularly vulnerable to hurricanes, typhoons and other natural disasters. Recovery from these disasters is also more difficult because they do not have large or



Native dancers (photo by Office of Insular Affairs).

diverse economies. Insular tourism-based economies can take years to recover from a major storm. Likewise, the territories have fragile ecologies that are easily impacted by external forces. OIA is currently helping manage two major problems in the insular areas. One is the brown tree snake, a non-indigenous invasive species that threatens the entire ecology of Guam, where a major population is already established and also threatens other Pacific islands. A second problem is caused by a huge alien population brought into the Northern Mariana Islands by businesses, particularly a rapidly expanding garment industry. In 1997, OIA dedicated \$3.9 million of its budget to these special problems.

### **Improving Financial Management in the Virgin Islands**

Following a major 1996 disaster in the Virgin Islands caused by Hurricane Marilyn, the Office of Insular Affairs and the Virgin Islands government examined the local government's ability to administer large amounts of Federal aid and deal with financial impacts associated with both short-term and long-term recovery efforts. A corrective action plan was developed, with its implementation funded by OIA. The goal of

the project is to improve the financial management and accounting operations of the territory and to implement rigorous internal controls throughout all segments of the Virgin Islands government. Activities are targeted at improvements in technology, structure, business processes and human resources. The entire project is expected to be completed by June 1998. Major accomplishments implemented in 1997 include: (1) a wide area network was installed to link every department and agency to the central financial management system; (2) business processes were streamlined in every organization with financial management responsibilities; (3) training in the new technology and procedures was provided to all affected staff; (4) personal computer cash drawers were installed for the accurate collection and immediate recording of revenues; (5) an automated requisitioning system was installed; and (6) a comprehensive human resources development plan was put in place to ensure that the new systems are self-sustaining. At this point, the project is a shining success and has captured the attention of the entire government as well as local media and educators, who are using it to inspire Virgin Islands' youth to pursue careers in technology and financial management.

### **Program Performance**

**State of the Islands** -- From 1992 through 1997, the Office of Insular Affairs and its predecessor, the Office of Territorial and International Affairs, has published and distributed an annual "*Report on the State of the Islands.*" This report contains statistical data and explanatory narrative on economic, financial and social conditions in the insular areas. It is a major tool in assessing OIA's progress in accomplishing its mission and goals.

# DEPARTMENTAL MANAGEMENT

Departmental Management provides the executive-level leadership, policy, guidance, and coordination needed to manage the diverse, complex, and nationally significant programs entrusted to the Department.

The Secretary of the Interior is responsible for ensuring that the diverse programs and priorities of the Department are conducted effectively and efficiently in accordance with Presidential and Congressional direction. Accordingly, the Secretary of the Interior provides executive-level leadership from the Secretary's Immediate Office. The Secretary coordinates among Interior's nine bureaus and operating entities, and manages significant Departmental initiatives through programmatic Assistant Secretaries. Policy guidance is issued by Assistant Secretary for Policy, Management and Budget, while cost-effective services are provided through the Interior Service Center, the Office of the Solicitor, and the Office of Inspector General.

Five Assistant Secretaries advise and assist the Secretary on policy matters in carrying out his statutory, policy, and management responsibilities. Assistant Secretaries have been designated for Land and Minerals Management; Water and Science; Fish and Wildlife and Parks; Indian Affairs; and Policy, Management, and Budget.

During 1997, the following collaborative projects received special emphasis:

## National Park Transportation Systems

On Earth Day 1996, President Clinton asked the Secretary of the Interior and the Secretary of Transportation to develop a plan to enhance resource protection and the quality of the visitor experience in national parks through innovative transportation planning. A Memorandum of Understanding signed November 25, 1997 by the Interior and Transportation Secretaries charts a new course to address transportation needs in and around national parks.

The President's memorandum also ordered the National Park Service to develop pilot programs at

Yosemite, Zion, and Grand Canyon National Parks to offer innovative solutions to these parks' transportation challenges. These three parks have developed those plans and are now well on their way to implementing the following actions in the next few years:

- Zion National Park will provide shuttle bus service from nearby hotels and campgrounds to the visitor center, and will then provide a clean-fuel shuttle bus with many drop-off points along the narrow canyon's only paved road.
- Yosemite National Park recently released its draft plan that proposes integrating an in-valley clean-fuel shuttle system with a regional transportation system established by the gateway communities. The east end of Yosemite Valley will be significantly restored to its natural condition, removing unnecessary roadways and buildings and reducing traffic congestion.
- Grand Canyon National Park's transportation plan redesigns the South Rim to permit a combination of light-rail train and alternative fuel buses to ride from Tusayan into the park's Mather Point Transit Center and to other trailheads, viewing areas, and facilities. Light rail will serve both the transportation hub at Mather Point and the former railway depot at Maswik from the Tusayan Gateway parking area. Alternative-fueled buses will provide transportation to other points of interest in the areas that have been most congested from automobile traffic.

## Yosemite Flood Recovery and Draft Valley Implementation Plan

In January 1997, warm rainfall on a deep snowpack caused the highest levels of flooding ever recorded in the Yosemite Valley. The floods led to major damage to the park's infrastructure, including washed-out roads, flooded campsites and lodging units, destroyed utilities, and severe damage to Yosemite Lodge. Flood recovery efforts have been expedited but have proceeded in accordance with plans for other improvements and environmental restoration projects in the Yosemite Valley.



Improvements to the Valley through the flood recovery program include:

- the removal of 252 lodging and cabin units from the floodplain to restore the area to natural habitat; and
- the removal of employee housing in the Yosemite Lodge area from the floodplain to restore the area for visitor enjoyment and wildlife habitat.

On November 5, 1996, the draft Valley Implementation Plan (VIP) for Yosemite National Park was unveiled. The VIP's proposed action would reduce traffic and congestion to manageable levels; return some developed land to its natural condition; and remove some bridges, roads, buildings, and parking lots to reduce the human "footprint" on the Valley.

## Everglades Restoration

Over the last century, changes in land and water use in South Florida have resulted in threats to the health of the Everglades, including loss of water, loss of species diversity, and increased contamination. In February 1996, Vice President Gore announced the Administration's \$1.5 billion Everglades Restoration Plan, a combination of land purchases, improved water delivery systems and better farming and development practices -- all based on sound science -- to restore the natural species and systems of the Everglades. Secretary Babbitt chairs the Federal-State-Local-Tribal task force that coordinates ecosystem restoration efforts in South Florida. A master plan for re-plumbing South Florida's 1,800-mile system of canals and levees is underway and construction has already begun to improve water delivery to the Everglades. In 1997, the Administration announced the acquisition of well over



Florida Everglades (photo by Department of the Interior).

a 100,000 acres for restoration purposes, including the purchase of a 50,000-acre sugar plantation and 31,000 acres of prime Florida panther habitat that was once slated to become a residential subdivision. Additionally, the Department of the Interior (1) began serious negotiation to acquire critical lands in the Everglades Agricultural Area for water storage and water quality purposes (2) received enhanced funding for science and restoration projects consistent with the Administration Plan and (3) participated in multi-agency decisions involving environmental concerns related to the transfer of the Homestead Air Reserve Base.

## Protection of Fish and Wildlife

The Department worked with the Congress and constituent groups to enact the National Wildlife Refuge System Improvement Act of 1997, which defines the mission of the National Wildlife Refuge System as the conservation, management, and restoration of fish, wildlife, and plant resources; and defines compatible wildlife-dependent recreations as a legitimate and appropriate general public use. The Secretary also took a leading role in efforts to reauthorize the Endangered Species Act in a way that would maintain the essential strengths of the current law while taking steps to make it work better for species conservation, State governments, and affected landowners.

## Year 2000 Computer Initiative

During 1997, the Department finalized its management plan to address and resolve the Year 2000 computer date change problem. The plan established the Department's Year 2000 Executive Committee to oversee progress in correcting the Year 2000 computer problem, and instituted a quarterly reporting system to monitor progress on all aspects of the Year 2000 initiative.

## Entrepreneurial Activities

Today, the demand and interest in cross-servicing is increasing in conjunction with streamlining, reinvention, and other National Performance Review (NPR) initiatives. The Department has been a leader in providing cross-servicing and franchising services to a variety of government clients. These activities and services are provided by three service centers: the Denver Administrative Service Center (DASC); the Washington Ad-

ministrative Service Center (WASC); and the Interior Service Center (ISC). Additionally, the Office of Aircraft Services provides aviation services and facilities to Interior bureaus and offices in support of the Department's mission.

These service centers and the Office of Aircraft Services maintain a unique competitive position and exercise leadership in providing cost-effective services to Interior and non-Interior clients. Service centers have become proven alternatives for agencies that wish to reduce costs associated with administrative systems and support services, achieve economies of scale, and realize operating efficiencies. Service centers provide a variety of services on a reimbursable basis under the Economy Act of 1932. Their mission is to provide cost-effective, high quality administrative systems and support services that are responsive to customer needs.

Today, Interior service centers and the Office of Aircraft Services provide administrative systems and support services to over 80 governmental entities in the following areas:

- personnel, payroll, procurement, and financial management systems and operations;
- support services, such as general purpose mainframe computer timesharing, computer-based training products, and electronic commerce; and
- aircraft services in business systems, aircraft acquisitions, technical assistance, and aviation safety.

To assist in managing these organizations and coordinating the efforts of the Service Centers, the Department has established an Administrative Service Advisory Board to provide executive leadership and guidance to Interior service providers.

## Franchise Fund Pilot Program

Interior has been selected to establish a Franchise Pilot Program under the provisions of the Government Management Reform Act of 1994 (GMRA). The GMRA authorized agencies to create franchise funds to reduce the cost of government by creating an atmosphere of competition and entrepreneurship in Federal agencies that provide products and services to other Federal agencies.



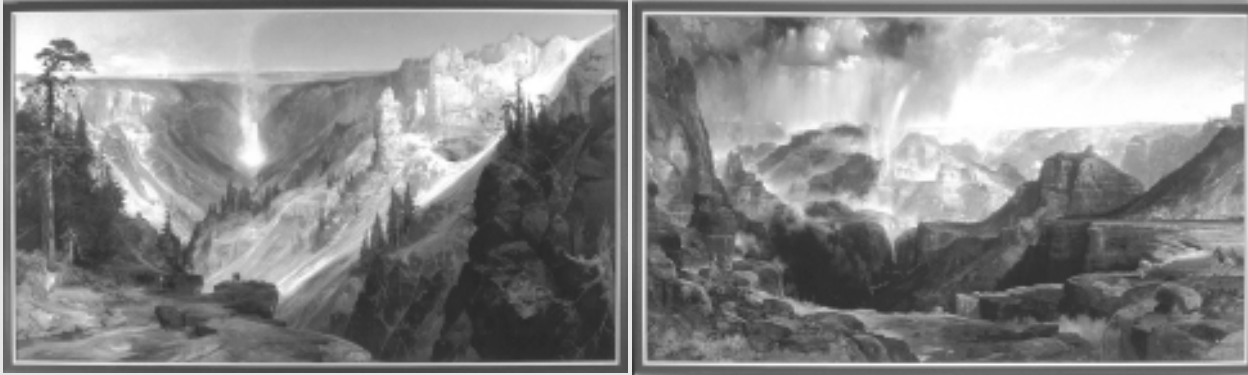
*Interior museum object shows photos of the Chief Clerks, General Land Office (photo by Department of the Interior).*

A major difference between franchise funds and existing working capital funds is that under this legislative framework, franchise funds may charge fees necessary to establish a reserve of up to 4 percent above costs, in addition to covering operating costs and building a reasonable operating reserve. This additional reserve may be used for improvement and implementation of financial management systems, automated data processing systems, and other support systems. During 1997, the Department of the Interior established a Franchise Fund to take advantage of these provisions.

## Products and Services

The Department's Franchise Fund provides a cross-section of administrative products and services to other Federal agencies, including:

- Administrative Systems and related support services, such as financial, procurement, property, and personnel systems;
- Administrative Operations, including financial, procurement, facilities, personnel, transportation and travel operations;
- Mainframe Computer Timesharing;
- Training and Development;
- Telecommunications/World Wide Web;



### Interior Museum Paintings Featured in National Gallery Exhibit

*Two giant paintings owned by the Department of the Interior Museum were featured in a national tour of the first retrospective exhibit of the works of the great 19th century American landscape painter Thomas Moran. These paintings are among the gems in the Department's extensive collections of nearly 70 million items of museum property, including more than 20,000 works of art.*

*The exhibit was organized by the National Gallery of Art and was underwritten by the Boeing Company. Moran's first great painting, Grand Canyon of the Yellowstone, completed in 1872, measures 12 by 7 feet and is one of the largest American paintings of the 19th century. It is credited with persuading Congress to set aside Yellowstone as America's first national park. The second Interior painting, Chasm of the Colorado, is of similar size and was completed in 1873-74.*

*This view of the Grand Canyon has been described as one of the most breathtaking works in all of American art. Both paintings (shown above) were purchased by Congress and installed in the Capitol in Statuary Hall. They were later transferred to the Department of the Interior, where they hung in conference rooms.*

*Interior lent the two Moran paintings to the National Museum of American Art when it opened in the 1960s. Interior approved lending the paintings to the National Gallery for the exhibit, which started its tour in Washington before moving to Tulsa and Seattle for 1998.*

*Following the national tour, Interior's Moran paintings will once again be on extended loan to the National Museum of American Art in Washington, D.C.*

- Electronic Commerce; and
- Consulting Services.

### Operating Model

To keep operating costs at a minimum, the Department decided to operate the Franchise Fund within existing management structures to the extent possible rather than to create and staff a separate organization. Consequently, the Franchise Fund subcontracts with bureaus and offices within the Department to provide the products and services requested by customers. During fiscal year 1997, three entities -- the Washington Administrative Service Center, the Interior Service Center, and the Minerals Management Service -- agreed to perform services under the Franchise Fund umbrella.

In addition, the administrative functions necessary to operate the Franchise Fund, including management, budgeting, accounting, and procurement of goods and services, are obtained through reimbursable agreements with the Department's Office of Financial Management and the WASC. During the year, a Director (under contract from the WASC) was designated to manage day-to-day Franchise Fund activities, and a Franchise Fund Operating Committee, composed of representatives of service providers was established to oversee operations.

The Department established an Administrative Service Advisory Board (ASAB) in fiscal year 1997 to provide executive management, leadership, and guidance to Interior bureaus and offices who provide services through the Franchise Fund or existing working capital fund arrangements. The ASAB also provides departmental

strategic planning and direction for administrative services.

## Customers

The customers of the Franchise Fund represent a diverse cross-section of Federal entities, including one Legislative branch agency, four Executive branch cabinet-level agencies and four other Executive Branch commissions and agencies. The customer base is expected to expand during fiscal year 1998, when the Franchise Fund will begin to provide services to approximately 140 Federal agencies through the Denver Area Cooperative Administrative Support Unit (CASU).

## Management Control Programs

The Office of Acquisition and Property Management developed and piloted two automated, Internet-based performance assessment systems to replace the traditional costly, labor-intensive on-site procurement and property management control reviews. "Quality in Contracting" was piloted in all bureaus to identify problems, trends, and best practices Departmentwide in 1997. The newly-developed Property Performance Measurement Assessment Survey was first test-piloted in the Bureau of Land Management in 1997, and a Departmentwide pilot will be completed in 1998.

## Property Management Partnership

Interior has embarked on a property system strategy aimed at standardizing and streamlining the automation of the Department's personal, real and museum property management functions. The Property Management Partnership, comprised of property management officials from the bureaus and the Department, will lead the effort to increase productivity and avoid the costly development or modification of duplicative, independent, stand-alone systems. The Property Management Partnership will evaluate options and ensure that such efforts are Department-wide or multi-bureau in scope and coordinated with Interior's finance, procurement and information technology communities.

## Energy Conservation Program

As of 1997, the Department reported being 15 percent more efficient in facilities' energy use as compared to



*Fish and Wildlife Service zero-emission 38-passenger electric tram transporting visitors around the environmentally sensitive Patuxent National Wildlife Refuge, Maryland (photo by Department of the Interior).*

energy used in 1985. We are on target to reach our goal of reducing energy consumption by 25 percent by 2002, ahead of the Administration's target. The Department implemented five Energy Savings Performance Contracts that provide for capital improvements to facilities and are paid for through energy savings. Nine showcase facilities have been designated throughout the country that highlight energy conservation in facilities with high public visitation. The Fish and Wildlife Service's National Conservation Training Center is the most recent showcase to be opened.

## Greening of Interior's Motor Vehicle Fleet

At the end of 1997, Interior had nearly 300 alternative fueled vehicles (AFV) nationwide that are powered by natural gas, electricity, propane, ethanol, methanol, or bio-diesel. In support of the Energy Policy Act of 1992 and Executive Order 13031 (Federal AFV Leadership), Interior continues to increase its use and promotion of cleaner burning alternative fuels by creating public/private partnerships to share vehicle, fueling, and infrastructure costs of AFVs. These partnerships provide "hands-on" support for Interior's AFVs with special emphasis on:

- establishing clean transportation zones to demonstrate alternative fuel technologies;
- supporting the Department of Energy's Clean Cities initiatives;

- acquiring cleaner-burning alternative fueled transit vehicles and heavy duty vehicles; and
- promoting, through visitor education programs and public awareness, the use of AFV's as an important component in creating sustainable communities.

## Purchase Card Program

The streamlining of Interior's procurement and payment processes includes actively promoting use of the government purchase card for purchases under \$2,500 and as a payment mechanism for purchases up to \$100,000. Over 19,000 cardholders (approximately 1 of every 3 employees) were authorized in fiscal year 1997. These cardholders made over 700,000 purchases valued at approximately \$211 million in fiscal year 1997 alone. This tool has allowed Interior's procurement workforce, which has been reduced by 24 percent since 1993, to concentrate on the remaining, more difficult and complex acquisitions.

## Implementing the Government Performance and Results Act

The Government Performance and Results Act (GPRA) calls for effective planning, budgeting, program evaluation, and fiscal accountability for Federal agencies. The Department has an aggressive plan in place to ensure that the requirements of GPRA will be fully implemented in 1999. During 1997, the Department was successful in achieving the first major milestone in GPRA -- the development of strategic plans for the Department and its bureaus by September 30, 1997. Additional information concerning the Department's strategic plan, as well as bureau goals

and objectives, is presented in the Management Discussion and Analysis section of this report.

Interior worked collaboratively during 1997 with Congress, the Office of Management and Budget, the U.S. General Accounting Office, and others in pursuing innovative strategies to meet the challenges, expectations, and requirements of GPRA. The Department will now direct its efforts toward exploring effective ways to link its strategic plan with the budget, developing and refining performance measures, and consolidating reporting requirements of GPRA with other related reports. The Department will continue to pursue improved accountability by cascading performance goals throughout the organization and tying them to individual performance plans and agreements. The Department is gathering performance data that will form a baseline for full implementation of GPRA in 1999.

## Customer Service

The Department is committed to providing the best possible service to customers, partners, and stakeholders. Over the past three years, Interior's bureaus and offices have developed customer service plans, established standards of service, and conducted customer surveys. This data has been used to make management changes based on customer feedback. The Department is also using partnerships and new technology to improve service and operate more efficiently. During fiscal 1997, bureaus conducted and published the results of various customer surveys. These reports provided feedback on how Interior is meeting the needs of its customers, improving service, and meeting its standards. These reports are available electronically on the Internet at [http://www.doi.gov/doi\\_cust.html](http://www.doi.gov/doi_cust.html).

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# MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis is intended to provide a clear and concise analysis of the Department of the Interior’s activities, programs and financial results, and its financial position.

In this section, the Department begins to combine financial and Government Performance and Results Act reporting. Over the next several years, as we implement GPRA, Interior will continue to expand its Accountability Report and to bring together measures of program performance and information concerning budgetary resources and financial results.

## ANALYSIS OF FINANCIAL ACTIVITY

The Department prepares consolidated financial statements that include a Statement of Financial Position, a Statement of Net Cost, a Statement of Changes in Net Position, and a Statement of Custodial Activity. Overall, these statements summarize the financial activity and financial position of the Department. Additional unaudited financial information is also presented in the Supplemental Information section of the report.

### Expenses

As indicated in the Statement of Net Cost, the 1997 net cost of Interior operations, after earned revenue, is approximately \$8 billion. In comparison, the Federal government spent over \$384 billion for Social Security payments and approximately \$246 billion in interest payments on Treasury securities during fiscal year 1997.

Expenses				
<i>(dollars in billions)</i>	1997	% of Total	1996	% Change
Salaries and Benefits	\$3.88	42%	\$3.44	13%
Contractual Services	2.07	22%	2.10	-1%
Grants, Subsidies, and Contributions	2.02	22%	1.88	7%
Other	1.28	14%	1.12	14%

The largest expense of the Department is salaries and benefits. In terms of personnel, Interior is the fifth largest of the 14 Cabinet agencies (excluding Defense military functions) with 7 percent of total Executive

Figure 7

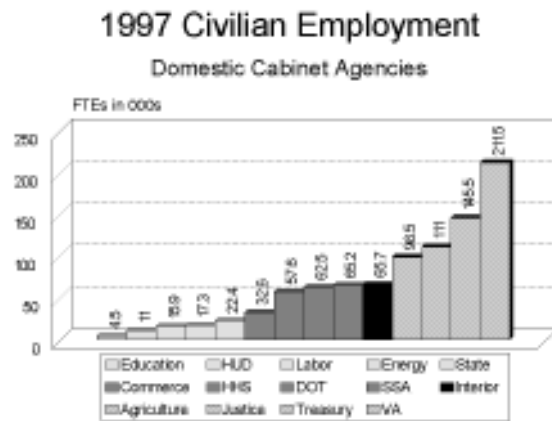
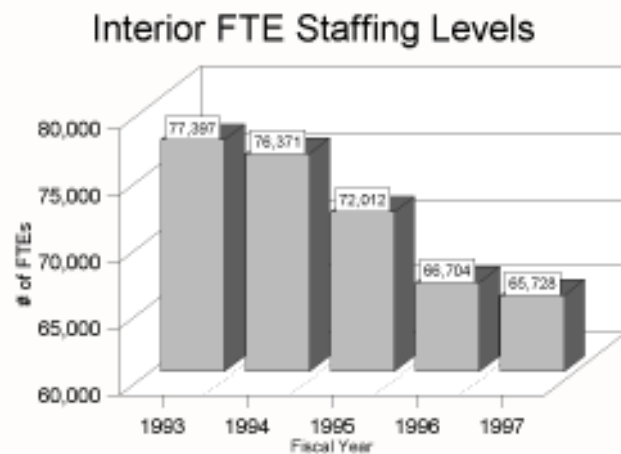


Figure 8



Branch civilian employment (Figure 7). Departmental employment, measured in full-time equivalent personnel (FTEs), totaled 65,728 during 1997 (Figure 8). Since 1993, the Department has decreased staffing by 11,669 FTEs, which represents a decline of over 15 percent. Of the domestic Cabinet agencies, Interior has reduced its workforce by a greater percentage than all but one agency. Salary and benefit expenses increased, however, due to a change in accounting standards that requires agencies to recognize expense for that portion of their retirement and other benefits paid by the Office of Personnel Management (see Note to the Financial Statements No. 13).

Figure 9

<b>Federal Financial Statements</b>		
<b>Statement</b>	<b>Federal Objective</b>	<b>Comments</b>
Statement of Financial Position	<ul style="list-style-type: none"> <li>The Federal Statement of Financial Position is intended to present the agency's financial position -- assets, liabilities, and net position -- at the statement date.</li> </ul>	<ul style="list-style-type: none"> <li>Federal assets are split between those that are available to the Department for use in its operations (also referred to as "Entity Assets") and those which the Department holds in its name, but which it cannot use. These assets, "held on behalf of others," arise primarily when the Department is responsible for collection of monies which under law must be forwarded to the General Fund at Treasury or to other Federal agencies upon or shortly after receipt.</li> <li>The Statement of Financial Position separates those liabilities for which funds have been appropriated from those which have not yet been funded.</li> </ul>
Statement of Net Cost	<ul style="list-style-type: none"> <li>Intended to demonstrate the cost of missions and programs accomplished by the Department for the taxpayer</li> </ul>	<p>This statement differs from private sector operating statements in several ways:</p> <ul style="list-style-type: none"> <li>First, expenses are presented at the top of the statement and revenues earned from the sale of goods and services are deducted from those expenses. This is due to the fact that the objective of most government agencies is not to "make money." Rather, the objective is to efficiently and effectively carry out the missions and responsibilities assigned to the agency by the Congress and the President, elected representatives of the people.</li> <li>The "bottom line" of the Statement of Net Cost is not "net income" or "net loss," because the effectiveness of Federal agencies simply cannot be evaluated by comparing revenues against expenses. The bottom line is instead "Net Cost of Operations" which discloses to the reader, at a very summary level, what the taxpayer has invested in the operations of the agency.</li> </ul>
Statement of Changes in Net Position	<ul style="list-style-type: none"> <li>Explains how the Net Cost to the taxpayer for the Department's operations was funded, and reports other changes in equity which are not included in the Statement of Net Cost.</li> </ul>	<ul style="list-style-type: none"> <li>"Appropriations Used" in any given period as reported on the Statement of Changes in Net Position will not exactly match expenses for that period, since budgetary accounting rules and financial accounting rules may recognize certain transactions and events at different points in time.</li> </ul>
Statement of Custodial Activity	<ul style="list-style-type: none"> <li>Presents financial information related to oil and gas royalties and lease payments collected by the Department on behalf of the Federal government</li> </ul>	<ul style="list-style-type: none"> <li>The top half of this statement presents the source of Royalty-based collections. The bottom half presents the disposition of those collections (e.g., transfers to the Department of the Treasury, States, Indian Tribes, and others).</li> </ul>



**Revenue**

On the whole, Interior’s missions are intended to be funded by general government funds derived from tax receipts and other sources. However, an increasing number of 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 Statement of Net Cost, so that the statement reflects, as nearly as possible, the net cost to the taxpayer of agency operations.

Exchange Revenue			
(dollars in billions)	1997	1996	% Change
Revenue from Sale of Goods and Services to the Public	\$1.13	\$1.03	10%
Revenue from Sale of Goods and Services to Federal Agencies	0.67	0.73	-8%
Other Revenue	0.55	0.39	41%

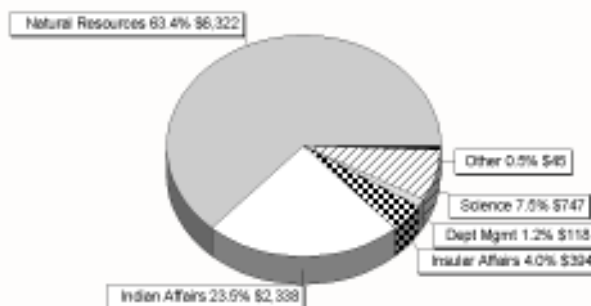
Department revenues from transactions with the public derive from sales of hydroelectric power, entrance fees at parks and wildlife refuges, sales of maps, and other products and services directly related to the operating responsibilities of the Department. Approximately \$1.13 billion of revenues were 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 taxpayer’s investment in the Department. In addition, the Department earned \$668 million from other federal agencies, mostly resulting 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 1997, the Department collected over \$6.3 billion in revenue (see Statement of Custodial Activity) from lease sales and royalties on Outer Continental Shelf oil and gas, making the Department one of the largest producer of revenue in the Federal government. These receipts are presented on the Department’s State-

Figure 10

**1997 Interior Budget Authority**

(in millions)



Total Budget Authority - \$9,964 million

ment 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 obtains most of its funding from general government funds maintained by the Treasury Department and appropriated for the Department’s use by Congress.

Appropriations			
(dollars in billions)	1997	1996	% Change
Appropriations Used to Finance Operations	\$8.4	\$8.0	5%

The Department’s 1997 budget authority was \$9.964 billion (Figure 10). Measured in terms of dollar resources, the Department, with one-half of one percent of the entire Federal budget, uses fewer funds 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 and its 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 9 percent of the Department's assets are held on behalf of others and are not available for Department use. Approximately 36 percent of the Department's \$49 billion in assets (see Statement of Financial Position) is composed of General Property Plant and Equipment.

Most of the Department's Buildings, Structures and Facilities is 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).

The Department's reported values for Property, Plant, and Equipment 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 so cannot be adequately presented on a numerically based Statement of Financial Position. An in-depth discussion of these assets is presented in the Stewardship section at page 115.

Property, Plant, and Equipment			
(dollars in billions)	1997	1996	% Change
Buildings, Structures, and Facilities	\$16.3	\$16.0	2%
Other General PP&E	0.6	0.6	0%
Stewardship Assets	-	-	-

The Fund Balance with Treasury, which is essentially the amount of funds made available to the agency by Congressional appropriation which are in agency accounts at Treasury, is \$4.9 billion. The Treasury Department functions like a bank, and the Department's "Fund Balance with Treasury" is somewhat 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.

Fund Balance with Treasury			
(dollars in billions)	1997	1996	% Change
Fund Balance with Treasury	\$4.9	\$4.8	2%

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. Historically, an average of approximately \$1 billion is deposited into these two accounts each year. Spending authority for the conservation accounts is approved in subsequent years through Congressional appropriations. The fiscal year 1997 budget for the Land and Water Conservation Fund and the Historic Preservation Fund was \$90.5 million.

During fiscal year 1997, \$955 million was deposited into the Reclamation Fund. Amounts deposited into the Reclamation Fund are not available for spending until appropriated by Congress.

Restricted Assets			
(dollars in billions)	1997	1996	% Change
Land and Water Conservation Fund	\$11.9	\$11.1	7%
Historic Preservation Fund	2.2	2.1	5%
Reclamation Fund	3.1	2.9	7%

### 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 \$1.07 billion, or 11 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 the Department'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 the Department 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 De-

partment. Although the Department bears no legal responsibility for these hazards, the Department will often, in its stewardship capacity, correct the environmental hazard. Wherever feasible, the Department will initiate collection efforts against the responsible parties. The Department has recognized \$225 million for potential environmental cleanup liabilities and \$340 million related to other claims and litigation.

The Net Position of the Department consists of three components: Unexpended Appropriations, Cumulative Results of Operations and Restricted Equity. The "Unexpended Appropriations" account reflects spending authority made available to the Department by Congressional appropriation that has not yet been used by the Department. "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.

## IMPLEMENTING THE GOVERNMENT PERFORMANCE AND RESULTS ACT

### Interior's Strategic Plan

On September 30, 1997, the Department of the Interior published its first strategic plan under the Government Performance and Results Act (GPRA) of 1993, which requires all federal agencies to develop strategic plans with measurable goals and objectives linked to their budgets.

Interior's strategic plan identifies 10 overarching commitments that have guided the development of the individual bureau strategic plans and performance goals. These commitments encompass the Department's major programs and key statutory requirements. They also create a unifying framework for the various missions and programs of Interior's bureaus. Interior's commitments to the American people are listed in *Figure 11*.

### Cross-Cutting Goals

In addition to the Departmental commitments reflected in its bureau strategic plans, Interior has identified strategic goals in several cross-cutting areas. These areas include (1) natural resource management partnerships and (2) Departmental management and support offices and other functions.

#### Natural Resource Management Partnerships

One of the most productive and cost-effective ways of fulfilling our commitments is through partnerships. The Department of the Interior is taking the lead in establishing partnerships with States, tribes, local governments, other Federal agencies, industry, and private stakeholders to manage and improve the health of several vital ecosystems. By working together, we can evaluate natural processes and human activities in a given geographic region and seek common ground to reach solutions that benefit all citizens. A major benefit of these partnerships is the ability to leverage scarce resources with other partners to achieve results that might otherwise be too costly.

Several major partnerships are highlighted in the Department's strategic plan overview. They are:

- Pacific Northwest Plan
- Wildlife Fire Management
- South Florida Ecosystem Restoration
- CALFED Bay-Delta Program
- California Desert

*Figure 12* lists major goals for the Department's natural resource management partnerships.

#### Departmental Management, Support Services, and Other Programs

Departmental offices play a key role by providing leadership, policy guidance, coordination, and support services crucial for the bureaus to meet their goals and fulfill their missions. This role is particularly important in light of the Department's emphasis on working in partnership across organizational lines with States, local governments, tribes, and other stakeholders.

The Department has identified goals in five management areas that will support the program goals described in the Strategic Plan. They are:

- Human Resources
- Information Resources
- Financial and Performance Management
- Procurement of Goods and Services
- Property Management

*Figure 13* lists performance goals for these management areas.

### Linkage to Performance Plans and Reports

Several key documents are linked to and complement the Department's strategic plan. These documents include annual performance plans, annual performance reports, and annual budget requests to OMB and Congress.

*Annual Performance Plans* - Interior's annual performance plan links the Department's strategic plan with the annual budget. The performance plans include objective, quantifiable, and measurable performance goals to be achieved in a given fiscal year in furtherance of the general goals set forth in the strategic plan. Each annual performance plan includes performance indicators to be used in measuring or assessing the relevant outputs, service levels, and out-

Figure 11

## Interior's Commitments to the American People

1. **We will restore and maintain the health of our lands, waters, and renewable resources.** *Recognizing the interdependence of people and the environment, we must ensure that our lands, waters, and renewable resources remain healthy. Resource-dependent communities can only be sustained by lands that are in a healthy condition.*
2. **We will preserve our Nation's natural and cultural heritage for future generations.** *Federal lands contain exceptional geological formations, rare and vulnerable plant and animal communities, wilderness areas, wild and scenic rivers, and numerous paleontological, archaeological, and historical sites. We are committed to protecting and improving the value of national parks, wildlife refuges, wilderness areas, and our cultural heritage.*
3. **We will provide recreational opportunities for the public to enjoy natural and cultural resources.** *Federal lands provide an outstanding variety of recreational opportunities, which include hunting, fishing, camping, hiking, boating, driving off-highway vehicles, mountain biking, and birding. Interior will continue to promote and provide these opportunities where they are consistent with other land uses and with maintaining the health of the land.*
4. **We will provide for appropriate commercial use and development of federally managed natural resources in an environmentally sound manner.** *Many Interior lands provide commercially valuable natural resources, including energy and mineral commodities, forest products, grazing forage, and special uses, such as rights of way for pipelines and transmission lines. Interior is committed to making these resources available for appropriate commercial uses while protecting the environment and receiving a fair return to the American taxpayer.*
5. **We will encourage the preservation of diverse plant and animal species and protect habitat critical to their survival.** *We are committed to restoring our country's important habitat and improving the health of public land. We will continue to pursue new concepts in regional ecosystem enhancements through partnerships and collaborations. We are committed to bringing endangered species back from the brink of extinction and finding innovative ways to protect endangered species while ensuring healthy communities and economies.*
6. **We will work to transfer Federal program operations to tribal governments through Indian self-determination and self-governance agreements.** *We are committed to strengthening our trust relationship with Indian Tribes, enhancing self-determination, encouraging self-governance, and supporting tribal efforts to improve economic opportunities for Native Americans. We will facilitate the transition of Indian programs and services from Federal to tribal delivery systems by implementing self-determination and self-governance policies. Interior is committed to meaningful consultation on a government-to-government basis with tribal officials to ensure that the Department is an effective and responsive trustee.*
7. **We will protect and conserve the trust resources of American Indians and Alaskan Native Tribes and work with these tribes to enhance education, economic opportunities, and the quality of life for their members.** *The Department is committed to protecting and enhancing the trust resources of federally recognized tribes and members and to consulting with tribes as required by the Presidential Memorandum on Government-to-Government Relations With Native American Tribal Governments. Interior will facilitate coordination of the Federal role in Indian affairs through interdepartmental initiatives designed to increase the quality of life in tribal communities, will work to increase tribal and parental direction of Indian education and continue to increase the overall quality of education for Indian children, and will foster private and public partnership initiatives designed to enhance tribal economic growth and opportunity.*
8. **We will advance scientific research and monitoring to improve our understanding of the interaction of natural and human systems and to reduce the impacts of hazards caused by natural processes and human actions.** *We will participate in interagency and intergovernmental programs to assess, document, and monitor ecological and socio-economic conditions and trends, including development and implementation of information needs assessment procedures. We will ensure that our scientific research program focuses on understanding, assessing, and monitoring ecosystems. Particular emphasis will be placed on scientific research, monitoring, and mapping efforts that aid the Department in understanding the interaction of natural and human systems, protecting the environment, mitigating the impacts of natural hazards, and ensuring the preservation, conservation, and sustainable use of natural resources.*
9. **We will provide useful scientific information for sound resource decisionmaking.** *We will continue to help society understand the ecological, geologic, chemical, and hydrologic processes that govern the environment's responses to management actions. We will work within the Department, with Congress, other Federal agencies, and State, tribal, and local entities, and interested publics to refine our strategies and priorities. Through Resource Advisory Councils and other groups, we will continue to encourage community-based decisionmaking grounded in sound science.*
10. **We will apply laws and regulations fairly and effectively, placing priority on compliance and enforcement, prevention, and problem-solving, and we will protect public health and safety.** *We will be fair with regulated industries and work with the States, Indian Tribes, and stakeholders to reduce unnecessary regulatory and procedural burdens, develop policies that are clear and balanced, and apply them consistently. In cooperation with the States, Indian Tribes, and localities, we will protect the environment, property, water, and citizens from detrimental effects of current activities and ensure that lands and waters are appropriately reclaimed where applicable. We will make the protection of public health and safety a priority in all of our programs.*

Figure 12

Natural Resource Management Partnerships	
Partnership	Goals
Pacific Northwest Forest Plan	<ul style="list-style-type: none"> <li>• Protect and enhance the environment</li> <li>• Provide a sustainable timber economy</li> <li>• Support the region's people and communities during the period of economic transition</li> </ul>
Wildland Fire Management	<ul style="list-style-type: none"> <li>• Promote firefighter and public safety</li> <li>• Wildland fire will be used to protect, maintain, and enhance natural resources</li> <li>• Bureaus will ensure a cost-effective fire management program</li> </ul>
South Florida Ecosystem Restoration	<ul style="list-style-type: none"> <li>• The spatial extent of wetlands will be sufficient to support the historic functions of the greater Everglades ecosystem</li> <li>• The diversity, abundance, and behavior of native plants and animals in South Florida will be characteristic of predrainage conditions</li> <li>• Estuarine and coastal areas function as a natural, healthy part of the ecosystem</li> <li>• Natural hydrologic functions in wetlands are restored while providing for the water resource needs of the urban and agriculture landscapes and the estuarine and marine systems</li> </ul>
CALFED Bay-Delta Program	<ul style="list-style-type: none"> <li>• To provide water of good quality for all beneficial uses</li> <li>• To improve and increase aquatic and terrestrial habitats and improve ecological functions in the Bay-Delta to support sustainable populations of diverse and valuable plant and animal series</li> <li>• To reduce the mismatch between Bay-Delta water supplies and current and projected beneficial uses dependent on the Bay-Delta system</li> <li>• To reduce the risk to land use and associated economic activities, the water supply, the infrastructure, and the ecosystem from catastrophic breaching of Delta levees</li> </ul>
California Desert	<ul style="list-style-type: none"> <li>• Interior has created the California Desert Managers Group to develop a long-term strategic plan to manage the desert ecosystem</li> </ul>

Figure 13

Management Goals	
Area	Goals
Human Resources	<ul style="list-style-type: none"> <li>• Foster a highly trained and knowledgeable workforce capable of meeting mission needs</li> <li>• Achieve workforce diversity</li> <li>• Link mission outcomes and employee performance</li> </ul>
Information Resources	<ul style="list-style-type: none"> <li>• Ensure the alignment of information resources management goals, objectives, and programs with the goals, objectives, and programs of the Department and bureaus</li> <li>• Optimize the capture, access, and sharing of information/knowledge, as appropriate, across the Department and bureaus through the use of information technology</li> <li>• Ensure the wise and cost-effective use of technology by implementing the Information Technology Management Reform Act (Clinger-Cohen Act) and the Government Performance and Results Act</li> </ul>
Financial and Performance Management	<ul style="list-style-type: none"> <li>• Continue to strengthen the integrity of financial operations to ensure accuracy of financial data and management control over Interior activities</li> <li>• Optimize financial management operations to increase customer satisfaction and decrease costs to the Department Improve financial and performance reporting to better support management decisions at all levels and to ensure compliance with the Government Management Reform Act and the Government Performance and Results Act</li> </ul>
Procurement of Goods and Services	<ul style="list-style-type: none"> <li>• Improve service to Interior's programs</li> <li>• Maximize productivity while minimizing costs</li> <li>• Optimize resources and processes</li> </ul>
Property Management	<ul style="list-style-type: none"> <li>• Ensure that the Department can properly account for its personal and real property</li> <li>• Increase the ability of the public to access information about museum and cultural resources and artifacts</li> <li>• Ensure that Interior's buildings and facilities meet Federal energy efficiency standards</li> </ul>

comes related to the performance goals. We are measuring our progress by using a combination of output and outcome performance goals.

*Annual Performance Reports* - Within 6 months after the close of each fiscal year, Interior will submit to the President and the Congress a report on program performance for the fiscal year that has just closed. This performance report will review the Department's success in achieving the performance goals for the fiscal year being reported.

*Annual Budget Request* - Each year, the Department submits a budget request to OMB that is part of the President's budget request to the Congress. The Department's budget request identifies the programs, activities, and resources necessary to implement the strategic plan and the performance plan.

**Bureau Strategic Plans**

At Interior, most programs are carried out directly by the bureaus, which receive Congressional authorization and funding for these activities. Each bureau has developed a strategic plan that addresses its mission and includes strategies for accomplishing bureau goals.

**Bureau of Land Management**

The mission of the Bureau of Land Management is "to sustain the health, diversity, and productivity of the Nation's public lands for the use and enjoyment of present and future generations."

The BLM strategic plan is organized around the following five strategic goals:

- Serve current and future publics
- Restore and maintain the health of the land
- Promote collaborative management
- Improve business practices
- Improve human resources management

Each strategic goal includes two to six long-term goals that relate to BLM's major activities and programs, including natural resource management responsibilities, maintaining the national cadastral survey, and administering payments-in-lieu-of-taxes to counties with Federal lands. Administrative and personnel activities are also covered. Taken together, the 17 long-term goals establish overall direction for the agency.

Figure 14 shows representative BLM performance indicators that are included in the 1999 Annual Performance Plan required by the Government Performance and Results Act.

Figure 14

<b>BLM Strategic Goal</b> : Identify resources at risk			
<b>BLM Annual Goal</b> : In 1999, treat 2,000 miles of riparian areas and 8,000 acres of wetland areas			
<b>BLM Performance Indicator</b>	<b>1997</b>	<b>1998 *</b>	<b>1999 **</b>
Riparian areas treated (miles)	1,260	1,600	2,000
Wetland areas treated (acres)	7,500	8,000	8,000
* 1998 Projected			
** 1999 Projected based on Presidential budget			

**Bureau of Indian Affairs**

The mission of the Bureau of Indian Affairs is "to fulfill its trust responsibilities and promote self-determination on behalf of Tribal Governments, American Indians and Alaska Natives."

The Bureau of Indian Affairs' strategic plan is based on the following strategic goals:

- *Self-Determination*: To provide tribes with the resources they need to exercise their authority as sovereign nations by contracting or compacting Bureau programs, as authorized under P. L. 93-638, as amended.
- *Tribal Government*: To foster strong and stable tribal governments so that they may manage their own affairs and relate to other government entities as sovereigns.
- *Human Services*: To improve the quality of life in tribal communities.
- *Law Enforcement*: To provide quality investigative and police services and technical expertise to Indian tribes.
- *Community Development*: To provide tribes with the resources necessary to develop a self-sustaining economic base which, in turn, will work to empower tribes.
- *Natural Resources*: To assist American Indians and Alaska Natives in developing conservation and management plans to protect and preserve their

- natural resources on trust lands and shared off-reservation resources.
- Trust Services:** To protect and preserve trust lands and trust resources.
- Administrative and Support Services:** To reduce long-term costs and improve timeliness of service through the use of modern, automated techniques and processes for management in the arena of administration.
- Education:** To provide quality education opportunities from early childhood through life in accordance with the tribes' needs for cultural and economic well-being in keeping with the wide diversity of Indian Tribes and Alaska Native Villages as distinct cultural and governmental entities.

Figure 15 shows representative BIA performance indicators that are included in the 1999 Annual Performance Plan required by the Government Performance and Results Act.

Figure 15

<b>BIA Strategic Goal :</b> To provide quality education opportunities from early childhood through life in accordance with the tribes' needs for cultural and economic well-being in keeping with the wide diversity of Indian Tribes and Alaska Native Villages as distinct cultural and governmental entities			
<b>BIA Annual Goal:</b> By 2002, elementary and secondary schools will decrease the student dropout rate and increase student attendance, student academic performance, native language program availability and accreditation rates			
<b>BIA Performance Indicator</b>	<b>1997</b>	<b>1998 *</b>	<b>1999 **</b>
Dropout Rate	13%	12%	11%
Attendance (ADA Rate)	91%	92%	93%
Native Language Program Rate	80%	82%	84%
School Accreditation Rate	93.5%	94%	94%
* 1998 Projected			
** 1998 Projected based on Presidential budget			

**Bureau of Reclamation**

The mission of the Bureau of Reclamation is “to manage, develop, and protect water and related resources in an environmentally and economically sound manner in the interest of the American people.” Reclamation’s strategic plan sets forth three strategic goals to articulate the general, long-term activities and initiatives necessary for Reclamation to carry out its mission. These goals are:

- Water and Energy:** In accordance with Reclamation statutes, other Federal laws, and appropriate State laws, Reclamation will pursue water and related resources management and development activities.
- Environmental and Related Resources:** In partnership with States, tribes and its stakeholders, Reclamation has improved and will continue to improve, its management of water and related resources in a manner that is ecologically sound and that promotes habitat quality, species health and biological diversity of the West.
- Business Practices and Productivity:** As the Administration and Congress move toward a balanced budget by FY 2002, Reclamation will serve the public by building on its reinvention successes of the last 3 years.

Figure 16 shows a representative BOR performance indicator that is included in the 1999 Annual Performance Plan required by the Government Performance and Results Act.

Figure 16

<b>BOR Strategic Goal :</b> Manage, develop and protect water and related resources			
<b>BOR Annual Goal:</b> In 1999, Reclamation will deliver power needed for contractual commitments 100% of the time			
<b>BOR Performance Indicator</b>	<b>1997</b>	<b>1998 *</b>	<b>1999 **</b>
Percent of contractual commitments met	100%	100%	100%
* 1998 Projected			
** 1999 Projected based on Presidential budget			

**National Park Service**

The mission of the National Park Service is “to preserve unimpaired the natural and cultural resources and values of the national park system for the enjoyment, education, and inspiration of this and future generations.”

The National Park Service Strategic Plan includes the following strategic goals:

- Preserve park resources.
- Provide for the public enjoyment and visitor experience of parks.



- Strengthen and preserve natural and cultural resources and enhance recreational opportunities managed by partners.
- Ensure organizational effectiveness.

Figure 17 shows a representative Park Service performance indicator included in the 1999 Annual Performance Plan required by the Government Performance and Results Act.

Figure 17

<b>NPS Strategic Goal</b> : Natural and cultural resources and associated values are protected, restored and maintained in good condition and managed within their broader ecosystem and cultural context			
<b>NPS Annual Goal</b> : By 1999, 10,971 of the 23,000 List of Classified Structures are in good condition			
<b>NPS Performance Indicator</b>	1997	1998 *	1999 **
Percent of historic structures in good condition	45.4%	46.9%	47.7%
* 1998 Projected			
** 1999 Projected is based on Presidential budget			

**U.S. Fish and Wildlife Service**

The mission of the Fish and Wildlife Service is working with others “to conserve, protect, and enhance fish and wildlife and their habitats for the continuing benefit of the American people.” The Service’s 1997 Strategic Plan is based on the following goals:

- *Sustainability of Fish and Wildlife Populations*: Migratory birds, endangered fish and wildlife species, interjurisdictional fish, and marine mammals are conserved, protected, enhanced, or restored. The Service is participating in conservation of other species when its expertise, facilities, or lands can enhance State, tribal, or local efforts.
- *Habitat Conservation -- A Network of Lands and Waters*: An ecologically diverse network of lands and waters, of various ownerships, is conserved to provide habitats for marine mammals and migratory, interjurisdictional, endangered, and other species associated with ecosystems conserved in cooperation with others.
- *Connecting Americans to Wildlife*: The American public understands and participates in the conservation and use of fish and wildlife resources.
- *Workforce Excellence*: The Service’s workforce, scientific capability, and business practices --in co-

operation with the Department’s scientific expertise -- fully support achievement of the Service mission.

Figure 18 shows a representative Service performance indicator included in the 1999 Annual Performance Plan required by the Government Performance and Results Act.

Figure 18

<b>FWS Strategic Goal</b> : <i>Habitat Conservation -- A Network of Lands and Waters</i> : An ecologically diverse network of lands and waters, of various ownerships, is conserved to provide habitats for marine mammals and migratory, interjurisdictional, endangered, and other species associated with ecosystems conserved in cooperation with others.			
<b>FWS Annual Goal</b> : By 1999, the Service will improve the population status of 60% of the species to the stable or improved category			
<b>FWS Performance Indicator</b>	1997	1998 *	1999 **
% of listed species improving/stable	36%	44%	60%
* 1998 Projected			
** 1999 Projected based on Presidential budget			

**U.S. Geological Survey**

The mission of the U.S. Geological Survey is “to provide the Nation with reliable, impartial information to describe and understand the Earth.”

The USGS Strategic Plan is based on the following goals:

- *Water availability and quality*: Manage the Nation’s water resources wisely for present and future generations.
- *Natural hazards*: Reduce the loss of life and property from natural hazards.
- *Geologic and cartographic information*: Provide maps and map data for the Nation.
- *Contaminated environments*: Reduce both environmental contamination and the cost of cleaning up existing contamination.
- *Land and water use*: Improve the land and water use decisions made by the public and private sector.
- *Nonrenewable resources*: Enhance economic development and growth.

- *Environmental effects on human health:* Reduce risks to human health from hazardous chemicals and disease-causing organisms.
- *Biological resources:* Conserve and manage the Nation’s biological resources for present and future generations.

Figure 19 shows a representative USGS performance indicator included in the 1999 Annual Performance Plan required by the Government Performance and Results Act.

Figure 19

<b>USGS Strategic Goal :</b> Reduce the loss of life and property from natural hazards			
<b>USGS Annual Goal:</b> By 1999, increase timeliness and reliability of earthquake information that is provided to emergency response agencies and to the public for seismic activity in the U.S. by integrating national, regional, and local seismic networks			
Performance Indicator	1997	1998 *	1999 **
Provide accurate and timely earthquake information from an integrated seismographic network to emergency response agencies and the public	Completed planning of the integration of the seismic monitoring networks & improvement of the reliability & timeliness of earthquake reports	Begin integration of seismic networks; reliability and timeliness of earthquake reports increases	Issue earthquake reports within 20 minutes of event occurrence; integration of seismic networks 75% complete
* 1998 Projected ** 1999 Projected based on Presidential budget			

**Minerals Management Service**

The Minerals Management Service’s mission is “to manage the mineral resources on the Outer Continental Shelf in an environmentally sound and safe manner and to timely collect, verify, and distribute mineral revenues from federal and Indian lands.” Its vision is “to be recognized as the best minerals resource manager.”

The MMS strategic goals are:

- Provide for safe and environmentally sound mineral development on the Outer Continental Shelf, and ensure that the public receives fair value.
- Provide timely, accurate, and cost-effective mineral royalty collection and disbursement services.
- Encourage a culture that brings out the best in our employees.

Figure 20 shows representative MMS performance indicators that are included in the 1999 Annual Performance Plan required by the Government Performance and Results Act.

Figure 20

<b>MMS Strategic Goal :</b> Provide for safe and environmentally sound mineral development on the Outer Continental Shelf, and ensure that the public receives fair value			
<b>MMS Annual Goal:</b> By 2002, show an increase in annual OCS production above the 1996 level of 429 million barrels, 5 trillion cubic feet of gas, 2.1 million long tons of sulfur, and .81 million cubic yards of sand and gravel			
MMS Performance Indicator	1997	1998 *	1999 **
Barrels of oil (millions)	545	571	591
Cubic feet of gas (trillions)	5.1	4.9	4.9
Long tons of sulfur (millions)	2.0	2.1	2.2
Cubic yards of sand and gravel (millions)	0	3.9	22.7
* 1998 Projected ** 1999 Projected based on Presidential budget			

**Office of Surface Mining**

The mission of the Office of Surface Mining is “to carry out the requirements of the Office of Surface Mining and Reclamation Act in cooperation with States and Tribes.”

The OSM strategic goals are:

- In cooperation with the States and tribes, we will aggressively pursue the reclamation of Abandoned Mine Lands (AML).
- In cooperation with the States and tribes, we will prevent environmental problems in the coal fields.
- We will strengthen the capabilities of States, tribes, and OSM staff to enforce the Surface Mining Control and Reclamation Act (SMCRA) effectively through quality technical and scientific information, expertise, and training.
- We will maintain the financial integrity of SMCRA by properly and promptly accounting for grant funds and all revenues collected; maximizing compliance with AML reclamation fee provisions; providing grant financial services and accounting to the States and tribes; and maximizing collections through fair and consistent policies and procedures.
- We will enhance the Human Resource Program through a diverse, highly qualified, well-trained, mo-

tivated, and informed workforce that supports the mission of OSM.

Figure 21 shows representative OSM performance indicators that are included in the 1999 Annual Performance Plan required by the Government Performance and Results Act.

Figure 21

<b>OSM Strategic Goal</b> : We will maintain the financial integrity of SMCRA by properly and promptly accounting for grant funds and all revenues collected; maximize compliance with AML reclamation fee provisions; provide grant financial services and accounting to the States and tribes; and maximize collections through fair and consistent policies and procedures			
<b>OSM Annual Goal</b> : By 1999, OSM will maintain a 90+% AML reclamation fee compliance rate			
OSM Performance Indicator	1997	1998 *	1999 **
Percent of permits reporting compared to number of permits mailed	99%	97%	97%
Percent of audited tons reported divided by total tons audited	98.5%	98%	98%
* 1998 Projected			
** 1999 Projected based on Presidential budget			

## Customer Service

Interior is committed to providing the best possible service to customers, partners, and stakeholders. Over the past several years, Interior bureaus have established service standards, conducted surveys, and developed measures of customer satisfaction. Many of these measures have been incorporated into bureau strategic plans and annual performance plans. Figure 22 provides examples of customer satisfaction measures that have been included in Interior’s strategic plan:

Figure 22

Customer Satisfaction	
Bureau	Goal
NPS	By 2002, 80% of park visitors are satisfied with appropriate park facilities, services, and recreational opportunities
OSM	By 2002, attain a 90% customer satisfaction rate for technical training and the Technical Information Processing System
BLM	By 2002, improve the BLM’s understanding of customer needs by measuring customer satisfaction levels, particularly for recreation and commercial uses
MMS	By 2002, improve the Royalty Management Program’s rating (data from customer surveys) in the areas of credibility, responsiveness, professional image, and quality

# Inspector General Audit Opinion

Audit Report No. 98-I-442



## United States Department of the Interior

OFFICE OF INSPECTOR GENERAL  
Washington, D.C. 20240

APR 30 1998

### Memorandum

To: Assistant Secretary for Policy, Management and Budget and  
Chief Financial Officer, Department of the Interior

From: Robert J. Williams *Robert J. Williams*  
Acting Inspector General

Subject: Report on Department of the Interior Consolidated Principal Financial Statements  
for Fiscal Years 1996 and 1997 (No. 98-I-442)

In accordance with the Chief Financial Officers Act of 1990, we audited the Department of the Interior's consolidated principal financial statements for the fiscal years ended September 30, 1996, and 1997, as contained in the Department's accompanying "Annual Report - Fiscal Year 1997." The Department of the Interior is responsible for these consolidated financial statements, and we are responsible for expressing an opinion, based on our audit, on these consolidated financial statements.

Our audit, which was completed on April 30, 1998, 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 93-06, "Audit Requirements for Federal Financial Statements," as amended. These audit standards require that we plan and perform the audit to obtain reasonable assurance that the accompanying financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and accompanying notes. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 15 to the financial statements, certain Departmental bureaus restated certain balances on their respective financial statements for fiscal year 1996 to comply with the provisions of Office of Management and Budget Bulletin 97-01, "Form and Content of Agency Financial Statements," and to provide a "more meaningful year to year comparison." The restatements were based on a change in accounting policy and a change in accounting method.

The Office of Inspector General is not independent with respect to amounts relating to its financial operations that are included in the consolidated financial statements. However, the Office of Inspector General's financial operations represent less than three-tenths of

1 percent of the Department's consolidated assets, liabilities, financing sources, and operating expenses.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Department of the Interior and its bureaus as of September 30, 1997, and the results of operations and custodial activities for the year then ended in conformity with the accounting standards and policies described in the notes to the financial statements. Also, as reported in our fiscal year 1996 audit report (No. 97-I-932), issued in June 1997, we found that except for the Bureau of Indian Affairs failure to provide adequate documentation or reliable accounting information to support the amounts of \$170 million for other structures and facilities, \$17 million in accounts receivable, \$136 million of revenue, and \$19 million of bad debt expense, the consolidated financial statements present fairly the consolidated financial position and results of operations and custodial activities in conformity with the accounting standards and policies described previously.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The information in Note 16 related to the Indian Trust Funds and the stewardship assets and the supplemental information that follows the notes to the financial statements were not subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we express no opinion on this information.

As part of our audit, we evaluated the internal control structures for the Department's 10 operating entities, tested their compliance with selected provisions of laws and regulations, and reviewed the financial information presented in the Department's most recent report required by the Federal Managers' Financial Integrity Act of 1982 and compared it with the results of our evaluations of the entities' internal control structures. However, because of inherent limitations in any system of internal controls, losses, noncompliance, or misstatements may occur and not be detected. We also caution that projecting our evaluations to future periods is subject to the risk that controls or the degree of compliance with the controls may diminish.

We found that the internal control structure in effect on September 30, 1996, and 1997, for the Department's 10 operating entities was sufficient to safeguard assets against loss from unauthorized use or disposition; ensure that transactions were properly recorded, processed, and summarized; and provide reasonable assurance that any losses, noncompliance, or misstatements that are material to the financial statements would be detected. However, the internal control weaknesses that we considered to be reportable conditions which need to be corrected are discussed below.

During our audit, we noted that the Bureau of Indian Affairs internal controls were not sufficient to provide reasonable assurance that (1) accounts receivable will be timely recorded and collected; (2) property transactions will be properly recorded and adequately supported; and (3) effective and periodic information integrity reviews will be made of the

financial information contained in the general ledger control accounts and their related subsidiary ledgers, listings, and reconciliations. In addition, we noted certain matters involving the Bureau's general controls over its automated information system at its operations service center that we considered to be a reportable condition. Specifically, the system contained weaknesses in the areas of system security (which involves safeguarding computer hardware), application use, segregation of duties, system software controls, and continuing computer operations in the event of system failure.

We also noted that the general controls over the Minerals Management Service Royalty Management Program's automated information system contained weaknesses in the areas of security program development, access controls, software development and change management controls, separation of duties, system software controls, and service continuity that we considered to be a reportable condition.

Except as discussed below, we found that there were no material instances of noncompliance with selected provisions of laws and regulations that we tested, and nothing came to our attention during our other audit work to indicate that material noncompliance with such provisions occurred. Further, we found that the financial information in the overview relating to the consolidated financial statements is consistent with the information presented in the financial statements.

The Bureau of Indian Affairs did not comply with all of the requirements of the Debt Collection Improvement Act of 1996, the Prompt Pay Act, and the Credit Reform Act of 1990. In addition, as stated above in the discussion on internal controls, the ineffective general controls over the automated information systems used by the Minerals Management Service and the Bureau of Indian Affairs are significant departures from certain requirements of Office of Management and Budget Circulars A-127 and A-130. These departures are instances of substantial noncompliance with the requirements of Federal financial management systems under the Federal Financial Management Improvement Act.

Except as mentioned above, our review of prior Office of Inspector General and General Accounting Office reports found that there were no reports that had significant unresolved or unimplemented recommendations that affected the Department's consolidated financial statements.

# Audited Consolidated Financial Statements



**U.S. Department of the Interior**  
**Consolidated Statement of Financial Position**  
**September 30, 1997 and 1996**  
(dollars in thousands)

	1997	1996
<b>ASSETS</b>		
<b>Current Assets</b>		
Fund Balance with Treasury (Note 2)	\$ 4,903,251	\$ 4,562,983
Cash and Other Monetary Assets	31,904	19,516
Investments: (Note 3)		
Treasury Securities	2,068,110	1,944,722
Public Securities	26,736	26,775
Accounts Receivable: (Note 4)		
Public, Net of Allowance for Doubtful Accounts	230,736	206,507
Due from Federal Agencies	497,582	449,964
Operating Materials and Supplies	2,155	1,945
Inventory (Note 5)	27,118	30,051
<b>Total Current Assets</b>	<b>7,787,592</b>	<b>7,242,463</b>
<b>Property, Plant and Equipment, Net of Depreciation (Note 6)</b>		
Buildings, Structures and Facilities	16,318,061	15,954,017
Equipment, Vehicles and Aircraft	582,387	598,123
Other Property, Plant and Equipment	2,987	0
<b>Total Property, Plant and Equipment</b>	<b>16,903,435</b>	<b>16,552,140</b>
<b>Stewardship Assets (Note 7)</b>		
<b>Other Assets</b>		
Loans and Interest Receivable, Net of Allowance for Doubtful Accounts (Note 8)	223,107	284,354
Available from Contract Authority (Note 1M)	197,781	218,981
Non-Current and Unmatured Receivables (Note 4)	336,420	225,589
Stockpile Inventory - Helium (Note 5)	366,142	366,235
Unmatured Timber Sales Contracts (Note 1N)	93,579	99,669
General Investigation Costs (Note 1O)	586,876	540,455
Other Assets	332,661	336,871
<b>Total Other Assets</b>	<b>2,136,566</b>	<b>2,072,154</b>
<b>Restricted Assets (Note 9)</b>		
Conservation Funds - Fund Balance with Treasury	14,071,704	13,225,699
Reclamation Fund - Fund Balance with Treasury	1,702,462	1,488,551
Reclamation Fund Accounts Receivable	1,375,667	1,382,485
<b>Total Restricted Assets</b>	<b>17,149,833</b>	<b>16,096,735</b>
<b>Total Department Assets</b>	<b>43,977,426</b>	<b>41,963,492</b>
<b>Assets Held on Behalf of Others</b>		
Royalty Management:		
Fund Balance with Treasury (Note 2)	442,836	389,966
Escrow Investments (Note 3)	1,667,348	1,537,531
Accounts Receivable	386,991	244,263
Non-Royalty Management:		
Funds Transferable to Treasury	105,184	109,205
Non-Current and Unmatured Receivables (Note 4)	1,991,467	1,681,429
<b>Total Assets Held on Behalf of Others</b>	<b>4,593,826</b>	<b>3,962,394</b>
<b>TOTAL ASSETS</b>	<b>\$ 48,571,252</b>	<b>\$ 45,925,886</b>

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

**U.S. Department of the Interior**  
**Consolidated Statement of Financial Position**  
**September 30, 1997 and 1996**  
(dollars in thousands)

	1997	1996
<b>LIABILITIES AND NET POSITION</b>		
<b>Liabilities</b>		
<b>Liabilities Covered by Budgetary Resources</b>		
<b>Liabilities to the Public:</b>		
Accounts Payable to the Public	\$ 225,328	\$ 266,777
Accrued Payroll and Benefits (Note 1Q)	175,785	148,519
Advances and Deferred Credits	217,360	293,423
Deferred Revenue (Note 10)	3,725,128	3,314,168
Escrow Investments	1,667,348	1,553,135
Other Liabilities to the Public	28,834	79,218
<b>Total Liabilities to the Public</b>	<b>6,039,783</b>	<b>5,655,240</b>
<b>Liabilities to Federal Agencies:</b>		
Accounts Payable	43,223	64,942
Receipts Transferable to Treasury	58,414	58,961
Other Amounts Payable to Treasury	265,988	402,721
Notes Payable to Treasury (Note 11)	1,435,508	1,420,733
Undistributed Royalty Collections (Note 1S)	829,827	618,625
Deferred Revenue and Other	91,606	73,092
<b>Total Liabilities to Federal Agencies</b>	<b>2,724,566</b>	<b>2,639,074</b>
<b>Total Liabilities Covered by Budgetary Resources</b>	<b>8,764,349</b>	<b>8,294,314</b>
<b>Liabilities Not Covered by Budgetary Resources</b>		
<b>Liabilities to the Public:</b>		
Unfunded payroll costs (Note 1Q)	438,998	280,260
Other unfunded liabilities	68,817	73,438
<b>Total Liabilities to the Public</b>	<b>507,815</b>	<b>353,698</b>
<b>Contingent Liabilities (Note 12)</b>	<b>565,470</b>	<b>-</b>
<b>Total Liabilities Not Covered by Budgetary Resources</b>	<b>1,073,285</b>	<b>353,698</b>
<b>Total Liabilities</b>	<b>9,837,634</b>	<b>8,648,012</b>
<b>Net Position</b>		
Unexpended Appropriations	5,101,190	4,414,229
Cumulative Results of Operations	17,843,300	18,149,395
Restricted Equity-Conservation and Reclamation Funds	15,789,128	14,714,250
<b>Total Net Position</b>	<b>38,733,618</b>	<b>37,277,874</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 48,571,252</b>	<b>\$ 45,925,886</b>

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 years ended September 30, 1997 and 1996**  
(dollars in thousands)

	1997	1996
<b>Expenses</b>		
<b>Operating Expenses (Note 13)</b>		
Natural Resources	\$ 5,522,773	\$ 4,982,775
Indian Affairs	2,157,106	2,045,314
Science	1,100,720	1,079,288
Other	469,269	430,090
<b>Total Operating Expenses</b>	<b>9,249,868</b>	<b>8,537,467</b>
<b>Other Expenses</b>		
Depreciation and Amortization	500,135	561,625
Net Loss on Disposition of Assets	28,188	74,501
Bad Debt Expense	(16,176)	40,486
Interest on Borrowing from Treasury	22,783	36,803
Other Interest Expense	12,896	18,903
Other Expenses	243,601	2
<b>Total Other Expenses</b>	<b>791,427</b>	<b>732,320</b>
<b>Deferred Maintenance (Note 14)</b>		
<b>Total Expenses</b>	<b>10,041,295</b>	<b>9,269,787</b>
<b>Revenues</b>		
<b>Sales of Goods and Services to the Public</b>		
Natural Resources	860,672	780,227
Indian Affairs	134,860	123,470
Science	129,309	119,585
Other	1,390	3,414
<b>Total Sales of Goods and Services to the Public</b>	<b>1,126,231</b>	<b>1,026,696</b>
<b>Sales of Goods and Services to Federal Agencies</b>		
Natural Resources	525,717	566,888
Indian Affairs	6,202	4,814
Science	204,860	212,257
Elimination of Intra-Department Activity and Other	(68,514)	(50,804)
<b>Total Sales of Goods and Services to Federal Agencies</b>	<b>668,265</b>	<b>733,155</b>
<b>Other Revenues</b>		
Interest - Federal	7,599	4,936
Interest, Penalties and Insurance Guarantee Premiums	58,701	56,744
Other Revenues	481,864	328,416
<b>Total Other Revenues</b>	<b>548,164</b>	<b>390,096</b>
<b>Total Revenues</b>	<b>2,342,660</b>	<b>2,149,947</b>
<b>NET COST OF OPERATIONS</b>	<b>\$ 7,698,635</b>	<b>\$ 7,119,840</b>

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 years ended September 30, 1997 and 1996**  
(dollars in thousands)

	1997	1996
<b>Change in Net Position</b>		
<b>Change in Net Position from Operations</b>		
<b>Net Cost of Operations</b>	\$ (7,698,635)	\$ (7,119,840)
<b>Financing Sources other than Revenue:</b>		
Appropriations Used - Current	8,376,254	8,035,475
Conservation Fund Revenues	1,041,996	1,058,005
Abandoned Mine Fees Collected	346,066	331,031
Imputed Financing Sources	286,612	5,874
Fines and Penalties	104,286	67,045
<b>Changes from Financing Sources other than Revenue</b>	10,155,214	9,497,430
<b>Custodial Activity</b>		
Collection of Custodial Revenue	6,364,851	5,061,396
Custodial Revenue Transferred to Others	(6,182,164)	(4,664,736)
<b>Net Change in Royalties to be Transferred</b>	(182,687)	(396,660)
<b>Net Change from Custodial Activity</b>	-	-
<b>Other Changes from Operations:</b>		
Transfers to Others - Conservation Funds	(195,991)	(175,468)
Other Transfers	(1,098,999)	(929,369)
Other Changes in Equity (Note 15)	39,707	(3,240,444)
<b>Other Net Changes from Operations</b>	(1,255,283)	(4,345,281)
<b>Net Results of Operations</b>	1,201,296	(1,967,691)
<b>Prior Period Adjustments (Note 15)</b>		
Prior Period Adjustments	(432,513)	(1,896,554)
Appropriations Used related to Prior Period Adjustments	-	2,450,287
<b>Change in Net Position from Operations</b>	768,783	(1,413,958)
<b>Other Changes in Net Position</b>		
Increase in Unexpended Appropriations	686,961	220,072
<b>Net Change in Net Position</b>	1,455,744	(1,193,886)
<b>Net Position - Beginning of Year</b>	37,277,874	38,471,760
<b>Net Position - End of Year</b>	\$ 38,733,618	\$ 37,277,874

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

**U.S. Department of the Interior**  
**Consolidated Statement of Custodial Activity**  
**for the years ended September 30, 1997 and 1996**

(dollars in thousands)

	1997	1996
<b>Collections on Behalf of the Federal Government</b>		
<b>Mineral Lease Collections</b>		
Rents and Royalties	\$ 4,891,647	\$ 4,264,540
Offshore Lease Sales	1,338,559	714,764
Other	48,588	1,078
<b>Total Mineral Lease Collections</b>	<b>6,278,794</b>	<b>4,980,382</b>
<b>Earnings on Escrow Investments</b>		
Interest Earned - Federal Investments	40,181	41,044
Amortized Discount on Federal Investments (Note 3)	45,876	39,970
<b>Total Earnings on Escrow Investments</b>	<b>86,057</b>	<b>81,014</b>
<b>Total Collections on Behalf of the Federal Government</b>	<b>\$ 6,364,851</b>	<b>\$ 5,061,396</b>
<b>Disposition of Collections</b>		
<b>Transferred to Others</b>		
Department of the Treasury	\$ 3,820,661	\$ 2,601,616
National Park Service Conservation Funds	1,046,980	1,046,906
States	684,908	546,892
Bureau of Reclamation	442,985	350,264
Indian Tribes and Agencies	53,954	41,218
Minerals Management Service Offshore Program	41,000	15,400
Other Federal Agencies	29,553	20,574
Other Transfers	62,123	41,866
<b>Total Transferred to Others</b>	<b>6,182,164</b>	<b>4,664,736</b>
<b>Increase in Collections Pending Transfer</b>	<b>182,687</b>	<b>396,660</b>
<b>Total Disposition of Collections</b>	<b>\$ 6,364,851</b>	<b>\$ 5,061,396</b>

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, 1997 and 1996

#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### *A. Reporting Entity*

The U.S. Department of the Interior (“Interior” or “the Department”) 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, the Department has responsibility for most of the nation’s publicly-owned lands and natural resources. The Department’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 U.S. Government with respect to American Indians and Alaska Natives.

The accompanying financial statements include all Federal funds under Interior control, including the Land and Water Conservation Fund, the Historic Preservation Fund and the Reclamation Fund. However, the financial statements do not include trust funds, trust related deposit funds or other related accounts which are administered, accounted for and maintained by the Department’s Office of Trust Funds Management on behalf of Native American Tribes and individuals. The Department 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 the Department.

##### *B. Organization and Structure of the Department*

At September 30, 1997, the Department of the Interior was comprised of nine bureaus or operating entities and the Office of the Secretary (“Bureaus”). For purposes of presentation, the bureaus and activities of the Department have been broadly classified into the following categories:

<u>Natural Resources:</u>	<i>National Park Service</i> <i>U.S. Fish and Wildlife Service</i> <i>Bureau of Land Management</i> <i>Bureau of Reclamation</i> <i>The Office of Surface Mining Reclamation and Enforcement</i> <i>Minerals Management Service</i>
<u>Science:</u>	<i>U.S. Geological Survey</i>
<u>Indian Affairs:</u>	<i>Bureau of Indian Affairs</i>
<u>Other:</u>	<i>Office of Insular Affairs</i> <i>Office of the Secretary</i>

The specific responsibilities and accomplishments of the bureaus are discussed in the Natural Resources, Science, Indian Affairs, Insular Affairs, and Departmental Management sections of this report. In addition, more detailed

information about the above bureaus and offices may be found in the individual audited financial reports prepared by bureau and office.

Two Bureaus were closed during fiscal year 1996. The National Biological Service is now the Biological Research Division of the U.S. Geological Survey. The U.S. Bureau of Mines was eliminated, however, its Helium Program was transferred to the Bureau of Land Management and its remaining programs and functions have been transferred to the U.S. Geological Survey, other federal agencies or eliminated.

### ***C. Basis of Presentation***

These consolidated financial statements have been prepared to report the financial position, the net cost of operations, the custodial activities, and the changes in net position of the Department of the Interior as required by the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. These financial statements have been prepared from the books and records of the Department in accordance with guidance issued by the Federal Accounting Standards Advisory Board (FASAB) and the Office of Management and Budget.

The accounting structure of Federal Government 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.

The accounting principles and standards applied in preparing the financial statements and described in this note are in accordance with the following hierarchy of accounting principles:

- Statements of Federal Financial Accounting Standards (SFFAS). These statements reflect the accounting principles, standards, and requirements recommended by the FASAB and approved by the Comptroller General of the United States, the Director of the Office of Management and Budget (“OMB”) and the Secretary of the Treasury;
- Interpretations of Statements of Federal Financial Accounting Standards;
- Form and content requirements for financial statements, as presented in OMB Bulletin No. 97-01, “Form and Content of Agency Financial Statements”; and
- The accounting principles and standards established by other authoritative standard setting bodies and other authoritative sources (a) in the absence of other guidance, and (b) if the use of such guidance improves the meaningfulness of the financial statements.

### ***D. Elimination of Intra-Department Transactions***

All identified intra-Department transactions have been eliminated from the Department’s consolidated financial statements.

### ***E. Revenues and Financing Sources***

Appropriations: The United States Constitution prescribes that funds must be made available by Congressional appropriation before they may be expended by a Federal agency. Most of the Department’s operating funds are in the form of Congressional appropriations. Additional funds are obtained through reimbursements for services

performed for other Federal agencies and the public, reimbursements for the cost of construction of capital assets and for the costs of operating and maintaining irrigation and water facilities, Abandoned Mine Land fees, land management program receipts, fish and wildlife program receipts, as well as fees and miscellaneous receipts derived from other Departmental programs.

**Exchange and Non-Exchange Revenue:** In accordance with Federal government accounting guidance, the Department 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, and other sales of goods and services. These revenues are presented on the Department’s Statement of Net Cost of Operations and serve to reduce the reported cost of Department 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 do not reduce the cost of Department operations and are reported on the Department’s Statement of Changes in Net Position.

With minor exceptions, all receipts of revenues by Federal agencies are processed through The U. S. Treasury Department’s central accounting system. All receipts that are not earmarked by law for a specific purpose are deposited in Treasury’s “General Fund Receipt” accounts, regardless of whether they derive from exchange or non-exchange transactions. These amounts not retained for use by the Department are reported as “transfers to other government agencies” on the Department’s Statement of Changes in Net Position.

**Imputed Financing Sources:** In certain cases, operating costs of the Department are paid by 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 the Department are paid from the Judgement Fund maintained by the U.S. Department of Treasury. When costs are paid by other agencies that are identifiable to the Department, and directly attributable to Department operations, the Department recognizes these amounts as operating expenses of the Department. In addition, the Department recognizes an “imputed financing source” on the Statement of Changes to indicate the funding of Department operations by other Federal agencies.

**Custodial Revenue:** The Department’s Royalty Management Program, administered by the Minerals Management Service, collects bonuses, rents, royalties, and other receipts from Federal and Indian Leases, and distributes all proceeds to the U.S. 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 revenues of the Department or of the Minerals Management Service.

#### ***F. Fund Balance with Treasury and Cash***

The Department 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 the Department’s records are reconciled with those of the U.S. Treasury on a regular basis. Note 2 provides additional information concerning Fund Balance with Treasury.

#### ***G. Investments***

The Department invests certain funds in U.S. Government and public securities on behalf of various Interior programs and for amounts held as custodian. Note 3 provides additional information concerning investments.



## ***H. Accounts Receivable***

Accounts Receivable consist of amounts owed to the Department by other Federal agencies and the public. Federal accounts receivable arise generally from the provision of goods and services to other Federal agencies and 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 the Department'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.

## ***I. Inventory***

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

## ***J. Property, Plant and Equipment***

Property, Plant and Equipment consists of land and buildings (used in operations); structures, facilities and improvements for power, irrigation, municipal and industrial water management, fish and wildlife enhancement, recreation, and flood control; automated data processing software; equipment and vehicles; bridges, trails and roads (Bureau of Indian Affairs); and construction in progress. In general, bureau policies state that equipment is capitalized at acquisition cost and is depreciated over its useful life using the straight-line method. The capitalization threshold for equipment is generally \$5,000.

Certain bureaus made significant changes to their property accounting and capitalization policies during fiscal years 1997, 1996 and 1995 in order to implement Statement of Federal Financial Accounting Standards (SFFAS) No. 6, "Accounting for Property, Plant and Equipment." Note 6 provides additional information concerning the Department's property, plant and equipment.

## ***K. Land***

The vast majority of public lands 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. In accordance with SFFAS No. 6, the Department assigns no financial value to the public land it administers. The Stewardship Assets section of this report and Note 7 provide additional information concerning land.

## ***L. Loans and Interest Receivable***

Loans are accounted for as receivables after the funds have been disbursed. For loans obligated prior to October 1, 1991, 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. For loans obligated on or after October 1, 1991, loans receivable are reduced by an allowance for estimated uncollectible amounts which is equal to the present value of the subsidy costs (using the interest rate differential between loans receivable and Treasury borrowings), estimated delinquencies and defaults net of recoveries, the offset from fees, and other estimated cash flows associated with these loans. Note 8 provides additional information concerning loans receivable.

## ***M. Available from Contract Authority***

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.

***N. Unmatured Timber Sales Contracts***

Unmatured Timber Sales Contracts represent the obligation and the right of contractors to cut specific quantities of timber within a defined time period at a set price. These contracts between contractors and the Bureau of Land Management represent potential revenue to the U.S. Government that will materialize in future accounting periods as contracts are fulfilled.

***O. General Investigation Costs***

General Investigation Costs 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.

***P. Liabilities and Contingent Liabilities***

Liabilities represent the amount of monies or other resources that are likely to be paid by the Department as the result of a transaction or event that has already occurred. The financial statements should be read with the realization that they are for 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 more simply “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. The Department recognizes contingent liabilities when the liability is probable and reasonably estimable. In accordance with government accounting guidance, the liability for future clean-up of environmental hazards is “probable” only when the government is legally responsible for creating the hazard. Thus, expected future payments for the clean-up of environmental hazards caused by others are not recognized as liabilities by the Department. Rather, these payments arise out of the Department’s sovereign responsibility to protect the health and safety of the public, and are recognized in the accounting records as remediation work is performed. See Note 12 for additional information regarding contingent liabilities.

***Q. Personnel Compensation and Benefits***

Annual leave is accrued as it is earned by employees and is included in personnel compensation and benefits 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 the Department as of the date of the financial statements. Sick leave and other types of leave are expensed when used, and no future liability is recognized for these amounts.

Office of Worker’s Compensation Program Chargeback and unemployment compensation insurance are funded from current appropriations when paid. An unfunded liability is recognized for amounts to be paid in the future for current worker’s compensation and unemployment compensation insurance.

Department of the Interior employees participate in the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), which became effective on January 1, 1987. Most Department 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.

The Department makes matching contributions to CSRS on behalf of CSRS employees. 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, the Department 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 the Department.

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 Department employees.

### ***R. Federal Government Transactions***

The Department'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 the Department 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 the Department, 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.

### ***S. Undistributed Royalty Collections***

These amounts represent the custodial liability of Minerals Management Service to royalty recipients for cash, accounts receivable and investments held pending distribution.

### ***T. Undistributed Special Receipt Fund Collections***

The Bureau of Land Management's undistributed special receipt fund collections are not available for use except by appropriation or other statutory authority. These receipts are earmarked by law for a specific purpose and typically arise from sales of public lands, sales of timber, fees and commissions and other charges for services provided to users of public lands. They will be distributed as specified by law.

### ***U. Income Taxes***

As an agency of the U.S. Government, the Department is exempt from all income taxes imposed by any governing body, whether it be a Federal, State, Commonwealth, local or foreign government.

### ***V. Comparative Data***

Audited comparative data for fiscal year 1996 has been presented in order to provide an understanding of changes in financial position and operations of the Department. Certain prior year amounts have been restated to conform to current year presentation. See Note 15 for additional information.

**NOTE 2. FUND BALANCE WITH TREASURY****A. Current Assets**

The U.S. Department of the Treasury performs cash management activities for all government agencies. The Fund Balance with Treasury under Current Assets represents the right of the Department to draw on the U.S. Treasury for allowable expenditures. Obligated funds are designated either for goods and services ordered but not received, or for goods received and not yet paid. Unobligated funds are available for new obligations, however there may be restrictions placed on their availability.

## Fund Balance with Treasury

(dollars in thousands)	Unobligated			1997	1996
	Obligated	Available	Unavailable		
Natural Resources:					
National Park Service	\$ 554,633	\$ 388,158	\$ 69,928	\$ 1,012,719	\$ 877,432
U.S. Fish and Wildlife Service	290,424	156,832	309,966	757,222	664,457
Bureau of Land Management	214,337	243,744	179,656	637,737	611,797
Bureau of Reclamation	320,698	375,047	-	695,745	611,190
Office of Surface Mining	34,603	1,223	15,840	51,666	81,747
Minerals Management Service	69,838	2,634	3,561	76,033	56,240
Total Natural Resources	1,484,533	1,167,637	578,952	3,231,122	2,902,863
Science	158,902	18,320	31,320	208,542	187,414
Indian Affairs	411,083	417,575	(1,625)	827,033	883,374
Other Programs	275,789	356,645	4,120	636,554	589,332
Total Fund Balance with Treasury	\$ 2,330,307	\$ 1,960,177	\$ 612,767	\$ 4,903,251	\$ 4,562,983

**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.

**NOTE 3. INVESTMENTS****A. Current Assets**1. Investments in Treasury Securities

The Office of Surface Mining, the Fish and Wildlife Service, the Bureau of Indian Affairs, the Office of the Secretary and the National Park Service invest funds in certain U.S. Government and public securities on behalf of various Department of the Interior programs.

## Treasury Securities as of September 30, 1997

(dollars in thousands)	Face Value	Unamortized Discount	Net Book Value
Office of Surface Mining	\$ 1,554,515	\$ (29,152)	\$ 1,525,363
U.S. Fish and Wildlife Service	471,973	(729)	471,244
Office of the Secretary	61,749	(1,851)	59,898
Bureau of Indian Affairs	11,695	(155)	11,540
National Park Service	65	-	65
Total Treasury Securities	2,099,997	(31,887)	2,068,110

## Treasury Securities as of September 30, 1996

(dollars in thousands)	<b>Face Value</b>	<b>Unamortized Discount</b>	<b>Net Book Value</b>
Office of Surface Mining	\$ 1,426,350	\$ (25,776)	\$ 1,400,574
U.S. Fish and Wildlife Service	501,919	(14,578)	487,341
Office of the Secretary	45,459	(1,145)	44,314
Bureau of Indian Affairs	12,445	(17)	12,428
National Park Service	65	0	65
<b>Total Treasury Securities</b>	<b>\$ 1,986,238</b>	<b>\$ (41,516)</b>	<b>\$ 1,944,722</b>

*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 the U.S. Treasury. Surface Mining has authority to invest AML trust funds in U.S. 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. However, effective in fiscal year 1996, the Office of Surface Mining is required to transfer annually up to \$70 million in interest earned from the invested AML trust funds to the United Mine Workers of America Combined Benefit Fund. These investment proceeds are then used to provide health benefits for certain eligible retired coal miners and their dependents.

*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. The Appropriations Act of 1951 authorizes amounts equal to revenues credited during the year to be used in the subsequent fiscal year and recorded as "permanent appropriations to remain available until expended." The FWS investment amount does not include fiscal year 1997 collections held by Treasury for reporting in subsequent years.

*Office of the Secretary:* Effective with fiscal year 1994, the Office of the Secretary was delegated responsibility for investing funds contributed to the Utah Reclamation Mitigation and Conservation Account.

*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 U.S. Treasury Bills and Notes.

*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 premium or (discount) is calculated by Treasury at the time of the purchase.

## 2. Investments in Public Securities

The BIA is authorized by law to invest irrigation and power receipts in U.S. Government and public securities. Investments in Public Securities consist of Certificates of Deposit from insured institutions and other securities consisting mainly of 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 public securities reflect investments held by the BIA's Power and Irrigation program as of September 30, 1997 and 1996 and are recorded at cost.

### B. Assets Held on Behalf of Others

Pursuant to Section 7 of the Outer Continental Shelf Lands Act, the Minerals Management Service is authorized to invest receipts from Outer Continental Shelf leases having boundary disputes in government securities. The current investment amount results from an ongoing boundary dispute with the State of Alaska dating back to 1969.

#### Escrow Investments Held by Minerals Management Service

(dollars in thousands)	1997		1996	
Cost	\$	1,621,472	\$	1,497,561
Amortized Discount		45,876		39,970
Net Book Value	\$	1,667,348	\$	1,537,531

## NOTE 4. ACCOUNTS RECEIVABLE

### A. Current Assets

Public, Net of Allowance for Doubtful Accounts: Accounts receivable due to the Department 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 the Department 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 -- Public

(dollars in thousands)	Unbilled	Current	Past Due Accounts			Allowance for Doubtful Accounts	1997	1996
			1-90 days	91-1yr	Over 1 yr			
Natural Resources:								
National Park Service	\$ 1,820	\$ 6,452	\$ 389	\$ 28	\$ 1,406	\$ (894)	\$ 9,201	\$ 8,001
U.S. Fish and Wildlife Service	3,210	3,612	454	664	134	(22)	8,052	6,063
Bureau of Reclamation	(1,128)	38,452	1,408	73,204	72,337	(84,763)	99,510	93,765
Bureau of Land Management	1,337	1,583	441	1,064	2,055	(3,474)	3,006	1,801
Minerals Management Service	-	327	-	-	-	-	327	1,663
Office of Surface Mining	-	1,256	1,158	2,053	19,077	(20,218)	3,326	14,286
Total Natural Resources	5,239	51,682	3,850	77,013	95,009	(109,371)	123,422	125,579
Science	54,635	9,898	4,635	3,904	5,928	(8,926)	70,074	66,426
Indian Affairs	-	1,192	1,297	982	26,966	(19,027)	11,410	12,874
Other Programs	-	25,726	8	34	62	-	25,830	1,628
Total Accounts Receivable - Public	\$ 59,874	\$ 88,498	\$ 9,790	\$ 81,933	\$ 127,965	\$ (137,324)	\$ 230,736	\$ 206,507

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. Unbilled receivables reflect work performed to date on long term agreements. The receivable will be billed either at the completion of the project or at agreed upon milestones.

## Accounts Receivable -- Federal

(dollars in thousands)	Unbilled	Current	Past Due Accounts			Allowance for Doubtful Accounts	1997	1996
			1-90 days	91-1yr	Over 1 yr			
Natural Resources:								
National Park Service	\$ 10,325	\$ 3,949	\$ 1,198	\$ 501	\$ 403	\$ -	\$ 16,376	\$ 17,794
U.S. Fish and Wildlife Service	1,900	336,168	1,374	358	110	-	339,910	257,451
Bureau of Reclamation	18,787	797	134	28	85	-	19,831	18,263
Bureau of Land Management	8,463	213	271	231	2	-	9,180	13,818
Minerals Management Service	-	2,905	-	-	-	-	2,905	154
Office of Surface Mining	-	8,569	-	-	-	-	8,569	12,147
Total Natural Resources	39,475	352,601	2,977	1,118	600	-	396,771	319,627
Science	58,450	10,678	2,737	2,659	6,135	(1,899)	78,760	96,384
Indian Affairs	1,252	27	-	-	-	-	1,279	3,837
Other Programs	-	20,772	-	-	-	-	20,772	30,116
Total Accounts Receivable - Federal	\$ 99,177	\$ 384,078	\$ 5,714	\$ 3,777	\$ 6,735	\$ (1,899)	\$ 497,582	\$ 449,964

**B. Other Assets and Assets Held on Behalf of Others**

Non-Current and Unmatured 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" (See Note 10).

**NOTE 5. INVENTORY**

## Inventory

(dollars in thousands)	1997	1996
Natural Resources		
Helium Held for Sale	\$ 3,900	\$ 6,072
Seized Property for Sale	5,027	5,036
Other Natural Resources Inventory	-	2,229
Science		
Published Maps Held for Sale	15,478	9,241
Hydrologic Equipment	-	5,180
Other Science Inventory	2,068	1,584
Other	645	709
Total Inventory	\$ 27,118	\$ 30,051

**A. Current Assets**

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. This inventory consists of approximately 85 thousand map titles as well as books and similar products.

With the closure of the Bureau of Mines, the Department's helium inventory was transferred to the Bureau of Land Management. Helium held for sale includes above-ground refined helium plus that portion of helium in underground storage estimated to be sold in the following fiscal year.

**B. Other Assets**

The helium stockpile inventory is stored underground in a partially depleted natural gas reservoir. 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 native gas and the stockpiled helium.

**NOTE 6. PROPERTY, PLANT AND EQUIPMENT**

The capitalization and depreciation policies for property, plant and equipment are determined by individual Department Bureaus. In general, equipment is capitalized at acquisition cost and is depreciated over its useful life using the straight-line method. The capitalization threshold for equipment is generally \$5,000.

Certain bureaus made significant changes to their property accounting and capitalization policies during fiscal years 1997, 1996 and prior in order to implement 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 the section on Stewardship Assets at page 115, consists of public domain land and heritage assets, such as national monuments and historic sites, which are expected to be maintained by the Department in perpetuity for the benefit of current and future generations. The impact of these changes includes reducing the reported financial value of public domain land and other stewardship assets to zero and implementing depreciation of property, especially real property, not previously depreciated. See Note 14 for additional discussion of these changes.

## Property, Plant, and Equipment

(dollars in thousands)	Land & Buildings	Dams & Other Structures	Vehicles Equipment & Aircraft	Other Plant & Equipment	Accumulated Depreciation	1997	1996
Natural Resources:							
National Park Service	\$ 273,945	\$ 1,086,681	\$ 287,553	\$ -	\$ (371,452)	\$ 1,276,727	\$ 1,241,435
U.S. Fish and Wildlife Service	394,963	540,923	117,390	-	(411,003)	642,273	680,639
Bureau of Land Management	101,846	86,088	256,473	2,987	(220,215)	227,179	273,939
Bureau of Reclamation	28,124	20,331,243	159,815	-	(7,353,593)	13,165,589	13,260,660
Office of Surface Mining	-	-	10,166	-	(4,617)	5,549	5,393
Minerals Management Service	-	-	28,291	-	(11,080)	17,211	13,251
Total Natural Resources	798,878	22,044,935	859,688	2,987	(8,371,960)	15,334,528	15,475,317
Science	98,836	13,071	336,230	-	(263,639)	184,497	134,220
Indian Affairs	1,492,720	761,775	160,743	-	(1,160,168)	1,255,070	918,852
Other Programs	-	110,710	26,798	-	(8,168)	129,340	23,751
Net Property, Plant and Equipment	\$ 2,390,433	\$ 22,930,491	\$ 1,383,459	\$ 2,987	\$ (9,803,935)	\$ 16,903,435	\$ 16,552,140



## NOTE 7. STEWARDSHIP 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 657 million acres, or about 29 percent of the total 2.3 billion acres in the United States. Of the 657 million acres under Federal control, approximately 429 million acres are administered by the Department of Interior, principally by the Bureau of Land Management, the Fish and Wildlife Service, and the National Park Service.

The Bureau of Land Management (BLM) has exclusive jurisdiction for about 40 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. Finally, most of the public lands are 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 more than 500 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 77 million acres, or about 12 percent of the Federally owned lands. The National Park System encompasses 375 park units in 49 States, the District of Columbia, Puerto Rico, the Virgin Islands, Guam and the Northern Mariana Islands.

For additional discussion of stewardship assets, including stewardship land, see page 115.

## NOTE 8. LOANS AND INTEREST RECEIVABLE

### Loans and Interest Receivable

(dollars in thousands)	1997	1996
Direct and Guaranteed Loans		
Credit Reform Loans	\$ 142,633	\$ 120,534
Liquidating Loans	202,194	232,391
Direct and Guaranteed Loans	344,827	352,925
Allowance for Doubtful Accounts	(133,047)	(71,231)
Loans, Net of Allowance for Doubtful Accounts	211,780	281,694
Other Interest Receivable from the Public	11,327	2,660
Loans and Interest Receivable	\$ 223,107	\$ 284,354

The Bureau of Reclamation, the Bureau of Indian Affairs and the National Park Service administer loan programs. Loans are accounted for as receivables after the funds are disbursed.

Reclamation's loan programs provide Federal assistance to organizations wishing to construct or improve water resources development in the West. The Bureau of Indian Affairs provides direct and guaranteed loans to Indian

tribes and organizations, Indian individuals, and Alaska Natives for economic development purposes. The Indian Affairs 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.

Pursuant to the Wolf Trap Farm Park Act, the Wolf Trap Foundation for the Performing Arts and the National Park Service amended their cooperative agreement to set up a repayment schedule of loan principal to the Foundation totaling \$8 million. The Wolf Trap loan balance is currently \$6.5 million. The monies received for repayment 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.

Direct loans and loan guarantees made during and after fiscal year 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 the U.S. 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 the Department. However, these fund assets are not available for use by the Department until funds have been appropriated by Congress.

The Land and Water Conservation Fund and the Historic Preservation Fund are administered by the National Park Service. Both funds receive 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, the Land and Water Conservation Fund receives additional monies from sales of federal assets by the General Services Administration and other sources.

The balances in these accounts and annual year appropriations out of these accounts at September 30, 1997 and 1996 are as follows:

Restricted Assets			
(dollars in thousands)	1997		1996
<b>Conservation Funds</b>			
Land and Water Conservation Fund	\$ 11,861,426	\$	11,128,809
Historic Preservation Fund	2,210,278		2,096,890
<b>Reclamation Fund</b>	<b>3,078,129</b>		<b>2,871,036</b>
<b>Total Assets - Conservation and Reclamation Funds</b>	<b>\$ 17,149,833</b>	<b>\$</b>	<b>16,096,735</b>

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 Reclama-

tion 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.

## 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

The Department'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)	1997	1996
Helium Fund	\$ 1,357,204	\$ 1,365,204
Credit Reform Borrowings	78,304	55,529
<b>Total Notes Payable to Treasury</b>	<b>\$ 1,435,508</b>	<b>\$ 1,420,733</b>

### A. Helium Fund - Bureau of Land Management

#### Notes Payable to Treasury from the Helium Fund

(dollars in thousands)	1997	1996
<b>Principal:</b>		
Net Worth Debt	\$ 37,343	\$ 37,343
Additional Borrowing from Treasury	251,650	251,650
<b>Total Principal</b>	<b>288,993</b>	<b>288,993</b>
<b>Interest:</b>		
Beginning Balance	1,076,211	1,084,211
Repayments	(8,000)	(8,000)
<b>Ending Balance</b>	<b>1,068,211</b>	<b>1,076,211</b>
<b>Notes Payable to Treasury - Helium Fund</b>	<b>\$ 1,357,204</b>	<b>\$ 1,365,204</b>

The Helium Fund was established in the late 1950's and early 1960's to ensure that the 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 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-government nature of the loan, unless the loan is forgiven, the funds for repayment to the U.S. 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.

The Helium Privatization Act of 1996, enacted October 9, 1996, directs the privatization of the Department's helium refining program. Under this law, the Department will cease producing, refining and marketing refined helium within 18 months of enactment. In addition, the sale of the Department's stockpile of helium will commence no later than January 1, 2005 (see also Note 17, Discontinuation of Helium Program).

Net Worth Debt reported in the table above reflects the amount recorded by Treasury for the net worth capital and retained earnings of the Helium Fund, plus any monies expended thereafter by the Department of the 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 are now delinquent.

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 the U.S. 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 of the Interior is a party to various administrative proceedings, legal actions, and tort claims which may ultimately result in settlements or decisions adverse to the Federal government. The Department 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, some payments may be from the Judgment Fund maintained by the U.S. Department of Treasury rather than from amounts appropriated to the Department for Departmental operations. These amounts are treated as liabilities or potential liabilities of the Department until such time as the payment

### ***A. Environmental Hazards***

The Department of the Interior is subject to Federal, state, and local 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 such contamination resulted. The major federal laws covering environmental contamination as related to the Department 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.

The Department is the Federal agency with 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, the Department is faced with many hazardous waste clean-up situations. The hazards include chemical hazards

such as drums of toxic chemicals and soil and water contaminated by chemicals, and physical hazards such as open mine shafts.

The Department has an active program to track hazardous sites, secure the affected areas, and begin clean-up of priority areas. However, the vast expense of Department lands prevents an acre by acre review, so the exact total number of sites and a firm statement of cleanup 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.

The Department has recognized an estimated liability of \$225 million for sites where the Department created or contributed to the hazard, and the environmental cleanup liability probable and reasonably estimable. This estimate includes either the expected future clean-up costs, or for those sites where future liability is unknown, the cost of study necessary to evaluate cleanup requirements. The Department's total contingent liability for environmental cleanup of sites, including those where liability is considered reasonably possible and cases in litigation, may be \$315 million or greater. The estimated liability excludes estimates of future mineral site restorations discussed below which the Department will voluntarily undertake remediation without legal responsibility to do so.

In addition to a limited number of cases where the Department may have created or contributed to the hazard discussed above, hazardous conditions on public lands for which the Department might fund clean up 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
- 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 United States Government for Indians and Indian Tribes.

At the direction of the Department and the Bureau of Indian Affairs, a national accounting firm has conducted a five-year project to reconcile tribal trust fund account activity over the 20 year period beginning in 1972. The report of this reconciliation indicates that while there is no evidence that funds have been lost or stolen, the method of record keeping over the last several decades is not sufficient to reconstruct all activity or to permit a complete reconciliation of the Tribal trust accounts. The Department has presented to Congress a report that outlines proposed legislative settlement options for resolving disputed balances in Tribal trust accounts. Consultations with Tribes are presently underway to reach a resolution of the issue.

The reconciliation project and the Department's report to Congress did not address similar issues regarding trust accounts held for individual Indians. In 1996, certain parties brought a class action lawsuit against the Secretary of the Interior, the Assistant Secretary for Indian Affairs and the Secretary of the Treasury alleging breach of trust with respect to the United States' handling of Individual Indian Money trust fund accounts. Counsel for the plaintiffs and the Government are currently negotiating the resolution of this matter.

No estimate is made at this time as to any financial liability that may result from the resolution of the Tribal reconciliation, the individual Indian class action lawsuit and any other related claims. However, it is likely that any settlement will be paid out of funds appropriated by Congress for that purpose.

### C. Other Contingent Liabilities

The Bureau of Indian Affairs and the Bureau of Reclamation are each defendants in certain litigation where the amounts claimed are in excess of \$1 billion. The ultimate outcome of these cases cannot be predicted at this time. Additionally, the Department is party to a number of lawsuits and other actions where monetary amounts are sought from the Department. In less than ten of these cases, judgments have been issued against the Department, totaling approximately \$340 million. Although appeals are ongoing, the Department has recognized a contingent liability for this amount. Any cash settlements are expected to be paid out of the Judgment Fund maintained by the Department of the Treasury rather than from operating resources of the Department (except that any suits brought through the Contract Disputes Act of 1978 will require reimbursement of the Judgment Fund from current agency appropriations). In the opinion of management, the resolution of these other matters will not have a material impact on Department operations or financial position.

## NOTE 13. OPERATING EXPENSES

### Operating Expenses

(dollars in thousands)	Natural Resources	Science	Indian Affairs	Other	1997	1996
Salaries and Benefits	\$ 2,623,841	\$ 636,082	\$ 516,374	\$ 104,515	\$ 3,880,812	\$ 3,436,910
Contractual Services	911,562	174,627	910,092	75,483	2,071,764	2,101,387
Grant, Subsidies and Contributions	1,106,741	72,911	540,285	301,542	2,021,479	1,882,559
Rent, Communication and Utilities	228,388	89,810	46,421	18,270	382,889	389,265
Supplies and Materials	250,315	39,635	54,901	-	344,851	291,719
Travel and Transportation	140,913	37,321	34,036	-	212,270	185,447
Printing & Reproduction	20,678	4,561	1,259	-	26,498	19,427
Acquisition of Non-Capitalized Property	120,482	46,336	54,263	728	221,809	223,263
Acquisition of Stewardship Property	74,345	-	-	-	74,345	-
Other expenses	101,601	1,048	(525)	201,770	303,894	304,611
Intra-Segment & Intra-Department Eliminations	(56,093)	(1,611)	-	(233,039)	(290,743)	(297,121)
<b>Total</b>	<b>\$ 5,522,773</b>	<b>\$ 1,100,720</b>	<b>\$ 2,157,106</b>	<b>\$ 469,269</b>	<b>\$ 9,249,868</b>	<b>\$ 8,537,467</b>

By law, the Department 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 the Department 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 Department operations, including payment of claims and litigation by the Department of Treasury's Judgment Fund, and the partial funding of retirement benefits by the Office of Personnel Management. In fiscal year 1997 in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 4, "Managerial Cost Accounting," the Department began recognizing identified costs paid for the Department by other agencies as expenses of the Department. The funding for these costs is reflected as "imputed financing sources" on the Statement of Changes in Net Position. The table above includes approximately \$287 million of expenses paid by other agencies on behalf of the Department.

## NOTE 14. DEFERRED MAINTENANCE

The Department of the Interior's public buildings, structures, and other facilities include some deteriorating facilities for which maintenance and repair have not been funded and implemented efficiently and effectively. 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 morale and productivity of employees, 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. Accordingly, there is a potential liability for deferred maintenance costs.

The Department, through the Bureau of Reclamation and the Bureau of Indian Affairs, is responsible for the management and maintenance of several hundred dams and reservoirs. Over half of these facilities were constructed between 1900 and 1950 and the continued safe operation of this aging infrastructure is a high priority of the Department. The Department has identified those structures that would place the public at risk if they were to fail, and has embarked on a program to detect and analyze dam safety problems, install early warning systems and make the repairs needed to mitigate structural deficiencies and risks.

## NOTE 15. COMPARATIVE DATA

Audited comparative data for fiscal year 1996 has been presented in order to provide an understanding of changes in financial position and operations of the Department. Certain changes have been made to prior year data to reflect current standards and presentation. These changes include the reclassification of \$2.79 billion from "Decrease in Invested Capital" to "Other Changes in Equity" on the Statement of Changes in Net Position. This change reflects the adoption of new accounting standards by the Department to comply with Statement of Federal Financial Accounting Standards (SFFAS) No. 7, "Accounting for Revenue and Other Financing Sources." Under previous accounting standards, Federal agencies identified cumulative equity related to fixed assets as a separate account in the general ledger, and reported net changes to this account on the Statement of Changes. Under new accounting standards, equity resulting from the ownership of fixed assets is not uniquely identified and "changes in invested capital" are no longer reported.

Prior Period Adjustments are used to reflect in the current period the retroactive impact of newly adopted accounting standards and policies. The most significant of these result from the implementation, primarily in 1996 and prior, of Statement of Federal Financial Accounting Standards (SFFAS) No. 6, "Accounting for Property, Plant and Equipment." SFFAS No. 6 changes the reporting of Stewardship Assets and requires that depreciation be recognized for all general property, plant and equipment. This standard recognizes that Stewardship Assets, including public domain land, and monuments and other heritage assets, do not have an identifiable or meaningful financial value, therefore no amount should be reported for these assets in the financial statements. This standard is required to be implemented no later than fiscal year 1998 with early implementation encouraged. See Notes 6 and 7 for additional information.

In 1997, the Department adopted SFFAS No. 5, "Accounting for Liabilities of the Federal Government." Accordingly, during 1997, the Department recognized existing contingent liabilities for litigation and environmental clean-up responsibilities that were determined to meet the criteria of "probable and reasonably measurable" as defined by the standard. See Note 12, Contingent Liabilities, for additional information.

In addition, in 1996, the Bureau of Reclamation reviewed the accounting treatment of various equity accounts, resulting in certain accounting corrections. Other restatements reflect significant changes in the presentation of prior year data to conform to the current year presentation.

## Prior Period Adjustments

(dollars in thousands)	1997	1996
Changes in Accounting Policy		
Recognition of Contingent & Environmental Liabilities	\$ 284,841	\$ -
Accounting for Property	98,888	2,526,347
Restatement of Equity Accounts	61,683	(658,955)
Adjustments to Property	(21,469)	-
Other Changes	8,570	29,162
<b>Total Prior Period Adjustments</b>	<b>\$ 432,513</b>	<b>\$ 1,896,554</b>

**NOTE 16. INDIAN TRUST FUNDS (UNAUDITED)**

The Department of the Interior has fiduciary responsibility for approximately \$2.9 billion dollars held in trust on behalf of over 300,000 American Indian Tribes and Individual Indian accounts. Approximately 315 Tribes have an interest in the \$2.4 billion Tribal Fund which accounts for 83% of the Indian Trust Funds. The remainder of the trust funds (\$499 million) are in about 317 thousand individual Indian accounts and other special trust funds, including the Alaska Native Escrow Fund. The Individual Indian Monies (IIM) Fund is primarily a deposit fund for individuals as well as estates, Tribes and other organizations which may have a fiduciary interest in the trust funds. A major portion of the Tribal Fund consist of judgment awards while IIM Fund source of income is derived from royalties on natural resource depletion, land use agreements, enterprises having a direct relationship to the trust resources, per capital payments, and investment income. The assets held in trust for Native Americans are owned by the trust beneficiaries and are not Federal assets. Therefore, these amounts are not reflected in the Consolidated Financial Statements of the Department included in this report.

The Tribal and IIM Trust Funds are managed by the Department's Office of the Special Trustee. The Special Trustee reports directly to the Secretary and is accountable for management and oversight of the Indian trust fund assets.

A summary of the Tribal and Individual Indian Assets, Trust Fund Balances and Changes in Trust Fund Balances is presented on the following page. These amounts do not include trust land managed by the Department.



Tribal and Other Special Trust Funds  
Statement of Assets and Trust Fund Balances (Unaudited)  
as of September 30, 1997  
(dollars in thousands)

<b>ASSETS</b>	
<b>Current Assets</b>	
Cash with U.S. Treasury	\$ (743)
Investments	2,403,109
<b>TOTAL ASSETS</b>	<b>\$ 2,402,366</b>
<b>TRUST FUND BALANCES, held for Indian Tribes and Other Special Trust Funds.</b>	
	<b>\$ 2,402,366</b>

Tribal and Other Special Trust Funds  
Statement of Changes in Trust Fund Balances (Unaudited)  
for the period ending September 30, 1997  
(dollars in thousands)

Receipts	\$ 619,770
Disbursements	(453,014)
Receipts in Excess of Disbursements	166,756
Trust Fund Balances, beginning of year	2,235,610
Trust Fund Balances, end of year	<b>\$ 2,402,366</b>

Individual Indian Monies Trust Funds  
Statement of Assets and Trust Fund Balances (Unaudited)  
as of September 30, 1997  
(dollars in thousands)

<b>ASSETS</b>	
<b>Current Assets</b>	
Cash with U.S. Treasury	\$ (6,813)
Investments	505,848
<b>TOTAL ASSETS</b>	<b>\$ 499,035</b>
<b>TRUST FUND BALANCES, held for Indian Tribes and Other Special Trust Funds.</b>	
	<b>\$ 499,035</b>

Individual Indian Monies Trust Funds  
Statement of Changes in Trust Fund Balances (Unaudited)  
for the period ending September 30, 1997  
(dollars in thousands)

Receipts	\$ 548,280
Disbursements	(547,806)
Receipts in Excess of Disbursements	474
Trust Fund Balances, beginning of year	498,561
Trust Fund Balances, end of year	<b>\$ 499,035</b>

**NOTE 17. DISCONTINUATION OF HELIUM PROGRAM**

The Helium Privatization Act of 1996 (Public Law 104-273), enacted October 9, 1996, directs the privatizing of the Department of the Interior's Federal Helium Refining Program. Under this law, Interior shall cease producing, refining, and marketing refined helium within 18 months of enactment. Interior may store, transport, and withdraw crude helium and maintain and operate crude helium storage facilities in existence on the date of enactment. The Department 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 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.

**NOTE 18. WORKING CAPITAL FUNDS**

The Department of Interior has four working capital funds which are 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 are established in the Bureau of Reclamation, Office of the Secretary, Bureau of Land Management, and U.S. Geological Survey and operate as revolving funds. The costs of providing services and operating the funds are fully recovered from customers. The major working capital fund customers are Department bureaus and offices and other Federal agencies, however, some services are provided to States, and nongovernment 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, financial, and accounting services. The services provided by the working capital funds are usually those which may be performed more advantageously on a reimbursable basis.

The following condensed information about assets, liabilities, and net position of the four Department working capital funds is summarized for the fiscal years ended September 30, 1997 and 1996. The financial information presented includes intra-Department transactions.

U.S. Department of the Interior  
Supplemental Statement of Financial Position  
Combined Working Capital Fund  
at September 30, 1997  
(dollars in thousands)

	Bureau of Reclamation	Bureau of Land Management	U.S. Geological Survey	Departmental Offices	TOTAL
<b>ASSETS</b>					
Fund Balance with Treasury and Cash	\$ 100,330	\$ 21,603	\$ 35,067	\$ 30,343	\$ 187,343
Accounts Receivable	5,816	264	10,295	6,563	22,938
Property Plant & Equipment	39,262	49,330	1,047	18,014	107,653
Other Assets	161	350	-	644	1,155
<b>TOTAL ASSETS</b>	<b>\$ 145,569</b>	<b>\$ 71,547</b>	<b>\$ 46,409</b>	<b>\$ 55,564</b>	<b>\$ 319,089</b>
<b>LIABILITIES AND NET POSITION</b>					
<b>Liabilities to the Public:</b>					
Accounts Payable and Other	\$ 15,894	\$ 556	\$ 1,973	\$ 13,657	\$ 32,080
<b>Liabilities to Federal Agencies:</b>					
Amounts Payable to Treasury and Other	2,265	5	6	4,242	6,518
Other Liabilities to Federal Agencies	3,727	-	29,430	6,935	40,092
<b>Total Liabilities</b>	<b>21,886</b>	<b>561</b>	<b>31,409</b>	<b>24,834</b>	<b>78,690</b>
<b>Net Position</b>					
Unexpended Appropriations	-	-	397	-	397
Cumulative Results of Operations	123,683	70,986	14,603	30,730	240,002
<b>Total Net Position</b>	<b>123,683</b>	<b>70,986</b>	<b>15,000</b>	<b>30,730</b>	<b>240,399</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 145,569</b>	<b>\$ 71,547</b>	<b>\$ 46,409</b>	<b>\$ 55,564</b>	<b>\$ 319,089</b>

U.S. Department of the Interior  
Supplemental Statement of Operations  
Combined Working Capital Fund  
for the year ended September 30, 1997  
(dollars in thousands)

	Bureau of Reclamation	Bureau of Land Management	U.S. Geological Survey	Departmental Offices	TOTAL
<b>Expenses</b>					
Operating Expenses	\$ 289,947	\$ 17,295	\$ 48,483	\$ 85,042	\$ 440,767
Depreciation and Amortization	3,547	-	155	289	3,991
Net Loss on Disposition of Assets	484	(746)	-	1,173	911
Bad Debt Expense	-	-	-	-	-
Other Expenses	-	1	10	290	301
<b>Total Expenses</b>	<b>293,978</b>	<b>16,550</b>	<b>48,648</b>	<b>86,794</b>	<b>445,970</b>
<b>Revenues</b>					
Sales of Goods and Services to the Public	276,184	16,037	47,363	85,201	424,785
Sales of Goods and Services to Federal Agencies	35,256	-	-	1,390	36,646
Other Revenues	50	3,136	1,726	-	4,912
<b>Total Revenues</b>	<b>311,490</b>	<b>19,173</b>	<b>49,089</b>	<b>86,591</b>	<b>466,343</b>
<b>NET COST OF (PROFIT FROM) OPERATIONS</b>	<b>\$ (17,512)</b>	<b>\$ (2,623)</b>	<b>\$ (441)</b>	<b>\$ 203</b>	<b>\$ (20,373)</b>

# Supporting Financial Information

Unaudited

**U.S. Department of the Interior**  
**Consolidating Statement of Financial Position**  
**September 30, 1997**  
(dollars in thousands)

	Fish and Wildlife Service	Bureau of Land Management	Minerals Management Service	National Park Service
<b>ASSETS</b>				
<b>Current Assets</b>				
Fund Balance with Treasury & Cash	\$ 758,185	\$ 638,267	\$ 76,042	\$ 1,013,416
Investments:				
Treasury Securities	471,244	-	-	65
Public Securities	-	-	-	-
Accounts Receivable:				
Public, Net of Allowance for Doubtful Accounts	8,052	3,006	326	9,201
Due from Federal Agencies	339,910	9,180	2,905	16,376
Inventory and Other	5,027	5,771	-	-
<b>Total Current Assets</b>	<b>1,582,418</b>	<b>656,224</b>	<b>79,273</b>	<b>1,039,058</b>
<b>Total Property, Plant and Equipment</b>	<b>642,273</b>	<b>227,179</b>	<b>17,212</b>	<b>1,276,727</b>
<b>Total Other Assets</b>	<b>27</b>	<b>459,780</b>	<b>-</b>	<b>6,476</b>
<b>Restricted Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Department Assets</b>	<b>2,224,718</b>	<b>1,343,183</b>	<b>96,485</b>	<b>2,322,261</b>
<b>Assets Held on Behalf of Others</b>				
Royalty Management:	-	-	2,497,175	-
Non-Royalty Management:	6	2,062	-	83,181
<b>Total Assets Held on Behalf of Others</b>	<b>6</b>	<b>2,062</b>	<b>2,497,175</b>	<b>83,181</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,224,724</b>	<b>\$ 1,345,245</b>	<b>\$ 2,593,660</b>	<b>\$ 2,405,442</b>
<b>LIABILITIES AND NET POSITION</b>				
<b>Liabilities</b>				
<b>Liabilities Covered by Budgetary Resources</b>				
<b>Liabilities to the Public:</b>				
Accounts Payable to the Public	\$ 44,582	\$ 39,983	\$ 13,045	\$ 79,588
Deferred Revenue	(86)	27,562	-	4,112
Escrow Investments	-	-	1,667,348	-
Advances and Deferred Credits and Other	5,969	96,050	9	5,507
<b>Total Liabilities to the Public</b>	<b>50,465</b>	<b>163,595</b>	<b>1,680,402</b>	<b>89,207</b>
<b>Liabilities to Federal Agencies:</b>				
Accounts Payable	6,708	2,964	4,573	472
Amounts Payable to Treasury	-	1,498,491	-	78,824
Undistributed Royalty Collections (Note 1S)	-	-	829,827	-
Deferred Revenue and Other	1,903	(3)	-	12,988
<b>Total Liabilities to Federal Agencies</b>	<b>8,611</b>	<b>1,501,452</b>	<b>834,400</b>	<b>92,284</b>
<b>Total Liabilities Covered by Budgetary Resources</b>	<b>59,076</b>	<b>1,665,047</b>	<b>2,514,802</b>	<b>181,491</b>
<b>Liabilities Not Covered by Budgetary Resources</b>				
Unfunded payroll costs (Note 1Q)	36,496	48,399	9,698	63,003
Other unfunded liabilities	-	-	-	-
Contingent Liabilities	103,000	14,525	156,500	5,630
<b>Total Liabilities Not Covered by Budgetary Resources</b>	<b>139,496</b>	<b>62,924</b>	<b>166,198</b>	<b>68,633</b>
<b>Total Liabilities</b>	<b>198,572</b>	<b>1,727,971</b>	<b>2,681,000</b>	<b>250,124</b>
<b>Net Position</b>				
Unexpended Appropriations	1,329,178	374,265	61,639	864,961
Cumulative Results of Operations (Note 14)	696,974	(756,991)	(148,979)	1,290,357
Restricted Equity-Conservation Funds	-	-	-	-
<b>Total Net Position</b>	<b>2,026,152</b>	<b>(382,726)</b>	<b>(87,340)</b>	<b>2,155,318</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 2,224,724</b>	<b>\$ 1,345,245</b>	<b>\$ 2,593,660</b>	<b>\$ 2,405,442</b>

**U.S. Department of the Interior**  
**Consolidating Statement of Financial Position**  
**September 30, 1997**  
(dollars in thousands)

Bureau of Reclamation	Office of Surface Mining	TOTAL NATURAL RESOURCES	SCIENCE	INDIAN AFFAIRS	DEPARTMENT OFFICES & OTHER	CONSERVATION & RECLAMATION FUNDS	TOTAL
\$ 697,209	\$ 51,668	\$ 3,234,787	\$ 208,859	\$ 854,954	\$ 636,555	\$ -	\$ 4,935,155
-	1,525,363	1,996,672	-	11,540	59,898	-	2,068,110
-	-	-	-	26,736	-	-	26,736
99,510	3,326	123,421	70,074	11,410	25,831	-	230,736
19,831	8,569	396,771	78,759	1,279	20,773	-	497,582
-	-	10,798	17,830	-	645	-	29,273
816,550	1,588,926	5,762,449	375,522	905,919	743,702	-	7,787,592
13,165,589	5,548	15,334,528	184,497	1,255,070	129,340	-	16,903,435
1,383,111	-	1,849,394	-	279,821	7,351	-	2,136,566
-	-	-	-	-	-	17,149,833	17,149,833
15,365,250	1,594,474	22,946,371	560,019	2,440,810	880,393	17,149,833	43,977,426
-	-	2,497,175	-	-	-	-	2,497,175
1,991,619	1,526	2,078,394	-	18,257	-	-	2,096,651
1,991,619	1,526	4,575,569	-	18,257	-	-	4,593,826
\$ 17,356,869	\$ 1,596,000	\$ 27,521,940	\$ 560,019	\$ 2,459,067	\$ 880,393	\$ 17,149,833	\$ 48,571,252
\$ 112,336	\$ 8,389	\$ 297,923	\$ 53,427	\$ 28,366	\$ 21,397	\$ -	\$ 401,113
2,329,773	1,375	2,362,736	3,291	(1,180)	-	1,360,281	3,725,128
-	-	1,667,348	-	-	-	-	1,667,348
67,483	241	175,259	29,227	34,409	7,058	241	246,194
2,509,592	10,005	4,503,266	85,945	61,595	28,455	1,360,522	6,039,783
14,342	186	29,245	1,752	826	11,400	-	43,223
95,991	1,526	1,674,832	-	85,048	30	-	1,759,910
-	-	829,827	-	-	-	-	829,827
8,742	-	23,630	15,306	36,972	15,515	183	91,606
119,075	1,712	2,557,534	17,058	122,846	26,945	183	2,724,566
2,628,667	11,717	7,060,800	103,003	184,441	55,400	1,360,705	8,764,349
183,188	4,456	345,240	44,406	39,083	10,269	-	438,998
68,582	-	68,582	-	-	235	-	68,817
7,362	90,200	377,217	86,818	101,435	-	-	565,470
259,132	94,656	791,039	131,224	140,518	10,504	0	1,073,285
2,887,799	106,373	7,851,839	234,227	324,959	65,904	1,360,705	9,837,634
365,039	345,596	3,340,678	217,553	930,885	612,074	-	5,101,190
14,104,031	1,144,031	16,329,423	108,239	1,203,223	202,415	-	17,843,300
-	-	-	-	-	-	15,789,128	15,789,128
14,469,070	1,489,627	19,670,101	325,792	2,134,108	814,489	15,789,128	38,733,618
\$ 17,356,869	\$ 1,596,000	\$ 27,521,940	\$ 560,019	\$ 2,459,067	\$ 880,393	\$ 17,149,833	\$ 48,571,252

**U.S. Department of the Interior**  
**Consolidating Statement of Net Cost of Operations**  
**for the year ended September 30, 1997**

(dollars in thousands)

	Fish and Wildlife Service	Bureau of Land Management	National Park Service	Bureau of Reclamation	Office of Surface Mining
<b>Expenses</b>					
Operating Expenses	\$ 1,270,059	\$ 1,243,885	\$ 1,684,562	\$ 815,813	\$ 319,055
Other Expenses					
Depreciation and Amortization	23,905	24,036	48,536	319,709	912
Net Loss on Disposition of Assets	2,028	(746)	-	2,436	29
Bad Debt Expense	(46)	(1,420)	(136)	(6,752)	(6,341)
Other Expenses	78	113	265	30,547	15
Total Other Expenses	25,965	21,983	48,665	345,940	(5,385)
<b>Total Expenses</b>	1,296,024	1,265,868	1,733,227	1,161,753	313,670
<b>Revenues</b>					
Sales of Goods and Services to the Public	14,709	183,299	67,879	593,987	798
Sales of Goods and Services to Federal Agencies	61,320	40,744	48,592	409,522	1,409
Other Revenues	56,041	19,072	140,666	248,514	685
<b>Total Revenues</b>	132,070	243,115	257,137	1,252,023	2,892
<b>NET COST OF OPERATIONS</b>	\$ 1,163,954	\$ 1,022,753	\$ 1,476,090	\$ (90,270)	\$ 310,778

**U.S. Department of the Interior**  
**Consolidating Statement of Net Cost of Operations**  
**for the year ended September 30, 1997**

(dollars in thousands)

Minerals Management Service	Natural Resource Eliminations	NATURAL RESOURCE BUREAUS	SCIENCE	INDIAN AFFAIRS	DEPT OFFICES & OTHER	Inter- Segment Eliminations	TOTAL
\$ 245,491	\$ (56,092)	\$ 5,522,773	\$ 1,100,720	\$ 2,157,106	\$ 701,299	\$ (232,030)	\$ 9,249,868
2,246	-	419,344	25,663	54,115	1,013	-	500,135
-	-	3,747	4,103	19,068	1,270	-	28,188
-	-	(14,695)	-	(1,504)	23	-	(16,176)
156,501	-	187,519	86,996	4,470	295	-	279,280
158,747	-	595,915	116,762	76,149	2,601	-	791,427
404,238	(56,092)	6,118,688	1,217,482	2,233,255	703,900	(232,030)	10,041,295
-	-	860,672	129,309	134,860	1,390	-	1,126,231
20,222	(56,092)	525,717	204,860	6,202	163,516	(232,030)	668,265
41,068	-	506,046	1,565	20,597	19,956	-	548,164
61,290	(56,092)	1,892,435	335,734	161,659	184,862	(232,030)	2,342,660
\$ 342,948	\$ -	\$ 4,226,253	\$ 881,748	\$ 2,071,596	\$ 519,038	\$ -	\$ 7,698,635



**U.S. Department of the Interior**  
**Consolidated Statement of Budgetary Activity (Unaudited)**  
**for the year ended September 30, 1997**  
(dollars in thousands)

**Budgetary Resources:**

Budget Authority	\$ 8,622,840
Unobligated balances - October 1	2,318,678
Spending Authority from Offsetting Collectons	1,387,339
Adjustments	96,151
<b>Total Budgetary Resources</b>	<b>\$ 12,425,008</b>

**Status of Budgetary Resources:**

Obligations Incurred	\$ 9,908,591
Unobligated Balances - Available	2,341,540
Unobligated Balances - Not Available	174,877
<b>Total Status of Budgetary Resources</b>	<b>\$ 12,425,008</b>

**Outlays:**

Obligations Incurred	\$ 9,908,591
Plus:	
Spending Authority from offsetting collections and adjustments	1,555,831
Obligated balance, net - October 1	2,222,671
Obligated balance transferred, net	10
Less: Obligated Balance, net - September 30	(2,824,224)
<b>Total Outlays</b>	<b>\$ 10,862,879</b>

# Stewardship Assets

Unaudited

# STEWARDSHIP ASSETS

As human beings we cannot separate ourselves from the land and the natural resources that sustain our lives. Natural resources on America's public lands sustain us physically and economically, while the recreational opportunities and cultural resources on these lands nurture our minds and spirits. Stewardship is thus at the very heart of the Department of the Interior's mission, vision, and values. Interior employees take their responsibility for stewardship seriously and accept it with pride.

The Department serves as steward for approximately 429 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 564 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 under the purview of Interior management 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 66 percent of all federally owned land. Each of America's 50 states, the Pacific Islands, the Virgin Islands, Guam, and Puerto Rico all contain lands that are managed by the Department of the Interior.

### Use of Stewardship Lands

The 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. The Fish and Wildlife Service manages lands primarily to conserve and protect fish and wildlife and their habitat. The National Park Service manages lands 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 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 23 shows the acreage of Interior stewardship lands by land type. In addition to the 88 million acres shown for the National Wildlife Refuge System, there are approximately 4.8 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 23

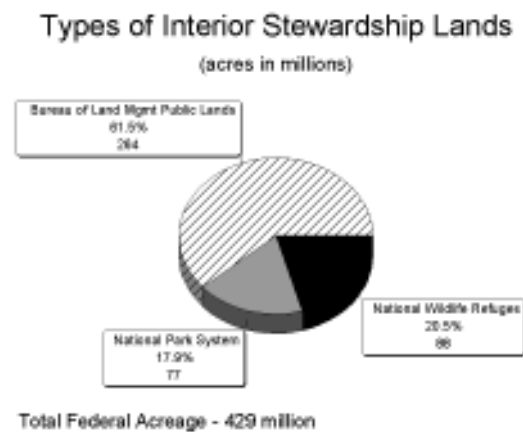
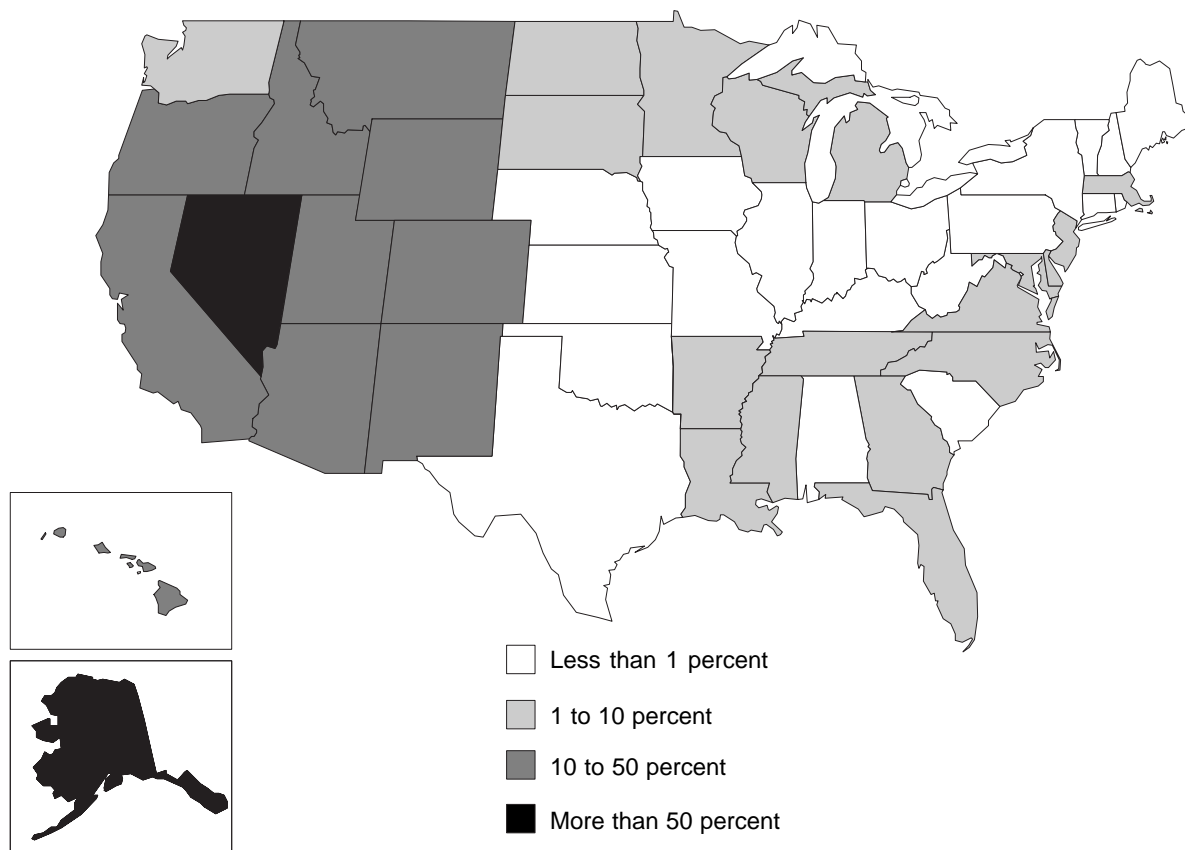


Figure 24

Percentage of Each State's Acreage Managed by Interior  
(as of September 30, 1997)



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 mountain tops, glaciers, barren mountains, sand dunes, playas, and deserts.

### Management Units of Interior Stewardship Lands

There are unique management requirements associated with approximately 58 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 25*. The acreage included in these units is a subset of Interior's total 429 million acres.

### 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 26* shows condition by land type. In adhering to its mandate for multiple use and sustained yield, the Bureau'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; manage rangelands; oversee forest management, development, and protection; and manage wilderness and wild and scenic rivers.

Figure 25

<b>Management Units of Interior Stewardship Lands</b>					
<b>Bureau of Land Management Public Lands</b>					
<u>Management Unit</u>	<u>Number</u>	<u>Federal</u> <u>Acreage</u>	<u>Non-Federal</u> <u>Acreage</u>	<u>Total Acreage</u>	<u>Miles</u>
National Wild and Scenic River Segments	34	951,824	0	951,824	2,022
National Wilderness Areas	136	5,251,363	0	5,251,363	-
Wilderness Study Areas	622	18,020,549	0	18,020,549	-
National Conservation Areas	8	11,689,774	0	11,689,774	-
National Scenic Area	1	65,280	0	65,280	-
National Recreation Area	1	1,000,000	0	1,000,000	-
National Historic Trails	9	-	-	-	3,590
National Scenic Trails	2	-	-	-	502
National Recreation Trails	26	-	-	-	429
Outstanding Natural Area	1	100	-	100	-
Herd Management Areas	199	33,167,752	0	33,167,752	-
National Monument	1	1,700,000	0	1,700,000	-
Areas of Critical Environmental Concern	696	10,371,582	0	10,371,582	-
Research Natural Areas	100	326,449	0	326,449	-
National Natural Landmarks	43	599,042	0	599,042	-
National Back Country Byways	69	-	-	-	3,518
Globally Important Bird Areas	2	56,500	0	56,500	-
Biosphere Reserve	1	2,000	0	2,000	-
BLM Special Management Area Subtotal	1,951	83,202,215	0	83,202,215	10,061
National Multiple Use Lands	-	180,727,043	0	180,727,043	-
Bureau of Land Management Subtotal	1,951	263,929,258	0	263,929,258	10,061
<b>National Wildlife Refuge System</b>					
<u>Management Unit</u>	<u>Number</u>	<u>Federal</u> <u>Acreage</u>	<u>Non-Federal</u> <u>Acreage</u>	<u>Total Acreage</u>	<u>Miles</u>
National Wildlife Refuges	512	87,176,000	2,882,000	90,058,000	-
Refuge Coordination Areas	50	197,000	121,000	318,000	-
Waterfowl Production Areas	198	692,000	1,785,000	2,477,000	-
Wildlife Research Centers	3	0	0	0	-
Fisheries Research Centers	6	1,000	1,000	2,000	-
National Fish Hatcheries	64	13,000	5,000	18,000	-
Fish and Wildlife Service Subtotal	833	88,079,000	4,794,000	92,873,000	-
<b>National Park System</b>					
<u>Management Unit</u>	<u>Number</u>	<u>Federal</u> <u>Acreage</u>	<u>Non-Federal</u> <u>Acreage</u>	<u>Total Acreage</u>	<u>Miles</u>
International Historic Site	1	22	13	35	-
National Battlefields	11	11,520	1,625	13,145	-
National Battlefield Parks	3	8,007	769	8,776	-
National Battlefield Site	1	1	0	1	-
National Historic Sites	75	18,415	5,482	23,897	-
National Historic Parks	38	113,807	48,580	162,387	-
National Lakeshores	4	145,313	83,622	228,935	-
National Memorials	27	7,956	110	8,065	-
National Military Parks	9	34,811	3,200	38,011	-
National Monuments	72	1,746,537	319,663	2,066,200	-
National Parks	54	49,318,943	2,383,244	51,702,186	-
National Preserves	16	21,523,387	2,110,960	23,634,347	-
National Recreation Areas	18	3,353,060	350,515	3,703,575	-
National Reserves	2	10,630	22,777	33,407	-
National Rivers	5	310,814	113,970	424,785	-
National Wild and Scenic Rivers	11	72,156	65,316	137,472	-
National Scenic Trails	3	116,843	115,090	231,934	-
National Seashores	10	477,518	147,404	624,922	-
Parks (other)	11	37,608	1,332	38,940	-
Parkways	4	163,238	7,655	170,893	-
National Park Service Subtotal	375	77,470,587	5,781,327	83,251,914	-
<b>Department of the Interior Total</b>					
<u>Management Unit</u>	<u>Number</u>	<u>Federal</u> <u>Acreage</u>	<u>Non-Federal</u> <u>Acreage</u>	<u>Total Acreage</u>	<u>Miles</u>
Total Interior Management Units	3,159	248,751,802	10,575,327	259,327,129	10,061
Total Interior Stewardship Lands	-	429,478,845	10,575,327	440,054,172	-

**National Wildlife Refuge System Lands:** The National Wildlife Refuge System protects tundra, grasslands, deserts, forests, rivers, marshes, swamps, and remote islands -- virtually every type of habitat and landscape found in the United States. On many refuges, the Fish and Wildlife Service must restore what was ditched, drained, and cleared, and actively manage wetlands, grasslands, forest, and even some croplands to provide the variety of habitat needed by diverse wildlife. Control of invasive and exotic pest plants and animals is essential at many refuges to retain or

restore native fish, wildlife, and plants. Approximately 7.5 million acres of system lands receive active habitat treatment each year. The Service also incurs costs amounting to about \$1 million annually to monitor the effectiveness of cleanup actions conducted by other Federal entities prior to transferring land to the Service. Further, the Service has recognized estimates for future environmental cleanup liabilities in its financial reporting. While individual units of the stewardship lands managed by the Fish and Wildlife Service can be improved, the condition of this stewardship as-

Figure 26

Condition of Bureau of Land Management Public Lands				
Land Type	Acres/Miles	Condition 1/		
Rangeland		<u>Alaska Reindeer Range</u>	<u>Continental USA Range 2/, 3/</u>	
a. Alaska Reindeer Range	5 million acres	Excellent	All	Potential natural community 4%
b. Continental USA Range	165 million acres			Late seral 32%
				Mid seral 37%
				Early seral 13%
				Unclassified 14%
Forested Land			6/	
a. Forestlands 4/	11 million acres		Good	
b. Woodlands 5/	36 million acres		Good	
Riparian Areas and Wetlands		<u>Alaska</u>	<u>Lower 48 States</u>	
a. Riparian Areas	183,000 miles	Properly functioning	91%	Properly functioning 31%
	7 million acres	Functioning but at risk	Trace	Functioning but at risk 33%
		Nonfunctional	1%	Nonfunctional 10%
		Unknown	8%	Unknown 26%
b. Wetlands	16 million acres	Properly functioning	81%	Properly functioning 36%
		Functioning but at risk	<1%	Functioning but at risk 11%
		Nonfunctional	Trace	Nonfunctional 1%
		Unknown	19%	Unknown 52%
Aquatic Areas (Lakes, Reservoirs, and Streams)	4 million acres	Alaska: Good		
	205,500 miles	Lower 48 States: Poor		
Other Habitat	20 million acres	Unclassified: 7/		

1/ Impact of Hazardous Materials on the Condition of the BLM managed Public Lands: The cumulative direct impacts of the identified future liability hazardous materials sites will be very small nationally or even regionally. It is the goal of the BLM to achieve cleanup of these sites, and as needed, to restore the functions of adversely affected natural resources. The BLM has recognized potential future cleanup liabilities in its financial reporting.

2/ Impact of Noxious Weeds on the Condition of the BLM managed Public Lands: Noxious weeds currently infest about 8.5 million acres, or 5 percent of BLM's 165 million acres of rangeland in the continental United States. The BLM strategy for preventing and controlling the spread of noxious weeds on the BLM public lands is called "Partners Against Weeds."

3/ This is a composite of rangeland condition classification since most of the BLM managed public lands have not been classified under the newer ecologically based classification. The older range condition classification as depicted here rates the rangelands' ability to produce forage.

4/ Although there are about 7 million acres of forestland in Alaska capable of producing timber, most of this forestland is either inaccessible or too far from established markets to make timber harvest feasible. In the Lower 48 States, only about 4 million acres of forestland are classified as "productive" or capable of producing timber. However, the management emphasis on much of BLM's productive forestland is not timber, but rather a multitude of other values and uses (water quality, wildlife habitat, etc.). Only about 495,000 acres are managed for timber production.

5/ Woodlands are forested with tree species not normally considered useful for sawlogs.

6/ The condition of BLM's forested lands is considered to be good insofar as they are providing important wildlife habitat and watershed protection functions. However, other methodologies for assessing condition are being explored in concert with the U.S. Forest Service.

7/ The unclassified condition refers to lands such as dry lakebeds, rock outcrops, and other areas for which data cannot be gathered.



*Rocky Mountain National Park (photo by George Davis).*

set as a whole is sufficient to support the mission of the Service.

***National Park System Lands:*** The National Park Service conducts various activities to preserve and protect land resources, and to mitigate the effects of activities conducted previously that adversely affect the natural state of the land on or near the parks. While the Service is subject to loss contingencies arising from environmental laws and regulations that currently require, and will continue to require, correcting or ameliorating adverse environmental effects, the Service does not expect these costs to have a material effect on its financial position. The condition of the National Park System, as a whole, is sufficient to support the mission of the Service even though individual units of the system can be improved.

### **Net Change in Stewardship Land Acreage from 1996 to 1997**

Federally owned lands under the jurisdiction of the Department of the Interior at the end of fiscal year 1997 decreased by approximately 289,000 acres from fiscal year 1996. This represents a net decrease of 0.067 percent, which resulted from the net effect of acquisition, disposal, exchange, withdrawal, and restoration transactions.

## HERITAGE ASSETS - NATURAL

### 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 certain 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 untrammelled by human beings, where humans themselves are visitors who do not remain.

America's wilderness system encompasses approximately 104.7 million acres. The Department of the Interior manages almost 66 percent of this wilderness system -- 256 areas comprising over 69 million acres (*Figure 27*).

In addition to designated wilderness, the Bureau of Land Management manages 622 wilderness study areas encompassing 18 million acres. The National Park Service also manages 29 proposed wilderness areas with 5.5 million known acres -- acreage associated with 10 of these areas has not yet been determined. Pending official designation to the National Wilderness Preservation System, these lands are managed as wilderness.

### 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. These values include 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 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.

There are 154 rivers containing 178 river segments included in the National Wild and Scenic Rivers Sys-

Figure 27

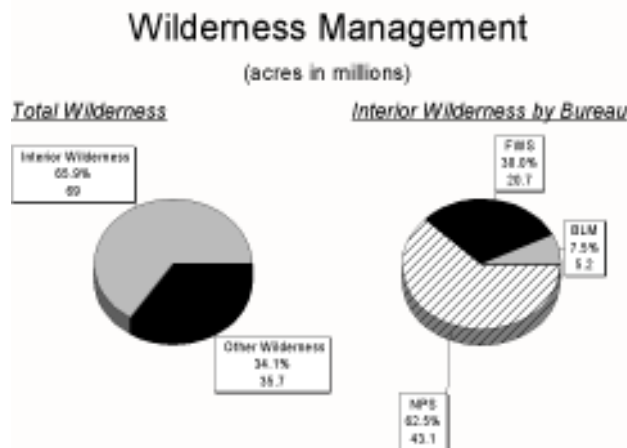
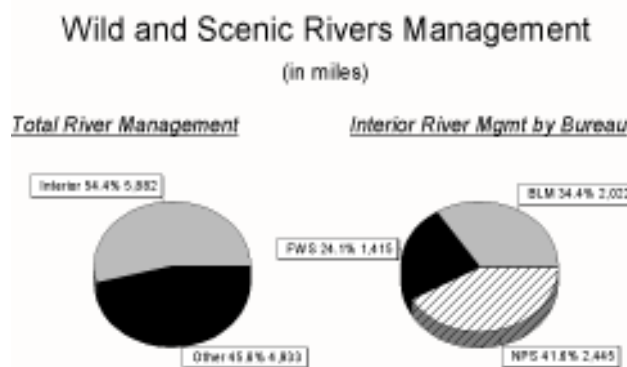


Figure 28



tem. Each mile of each designated segment is classified as either wild, scenic, or recreational. The total system covers 10,815 river miles. Fifty-four percent of the river miles in the National Wild and Scenic Rivers System are managed by Interior (*Figure 28*).

### National Natural Landmarks

National Natural Landmarks are management areas having national significance as sites that exemplify one of a natural region's characteristic biotic or geologic features. The site must have been evaluated as one of the best known examples of that feature. 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, and these 86 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 public 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. In addition, the Fish and Wildlife Service has identified paleontological resources in 10 Wildlife Refuges, with paleontological research being conducted by the scientific community at these sites. The two most active Fish and Wildlife Service sites are the Charles M. Russell National Wildlife Refuge in Montana and the McKay Creek National Wildlife Refuge in Oregon. Fossils have also been located in over 120 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 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



*BLM and University of Arizona archaeologists excavate the tusk of a prehistoric mammal at the Murray Springs archaeological site (photo by BLM's Arizona State Office).*

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 1996 to 1997

The net change in natural heritage designations from fiscal year 1996 to fiscal year 1997 includes the following:

The number of acres included as Wilderness Study Areas increased by 619,966 acres, even though the number of areas did not change (BLM).

The number of acres designated as Wilderness increased by 24,303 acres, even though the number of Wilderness Areas remained the same (BLM).

## HERITAGE ASSETS - CULTURAL

The Department of the Interior is steward for a large, varied, and scientifically important body of resources that are cultural heritage assets (*Figures 29 and 30*). These resources include archeological sites, historic structures, cultural landscapes, and objects. 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.

The Department has a responsibility to inventory, preserve, and interpret these resources for the benefit of

the American public. 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 29

Number and Condition of Cultural Heritage Assets		
Type of Asset	Number of Assets	Condition
<b>Bureau of Land Management</b>		
	241 Properties	
National Register of Historic Places	3,301 Contributing Properties	Good
Archaeological & Historic Properties	212,000 Properties	Fair to Excellent
National Historic Landmarks	22 Landmarks	Good
World Heritage Sites	5 Sites	Good
<b>Fish and Wildlife Service</b>		
National Register of Historic Places	93 Properties	Unclassified 1/
Historic Structures	188 Structures	Unclassified 1/
Archaeological & Historic Properties	11,000 Properties	Unclassified 1/
National Historic Landmarks	9 Landmarks	Unclassified 1/
<b>National Park Service</b>		
National Register of Historic Places	1,246 Properties	Unclassified
Historic Structures	19,998 Structures	Good 44.2% Fair 42.2% Poor 12.7% Unknown 0.9%
National Historic Landmarks	143 Landmarks	Unclassified
Cultural Landscapes	875 Landscapes	Unclassified
Archaeological Sites	60,000 Identified Sites	Good 4% Poor 4% Unclassified 92%
World Heritage Sites	18 Sites	Unclassified
<b>Bureau of Reclamation</b>		
National Register of Historic Places	61 Properties	Unclassified
<b>Bureau of Indian Affairs</b>		
National Register of Historic Places	31 Properties	Unclassified
<b>Other Bureaus</b>		
National Register of Historic Places	9 Properties	Unclassified

1/ The physical condition of these cultural resources varies tremendously, depending on location, maintenance, and type of resource. While no comprehensive assessment is currently available, the Fish and Wildlife Service will be working to develop a definition and set of criteria to begin reporting information for fiscal year 1998. It is estimated that it will take 10 years to complete an accurate condition assessment.

Figure 30

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. A total of nearly 68,000 properties are listed in the National Register, which incorporates nearly one million historic and archeological resources.
Historic Structures	Historic structures are constructed works consciously created to serve some human activity or purpose. They include buildings, monuments, millraces, canals, ships, railroad locomotives, rolling stock, stockade and fences, defensive works, temple mounds and kivas, outdoor sculpture, and ruins. 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. The assemblage of historic structures for which the Department of the Interior is responsible is the tangible evidence of where we have been and what we have done as a nation and is a most compelling testimony of our rich, multi-ethnic heritage.
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, archeology, 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. Natural features such as landforms, soils, and vegetation are not only part of the cultural landscape, they also provide the framework within which it evolves. The Department of the Interior recognizes four cultural landscape categories which are 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. As such, the cultural landscapes for which the Department of the Interior is responsible are significant at the national, state, or local level and are associated with the important people and history of this nation.
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. Archaeological sites occur on and within lands that are managed by Interior throughout the nation. The sites are most important for the unique information they contain about the past and for the sense of commemoration they can express for the people and events with which they are associated.
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 define and conserve the world's heritage by drawing up a list of sites whose outstanding values should be preserved for all humanity and to ensure their protection through a closer co-operation among nations. To be listed for its cultural significance, a monument, group of buildings, or sites must meet specific criteria that established its outstanding universal value. Likewise, to be listed for its natural heritage significance, a natural feature, a habitat for threatened species, or a natural site must also meet specific criteria that establishes its outstanding universal value.

## Museum Property

Department of the Interior museum collections total approximately 69 million museum objects and 23,000 linear feet of archival documents. Disciplines represented include art (10,000), ethnography (94,000), archaeology (60 million), history (3.4 million), biology (1.4 million), paleontology (4 million), and geology (50,000). *Figure 31* summarizes the changes in types of museum property collected between 1991 and 1997. Information on accessions, deaccessions, and conditions is incomplete.

Highlights for fiscal year 1997 included an exhibit at the National Gallery of Art that featured Thomas Moran paintings from the Interior Museum's collection as well as watercolors from National Park Service collections; opening of a new museum in Rapid City, South Dakota, that features Indian Arts and Crafts Board collections; revision of the Department's policies and standards for managing museum collections; and successful recovery from a devastating flood that inundated more than 900,000 Bureau of Reclamation and Fish and Wildlife Service archaeological artifacts in Grand Forks, North Dakota.

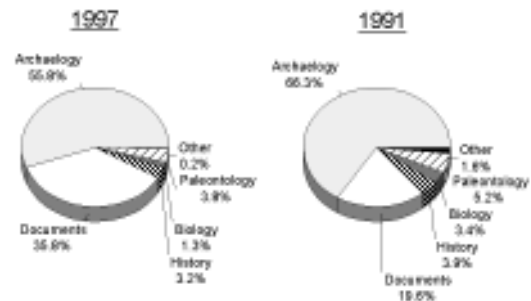
The Office of Museum Services provides Departmentwide training and technical assistance and operates the Interior Museum as a branch of the Interior Museum Program. The Office of Acquisition and Property Management is the policy branch that develops Departmentwide policies and strategies and provides oversight for the museum programs in all Interior bureaus and offices. Trends in fiscal year 1997 include increased use of partnerships to improve long-term management of collections, public access to the collections, and coordination among DOI museum col-



Viewing an exhibit at the new museum in Rapid City, South Dakota (photo by Indian Arts and Crafts Board).

Figure 31

## Types of Museum Collections



lections managers. Interior bureaus are working toward compliance with the Department's policies and standards by implementing bureau-specific plans. Beyond basic accountability, Interior encourages increasing public access to and use of museum collections in support of the Department's missions. *Figure 32* provides bureau-level information for Interior's museum property.

## 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.

National Park Service libraries contain 1.2 million books and reports and 4.5 million non-book items, for a total of 5.7 million items. The National Park Service estimates that 10 percent of the library collections are in good condition, 40 percent are in fair condition, and 50 percent are in poor condition. Data is not available on the number of acquisitions and withdrawals for fiscal year 1997.

Figure 32

Interior Museum Property		
Interior Entity	Property Information	Other Information
Bureau of Indian Affairs	<ul style="list-style-type: none"> <li>Manages 22,255 museum objects at 106 BIA units</li> <li>Manages 40,000 objects in 20 non-federal institutions</li> </ul>	<ul style="list-style-type: none"> <li>Current focus is on improving accountability and preventative conservation of collections</li> </ul>
Bureau of Land Management	<ul style="list-style-type: none"> <li>Manages 20 million objects in partnership with 220 non-federal institutions</li> <li>The Anasazi Heritage Center (Delores, Colorado) includes 2.5 million artifacts, 99% of which are in good condition. Sixty percent of the artifacts are entered into the Argus collections management data base</li> </ul>	<ul style="list-style-type: none"> <li>Current focus is on implementing the North American Graves Protection and Repatriation Act</li> <li>Manages 300,000 acres primarily for their outstanding paleontological values</li> <li>Public paleontological sites include Cleveland-Lloyd Dinosaur Quarry, the Trilobite Trail, and the Trail Through Time</li> </ul>
Bureau of Reclamation	<ul style="list-style-type: none"> <li>Manages 462,470 objects and 4 linear feet of documents in 29 BOR units</li> <li>Manages more than 5.5 million objects and 569 linear feet of documents in partnership with an estimated 85 non-federal institutions</li> </ul>	<ul style="list-style-type: none"> <li>Current focus is on developing bureau policies and establishing baseline inventories of collections in repositories</li> <li>In 1997, BOR installed interpretive exhibits at New Melones Lake Visitor Center, California; drafted 15 of more than 180 project histories; received 5,391 pages of oral history interviews from a transcription service; and conducted 35 hours of additional oral history interviews</li> <li>BOR cultural web pages logged more than 94,000 visits during 1997</li> </ul>
Fish and Wildlife Service	<ul style="list-style-type: none"> <li>Manages 760 linear feet of documents at 146 units</li> <li>Manages more than 2.7 million objects in partnership with 217 non-federal institutions</li> </ul>	<ul style="list-style-type: none"> <li>Current focus is on developing software for tracking key accountability data</li> <li>In 1997, FWS transferred 800,000 zoological and botanical specimens to USGS's Biological Resources Division</li> </ul>
National Park Service	<ul style="list-style-type: none"> <li>Manages 35 million objects and specimens and 22,000 linear feet of archival documents</li> <li>53% of the objects and 33% of the archives are cataloged</li> </ul>	<ul style="list-style-type: none"> <li>Current focus is on developing a strategy to quantify condition information for collections and give priority to treatment of the most fragile, important, and heavily used items</li> <li>Parks typically respond to over 26,000 annual public research requests</li> <li>Park visitors view over 300,000 objects annually</li> <li>In 1996 (latest available), NPS acquired over 2.1 million objects through gifts, exchanges, purchases, field collections, and transfers</li> <li>In 1997, NPS deaccessioned 1,179 objects through exchanges, transfers, losses, thefts, repatriation, or by returning to a rightful owner</li> </ul>
U.S. Geological Survey	<ul style="list-style-type: none"> <li>Manages 60 art and history objects and 800,000 scientific specimens transferred from FWS</li> </ul>	<ul style="list-style-type: none"> <li>Current focus is on assessing the Biological Resources Division museum property that was transferred from FWS</li> </ul>
Minerals Management Service	<ul style="list-style-type: none"> <li>Manages 54 objects</li> </ul>	<ul style="list-style-type: none"> <li>Current focus is on implementing a museum property module within a new Property Management Information System (PMIS)</li> </ul>
Indian Arts and Crafts Board	<ul style="list-style-type: none"> <li>Manages 19,794 objects at four facilities</li> </ul>	<ul style="list-style-type: none"> <li>In 1997, the Sioux Indian Museum moved into a new facility in Rapid City, South Dakota</li> <li>Catalog records were recently migrated from a DOS to a Windows-based collections management application</li> <li>Use of interns has accelerated progress on collection documentation projects</li> </ul>
Department of the Interior Museum	<ul style="list-style-type: none"> <li>Manages 4,759 objects, 1,841 of which are in the Main Interior Building and 2,918 objects at a repository managed by the National Park Service</li> </ul>	<ul style="list-style-type: none"> <li>In 1997, new accessions totaled 116 objects, 41 of which reflect clarification of records as a result of file research, and 75 as a result of gift, transfer, and field collection</li> </ul>

# Supplemental Information

Unaudited

# SUPPLEMENTAL INFORMATION

## MANAGEMENT INTEGRITY AND ACCOUNTABILITY

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

- programs and operations achieve their intended results efficiently and effectively;
- resources are used in accordance with the Department'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.

In addition, the Department firmly believes that the timely implementation of Inspector General and U.S. General Accounting Office audit recommendations is essential to improving efficiency and effectiveness in its programs and operations. As a result, the Department has instituted a comprehensive audit follow-up program to ensure that audit recommendations are implemented in a timely and cost-effective manner and disallowed costs and other funds due from contractors and grantees are collected or offset.

## MANAGEMENT CONTROL PROGRAM

Since the inception of the Federal Managers' Financial Integrity Act (FMFIA) in 1982, the Department has continually evaluated the effectiveness of management controls in its programs, organizations and

### ANNUAL ASSURANCE STATEMENT FISCAL YEAR 1997

*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*

functions in accordance with guidelines provided by the Office of Management and Budget (OMB) in Circular A-123, Management Accountability and Control. During this time, the Department has identified and reported 162 material weaknesses and 64 accounting system non-conformances. At the end of 1997, the Department had corrected 146 of the material weaknesses (90 percent) and 63 of the accounting system non-conformances (98 percent). Much of the progress in these areas was achieved over the last four years. As noted in *Figures 33 and 34*, since 1993 the Department has reduced the total number of reported material weaknesses by 61 percent (from 38 to 16) and accounting system non-conformances by 87 percent (from 8 to 1).

This progress in correcting material weaknesses and accounting system non-conformances exemplifies the Department's strong commitment to improving integrity and accountability in all programs, organizations, and functions. Similarly, over the last four years, the Department has made great strides in strengthening and streamlining its management control program. The initiatives and innovations adopted in this program area supported the recommendations of the National Per-

Figure 33

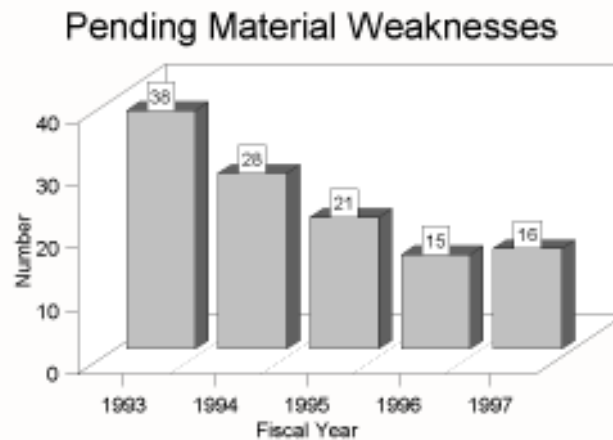
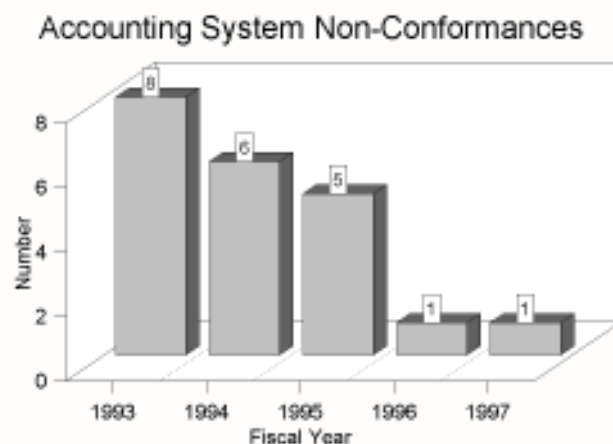


Figure 34



formance Review. Some of the more significant initiatives included:

- re-engineering the Management Control Program to provide bureaus with greater flexibility and discretion in planning, conducting, and reporting the results of management control assessments;
- reducing the number of Department mandated management control assessments;
- substituting periodic progress review meetings for voluminous written corrective action status reporting;
- expanding the membership of the Departmental Management Control Audit Follow-up (MCAF) Council to include all Assistant Secretaries, the Solicitor, and the Inspector General to provide a more

“Departmental perspective” to Council deliberations and decisions;

- establishing Department material weakness criteria that are consistent with the guidelines in OMB Circular A-123; and
- developing a Material Weakness Corrective Action Project Management Training Program.

The cumulative effect of these initiatives has been a 50 percent reduction in burden and improved efficiency and effectiveness in administering bureau and office management control programs.

In October 1996, the Department completed the Management Control Reengineering Lab that among other things, produced a new, fully automated, and less resource-intensive approach for targeting and conducting management control assessments. This automated approach is built around eight management integrity measures that are based on the general and specific management control standards prescribed in OMB Circular A-123. A unique feature of this new approach is that it provides for identifying areas of both potential material deficiencies and best practices. The approach utilizes a comprehensive questionnaire developed by the Lab Team and refined by a Departmental customer focus group. The assessment is conducted over the E-Mail network using an off-the-shelf surveying and analytical software tool. The initial pilot test of the new approach conducted in one bureau during 1997 demonstrated its significant resource savings potential. The automated assessment resulted in a 90 percent overall reduction in staff time associated with planning, conducting, analyzing, and reporting the results of a traditional control assessment, as well as much improved diagnostic and executive-level reports. At the request of the Department’s MCAF Council, the automated assessment approach will be pilot tested in at least one program area in each bureau and office during 1998. If the results of this comprehensive pilot test program are consistent with the initial pilot test, the new automated assessment approach could become the cornerstone of the Department’s reengineered Management Control Program beginning in 1999.

### Results of the 1997 Management Control Program

The Department conducted an annual assessment of



Figure 35

### Corrected Material Weaknesses and Non-Conformances (NC)

Title of Material Weakness/Non-conformance	Bureau	Date Originally Reported
Failure to Provide Effective Oversight of Trans-Alaska Pipeline System	BLM	FY 1993
Inadequate Policies & Procedures for Recovery of Operation & Maintenance of Program Expenses	BOR	FY 1991

the effectiveness of its management, administrative, and accounting systems controls in accordance with the FMFIA and guidelines established by OMB. The Department conducted assessments of management controls in 59 programs and administrative functions, and relied on the findings and results of 55 Office of Inspector General (OIG) internal program audit reports and 32 General Accounting Office (GAO) program audit reports issued during the year. In addition, the Department relied on the results of the independent bureau 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. The Department’s MCAF Council reviewed and analyzed the results of the 1997 assessment process and concluded that three new material weaknesses should be reported. The new material weaknesses are:

- Needs Assessment and Cost of Constructing New Housing (NPS);
- Herd Management in the Wild Horse and Burro Program (BLM); and
- Administration of the Nevada Land Exchange Appraisal Process (BLM).

During 1997, the Department completed corrective actions on 2 of 15 (13 percent) material weaknesses carried forward from 1996. The material weaknesses corrected are listed in *Figure 35*.

OMB’s 1997 FMFIA Annual Report guidance requested each agency to identify and report on the most critical material weaknesses affecting the agency. In response to this reporting requirement, the Department has identified 7 of its 15 pending material weaknesses as “mission critical weaknesses” -- those material weaknesses that prevent the Department from fulfilling a programmatic mission or strategic goal, and that warrant senior management focus and attention and resource priorities throughout the corrective action process.

Collectively, these weaknesses could adversely impact the safety of employees and other citizens, damage the environment, prevent the collection and distribution of royalties and other funds owed to the Government and Native Americans, prevent the efficient use of programmatic resources, or preclude the identification, collection, and preservation of irreplaceable historical art and artifacts. The seven mission critical weaknesses for the Department are listed in *Figure 36*.

The Department recognizes the importance of correcting these mission critical weaknesses in a timely

Figure 36

### Mission Critical Material Weaknesses

Title of Material Weakness	Bureau	Targeted Correction Date
Inadequate Management of Trust Funds	OST	FY 2003
Inadequate Records Management	BIA	FY 2000
Inadequate Range Monitoring	BLM	FY 2000
Failure to Effectively Inspect and Enforce Fluids Minerals	BLM	FY 1998
Lack of Accountability and Control Over Artwork and Artifacts	PAM	FY 1999
Irrigation of Ineligible Land	BOR	TBD
Needs Assessment and Cost of Constructing New Housing	NPS	FY 1999

Figure 37

<b>Pending Material Weaknesses and Non-conformance</b>		
<b>Title of Material Weakness/Non-conformance</b>	<b>Bureau</b>	<b>Targeted Correction Date</b>
Inadequate Management of Trust Funds	OST	FY 2003
Deficiencies in Real Property Management	BIA	FY 2000
Inadequate Debt Collection	BIA	FY 2002
Inadequate Acquisition Management Program	BIA	FY 1999
Irrigation Operations and Maintenance	BIA	FY 2002
Inadequate Records Management	BIA	FY 2000
Herd Management in Wild Horse and Burro Program	BLM	FY 1999
Administration of Nevada Land Exchange Appraisal Process	BLM	FY 1998
Inadequate Range Monitoring	BLM	FY 2000
Failure to Effectively Inspect and Enforce Fluids Minerals	BLM	FY 1998
Irrigation of Ineligible Land	BOR	TBD
Deficiencies in Administration of Miscellaneous Revenues	BOR	FY 1998
Lack of Accountability and Control Over Artwork and Artifacts	PAM	FY 1999
Incomplete/Inaccurate Data in the Interior Procurement Data System	PAM	FY 1999
BIA Facilities Program	BIA	FY 2000
Needs Assessment and Cost of Constructing New Houses	NPS	FY 1999
Property Accounting - Non-conformance	NPS	FY 1998

manner. Corrective action plans with key milestones, target dates, and accountable officials have been established and approved by the MCAF Council. Corrective action progress will be continuously monitored by senior officials in each cognizant bureau or office. In addition, periodic progress review meetings will be held with the staff of the cognizant bureaus and the MCAF Council to ensure timely completion of corrective actions.

Figure 37 presents the 16 remaining material weaknesses and one accounting system non-conformance carried forward to 1998.

### Summary of Management Controls - Section 2 of the FMFIA

Progress in correcting material weaknesses and material non-conformances is summarized in Figures 38 and 39.

### Summary of Financial Management Systems - Section 4 of the FMFIA

While the Department can provide assurance that its financial systems generally conform to governmentwide

standards, it 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

Figure 38

<b>Number of Material Weaknesses</b>			
<b>Period Reported</b>	<b>Reported</b>	<b>Corrected</b>	<b>Pending</b>
Prior Years	158	145	13
1995	1	1	0
1996	0	0	0
1997	3	0	3
Total	162	146	16

Figure 39`

<b>Number of Material Non-conformances</b>			
<b>Period Reported</b>	<b>Reported</b>	<b>Corrected</b>	<b>Pending</b>
Prior Years	64	63	1
1995	0	0	0
1996	0	0	0
1997	0	0	0
Total	64	63	1

Figure 40

Linking FY 1997 Reportable Conditions and Material Weakness From Audited Financial Statements to Reported Material Weaknesses			
Bureau	Financial Statements Reportable Conditions(s)	Linked to Existing Material Weakness	Title of Material Weakness
OSM	None	N/A	N/A
BLM	None	N/A	N/A
OS	None	N/A	N/A
PIA	None	N/A	N/A
FWS	None	N/A	N/A
MMS	1. Computer general controls over the automated information system for the Royalty Management Program were ineffective. The deficient general controls involved security related controls such as access, software development, system software, and contingency plan.	No	N/A
USGS	1. Internal controls insufficient to ensure that (a) the amounts reported in the general ledger accounts Advances From Others, Accounts Receivable Unbilled, and Accounts Payable were properly supported by subsidiary ledgers; (b) costs related to the Federal-State Cooperative Projects were reported accurately and in accordance with applicable agreements; (c) delinquent accounts receivable totaling \$16 million were collected in a timely manner; and (d) Biological Resources Division property was accounted for and reported correctly. 2. The general control environment of the federal financial system at the Reston Computer Center were deficient. Significant weaknesses existed in data center management and operations; physical and logical security, and contingency plan for backup operations.	No	N/A
BOR	1. BOR's Administrative Service Center had weaknesses in management and internal controls in (a) computer center management and operations; (b) local area network protection; (c) federal financial system application; (d) computer physical and logical security; and (e) contingency planning. 2. BOR did not comply with its standard cost allocation and repayment policies for Central Arizona Project, not protecting government interest.	No	N/A
NPS	1. Internal controls insufficient to ensure that (a) property and equipment subsidiary ledgers were maintained in agreement with related general ledger control account; (b) delinquent accounts receivable were collected in a timely manner; (c) completed projects in the construction-in-progress account were timely and appropriately transferred to the buildings and other structures and facilities accounts; and (d) effective and periodic financial information integrity reviews were made of financial information contained in the general ledger control accounts and related subsidiary ledgers, listings, and reconciliations. 2. NPS had not provided sufficient and timely guidance to ensure that concessioner improvement account funds were used appropriately and allowed concessioners to use these funds before the procedures were issued. NPS did not amend existing concession contracts so that they would be in compliance with the new procedures.	No	N/A



- data integrity and consistency are provided for in all financial system components.

The 1997 bureau audited financial statement process resulted in the identification of several “reportable conditions” in internal controls. Reportable conditions are those matters coming to the auditor’s attention, that in the auditor’s judgment, should be communicated because they represent significant deficiencies which could adversely affect the entity’s ability to meet internal control objectives. A reportable condition becomes a “financial statement material weakness” when it creates the potential that there is more than a relatively low level risk that material losses, noncompliance, or misstatements may occur and not be detected within a timely period by employees in the normal course of their assigned duties. *Figure 40* presents the reportable conditions and the linkage of these reportable conditions with the 16 pending material weaknesses reportable under FMFIA being carried forward to 1998.

### AUDIT FOLLOW-UP PROGRAM

The Department views audit follow-up as a fundamental part of its ongoing effort to strengthen standards of accountability and increase the efficiency and effectiveness of its programs and operations. As noted in *Figure 41*, the Department was the recipient of a substantial number of audit and review reports during fiscal year 1997, including 794 Single Audits, 77 Office of Inspector General (OIG) program and contract audits, 87 U.S. General Accounting Office (GAO) audits and reviews, and 56 other Federal contract and grant audits. As noted in *Figure 42*, there were 119 audit reports issued during the fiscal year which required audit follow-up actions, including tracking the implementation of audit recommendations, monitoring the recovery of disallowed costs, and resolving disputed findings and recommendations.

During fiscal year 1997, the Department continued to make significant progress in implementing audit recommendations and closing audits, and in recovering disallowed costs and other funds owed the government. As noted in the following sections, the Department achieved a 60 percent overall closure rate on audit reports and a 56 percent recovery rate on disallowed costs, with both of these representing an improvement over the prior fiscal year.

Figure 41

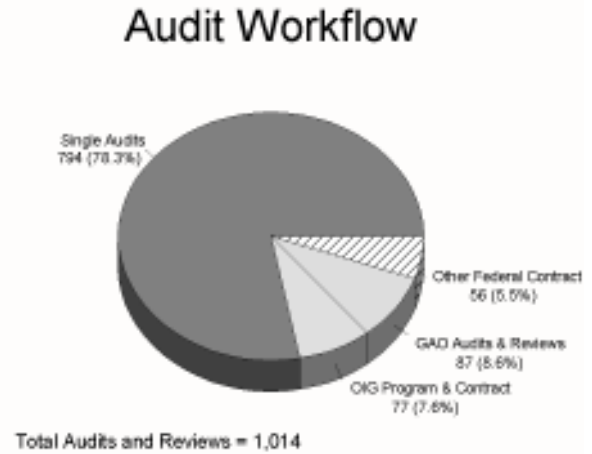


Figure 42



**Single Audits:** The Department provides over \$1 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 non-profit 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. Those Single Audit reports with findings and recommendations requiring audit follow-up actions are then forwarded to the OIG for review and distribution to the appropriate bureaus. 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

Figure 43

FY 1997 Single Audits			
Audits Issued and Referred for Action			
Office	Audits Issued	Audits Referred	
		for Action	Audits Closed
Office of the Secretary	19	-	-
Indian Affairs	404	12	5
Fish, Wildlife and Parks	180	4	3
Insular Affairs	33	16	12
Land and Minerals Mgmt	115	2	-
Water and Science	43	1	1
<b>TOTAL</b>	<b>794</b>	<b>35</b>	<b>21</b>

of Federal funds which has been questioned by the auditors.

Figure 43 presents the distribution by office of Single Audits received, referred for audit follow-up action, and closed during the fiscal year. As noted, the Bureau of Indian Affairs grantees accounted for over 51 percent (404 of 794) of the Single Audit reports received in fiscal year 1997, but only 12 (or 2 percent) of the Bureau's audits were actually referred for audit follow-up actions. The Department was successful in closing 60 percent (21 of 35) of the audits referred for follow-up action during the fiscal year. Approximately 50 percent of the total Single Audits involving Insular Areas (16 of 33) were referred for audit follow-up action. Due to the spirited and collaborative efforts of the Insular Area Governments and the Department's Audit Follow-up staff, an unprecedented 75 percent (12 of 16) of the Single Audits referred were closed by the end of the fiscal year.

**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

Figure 44



collecting the disallowed costs from the grantees. Only eight of the Single Audits pending at the beginning of, or received during, the fiscal year did not have management decisions within six months from the issuance date of the audit report -- the same number as the prior year, but a smaller percentage of total Single Audits. Figure 44 presents the significant declining trend in this area over the last five years.

**Collecting and Offsetting Disallowed Costs:** The Department made good progress during fiscal year 1997 in closing audits and recovering disallowed costs. As noted in Figure 45, at the beginning of the year, there were 28 pending audits with \$1.1 million in disallowed costs. An additional 11 audit reports with \$522,000 in disallowed costs were received during the year. By the end of the year, 24 audits were closed (60 percent) and \$908,000 in disallowed costs were recovered (56 percent). Figures 46 and 47 provide a bureau summary of disallowed cost audit activity for the fiscal year.

Figure 45

FY 1997 Summary of Audit Follow-up Workload						
	Disallowed Costs		OIG Program Audits		Other Audits	
	Reports	Dollar Value	Reports	Dollar Value	Reports	Dollar Value
Beg Balance 10/1/96	28	\$1,107,000	50	\$58,493,636	8	N/A
New Audits	11	522,000	20	41,300 *	32	N/A
Total Workload	40	1,629,000	70	58,534,936	40	N/A
Audits Closed	-24	908,000	-18	2,200,000	30	N/A
Closure Rate	60%	56%	25%	3%	75%	N/A
End Balance 9/30/97	16	\$721,000	52	\$56,334,936	10	N/A

\* Excludes 2 audit reports with \$3,404,000 in FBUs where management agreement is pending

Figure 46

FY 1997 Audits With Disallowed Costs (Number of Reports)				
	Total	Indian Affairs	Park Service	Reclamation
Beginning Balance	29	27	1	1
New Reports	11	10	1	0
Reports Closed	24	23	1	0
Ending Balance	16	14	1	1
Closure Rate	60%	62%	50%	0%

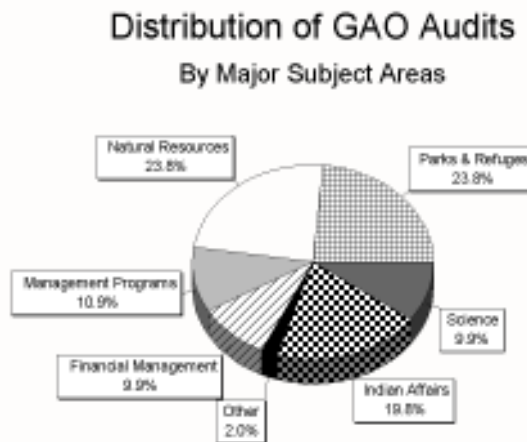
Figure 47

FY 1997 Audits With Disallowed Costs (Dollar Value)				
	Total	Indian Affairs	Park Service	Reclamation
Beginning Balance	\$1,107,000	\$761,000	\$200,000	\$146,000
Additional Disallowed Costs	\$522,000	\$498,000	\$24,000	\$0
Collected, Offset or Reinstated	\$908,000	\$884,000	\$24,000	\$0
Ending Balance	\$721,000	\$375,000	\$200,000	\$146,000
Collection, Offset & Reinstatement Rate	56%	70%	11%	0%

**Internal Audits:** Internal audits are audits conducted by the Office of Inspector General of the programs, organizations, and financial and administrative operations of the Department. One category of internal audits are those audits on how the OIG presents recommendations to improve efficiency and where funds can be put to better use (FBU audits). The Department tracks the successful implementation of all FBU audit recommendations and FBU dollar estimates agreed to by management. As noted in *Figure 45*, the Department progressed in implementing recommendations and closing FBU audits during the fiscal year. Of the 70 FBU audits carried forward from fiscal year 1996 or added during fiscal year 1997, 18 audits (25 percent) were closed. These audits closed involved \$2.2 million of FBU funds. It should be noted that one pending FBU audit, Recovery of Construction Costs of the Columbia Basin Project, which involves long-term corrective actions, accounts for \$48.7 million of the total pending FBU balance, or 83 percent. When this audit is excluded, the closure rate of FBU funds improves significantly. It should also be noted that this presentation does not include two FBU audit reports with \$3.4 million where bureau management agreement is pending.

**U.S. General Accounting Office Audits:** The U.S. General Accounting Office audits are a major component of the Department's audit followup program workload. During fiscal year 1997, a substantial number of GAO reviews were underway or initiated. There were 87 reviews in process during the year, of which 25 were terminated without issuance of a letter report

Figure 48



or other work product. In addition, there were 36 draft reports in process and 32 final audit reports issued with 24 recommendations. *Figure 48* characterizes the audits by major subject area. The Department successfully implemented 30 percent (7 of 24) recommendations by the end of fiscal year. The remaining recommendations involve actions that could be cost prohibitive or long-term implementation plans; these are being reevaluated by the Department.

## ASSET AND DEBT MANAGEMENT

### Civil Monetary Penalties

In 1997, Civil Monetary penalties were assessed in the amount of \$ 3.7 million. During the same period, \$2.6 million was actually collected. Civil Monetary Penalties are assessed as a result of enforcement actions by the Office of Surface Mining, the Bureau of Land Management, the Minerals Management Service, and the Fish and Wildlife Service. *Figure 49* shows civil monetary assessments and collections for 1995 to 1997.

### Debt Collection

The collection of delinquent debt due from the public is a major goal of the Debt Collection Improvement Act of 1996. In an effort to meet its statutory obligations, the Department has implemented two debt management initiatives that are intended to control and manage debt due from the public and to ensure that future delinquencies are held to a minimum. These include referring 180-day and older delinquent debt to the U.S. Treasury for cross-servicing and referring delinquent

Figure 49

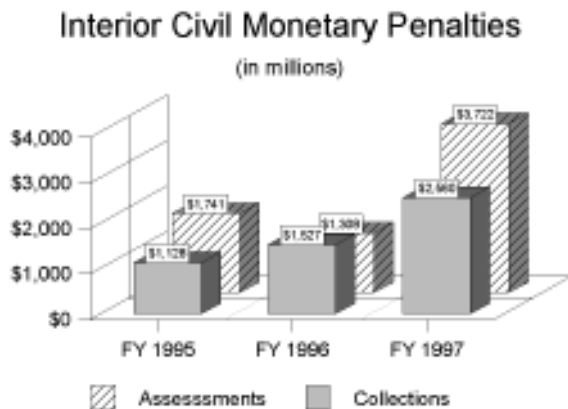
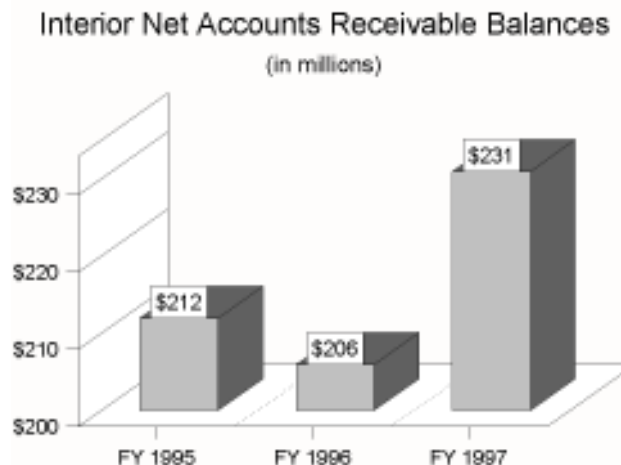


Figure 50



debts to the Treasury Offset Program. The Department's debt management policies are designed to (1) provide sufficient 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 1997, approximately \$219.7 million (60 percent) of the Department's \$368.1 million accounts receivables due from the public were delinquent. The allowance for doubtful accounts is approximately \$137.3 million or 37 percent. The nature of this debt, comprising fines and penalties, has a historically high rate of write-offs. Figure 50 shows the Department's accounts receivable balances (net of allowance for doubtful accounts) due from the public for 1995 to 1997.

**Prompt Payment Act**

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 already begun to pay dividends with improvements in each area cited. This improvement effort will continue and actually intensify during 1998 to achieve significantly better payment performance utilizing new technologies and best practices.

The Department of the Interior's on-time payment percentage increased from 73 percent in 1996 to 77 percent in 1997. In addition, the dollar amount of late payment interest penalties paid decreased by 14

Figure 51

	Percent of Payments		
	1997	1996	1995
Total	100.0%	100.0%	100.0%
On time	77.1%	72.8%	74.0%
Early	0.6%	0.8%	0.4%
Late	22.3%	26.4%	25.6%
Interest penalty paid	(8.8%)	(9.8%)	(9.5%)
Interest not due *	(12.9%)	(15.9%)	(15.4%)
Interest due but not paid	(0.6%)	(0.7%)	(0.7%)

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

Figure 52

	1997	1996	1995
<b>Invoices paid:</b>			
Dollar amount	\$1,810 million	\$1,874 million	\$2,022 million
Number	534,099	612,061	846,880
<b>Interest Penalties:</b>			
Dollar amount	\$1.2 million	\$1.4 million	\$1.5 million
Number	46,797	60,422	80,357
<b>Interest Penalties as a Percentage of Invoices Paid:</b>			
Dollar amount	0.067%	0.075%	0.074%
Number	8.8%	9.9%	9.5%

percent and the number of late payments requiring penalties decreased by 23 percent.

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 51 and 52 show selected prompt pay statistics for 1995 to 1997.



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*<http://www.doi.gov/pfm>*

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*“Construction of a Dam”, by William Gropper (1939). This mural is located on the South wall, second floor, of the Main Interior Building.*

FREEDOM OF SPEECH  
FREEDOM OF WORSHIP  
FREEDOM FROM WANT  
FREEDOM FROM FEAR

THE TEST OF OUR PROGRESS  
IS NOT WHETHER WE ADD MORE  
TO THE ABUNDANCE OF THOSE  
WHO HAVE MUCH, IT IS WHETHER  
WE PROVIDE ENOUGH FOR  
THOSE WHO HAVE TOO LITTLE.

MEN AND NATURE MUST WORK  
HAND IN HAND. THE THROWING  
OUT OF BALANCE OF THE RESOURCES  
OF NATURE THROWS OUT OF  
BALANCE ALSO THE LIVES OF MEN.

WE MUST SCRUPULOUSLY  
GUARD THE CIVIL RIGHTS  
AND CIVIL LIBERTIES OF  
ALL CITIZENS, WHATEVER  
THEIR BACKGROUND.

WE MUST REMEMBER THAT  
ANY OPPRESSION, ANY  
INJUSTICE, ANY HATRED, IS  
A WEDGE DESIGNED TO  
ATTACK OUR CIVILIZATION.

IT IS TIME TO EXTEND PLANNING TO A WIDER  
FIELD, IN THIS INSTANCE COMPREHENDING  
IN ONE GREAT PROJECT MANY STATES DIRECTLY  
CONCERNED WITH THE BASIN OF ONE OF OUR  
GREATEST RIVERS.

TENNESSEE VALLEY AUTHORITY