

PART ONE

**Management's
Discussion
and
Analysis**

DOI's Mission and Organization

Mission

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

Vision

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

Core Value Statement

**Stewardship for America
with Integrity and Excellence**

History

Established in 1849, the Department of the Interior is the Nation's principal Federal conservation agency.

It manages many of the Nation's special natural, cultural and historic places, conserves lands and waters, protects cultural legacies, and keeps the Nation's history alive. Interior manages parks, refuges, public lands, and recreation areas for public enjoyment, provides access to many of the Nation's natural resources, increases scientific knowledge, and fulfills America's trust and other responsibilities to native peoples. Interior also provides hydropower to the Western States. It delivers water to over 31 million citizens through management of 472 dams and 348 reservoirs.

A Department for Domestic Concern was initially considered by the First United States Congress in 1789, but those duties were placed in the Department of State. The proposal continued to percolate for a half-century. The 1846–1848 Mexican-American War gave the proposal new steam as the responsibilities of the Federal Government grew. President Polk's Secretary of the Treasury, Robert J. Walker, became a vocal champion for creating a new department.

DOI's Mission and Organization

In 1848, Walker stated in his annual report that several Federal offices were placed in Departments with which they had little in common: General Land Office in the Department of the Treasury, the Indian Affairs office residing in the Department of War, and the Patent Office in the State Department. He proposed that all should be brought together in a new Department of the Interior.

A bill authorizing Interior's creation passed the House of Representatives on February 15, 1849,

and spent just over two weeks in the Senate. The Department was established on March 3, 1849, the eve of President Zachary Taylor's inauguration, when the Senate voted 31 to 25 to create the Department.

Today, the Department manages about one-fifth of America's land as shown in Figure 1-1 and is made up of nine Bureaus and Departmental offices, with a broad range of responsibilities.

FIGURE 1-1
Surface Lands Managed by Department of the Interior

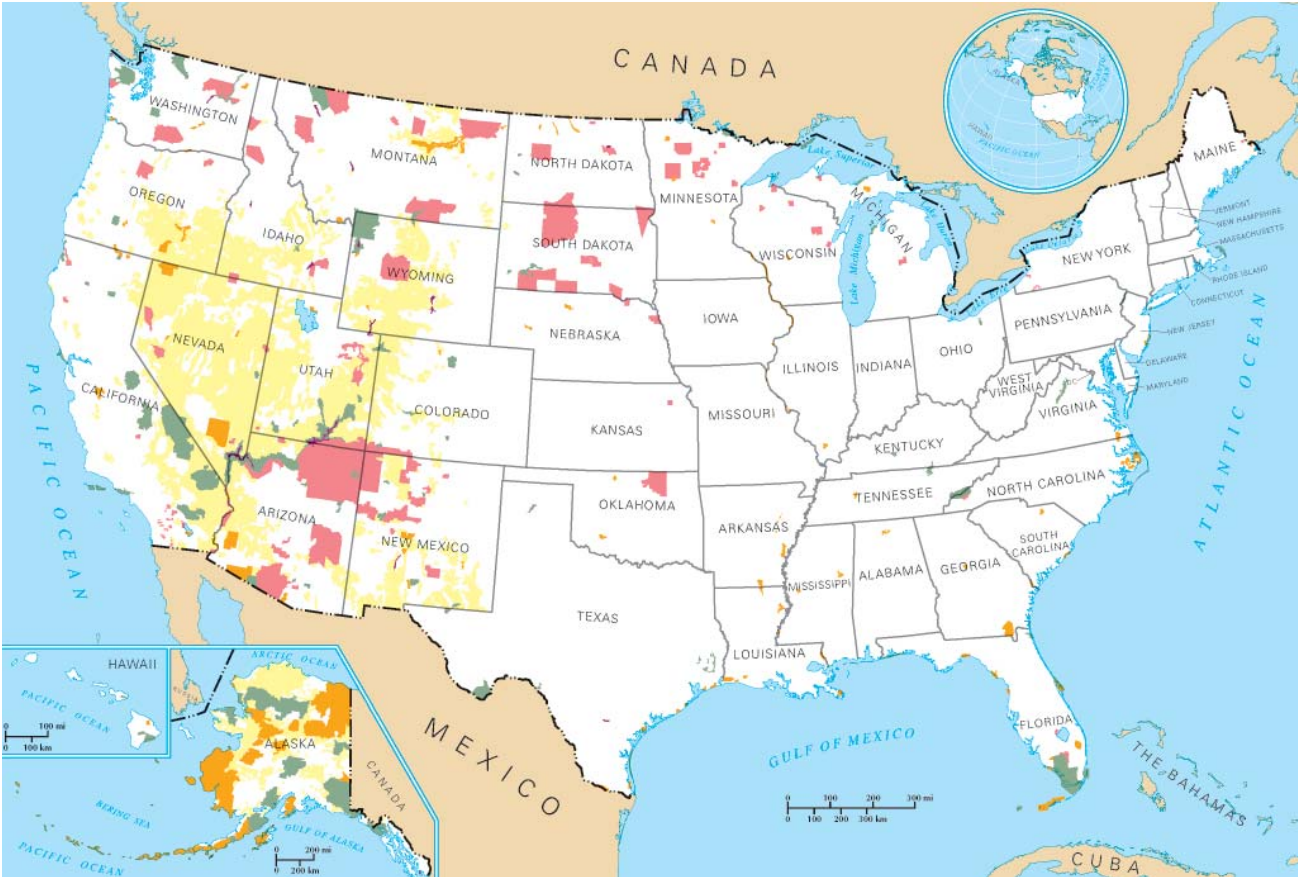
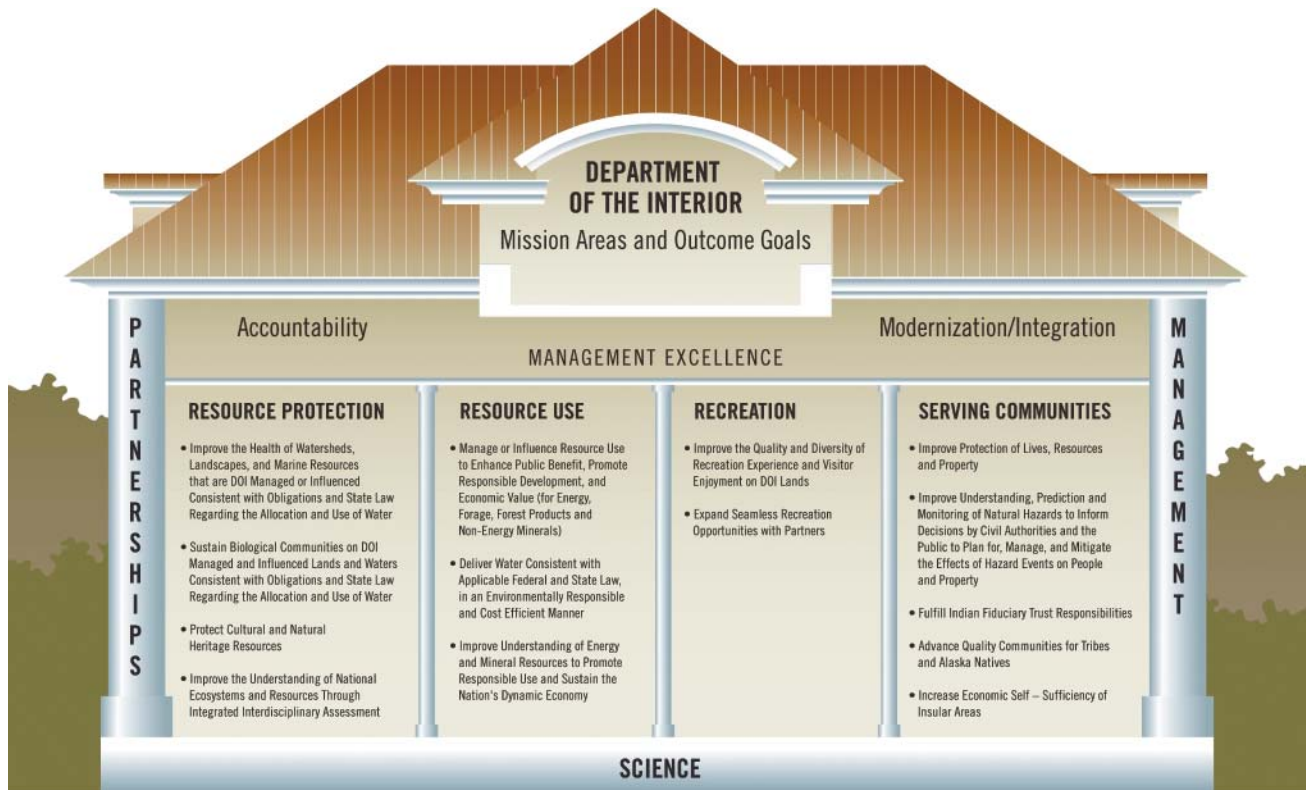


FIGURE 1-2



Defining Interior's Goals

Interior's Strategic Plan was initially developed in response to the Government Performance and Results Act of 1993. Interior's FY 2003–2008 Plan marked the first time the responsibilities, programs and missions of the entire Department, including all the Bureaus and offices, were brought under one roof in a single, integrated Departmentwide Strategic Plan.

In 2005, we began the process of fine-tuning the Strategic Plan by working directly with the Bureaus, offices, and senior Department officials. That process included collecting and considering input from Interior employees, tribes, communities, and the American public to refine the performance measures. The Department of the Interior's Strategic Plan 2007–2012 is the result of that internal and external outreach and provides the framework for everything we do. The Strategic Plan is the guide by which we gauge our success in achieving performance results.

Four Mission Areas provide the framework for Interior's overarching mission of stewardship and define our long-term focal points.

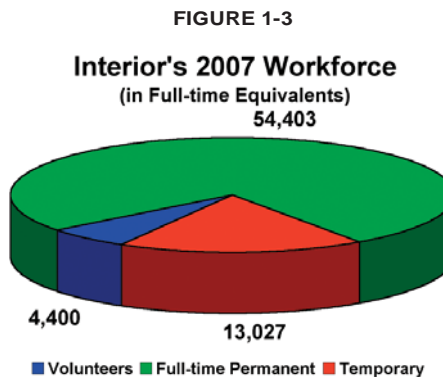
- ◆ Protect the Nation's natural, cultural and heritage resources
- ◆ Manage natural resources to promote responsible use and sustain a dynamic economy
- ◆ Improve recreational opportunities for America
- ◆ Safeguard lives, property and assets, advance scientific knowledge and improve the quality of life for communities we serve

The combined Mission Areas – contain seventeen Outcome Goals that the Department, through its Bureaus and offices, works to accomplish.

Achieving Our Goals

About 70,000 people across the country are employed by the Department of the Interior. Along with our full-time employees, we are fortunate to have almost 350,000 volunteers who contribute their time in a variety of ways to help DOI fulfill its missions. For example, our volunteers bring unique, local knowledge to park, refuge and public land visitors, assist in hurricane recovery, plant trees, clear overgrowth, help maintain park trails, and participate in environmental education programs. We also have a third group of workers who staff seasonal positions that occur regularly throughout the year. Peak demand periods, such as the start of the wildland fire season or the summer rise

in visitors to our national parks, are met by our temporary workforce. Together, our employees contribute their expertise and experience toward accomplishing the Outcome Goals in the Strategic Plan.



DOI Bureaus

Each Interior Bureau has discrete responsibilities.



Fish and Wildlife Service

- ◆ Manages the 96 million-acre national wildlife refuge system primarily for the benefit of fish and wildlife
- ◆ Protects and conserves:
 - Migratory birds
 - Threatened and endangered species
 - Certain marine mammals
 - Fish
- ◆ Hosts about 38 million visitors annually at 548 refuges and 37 wetland management districts



U.S. Geological Survey

- ◆ Provides reliable scientific information in geography, geology, hydrology, and biology to inform effective decision-making and planning
- ◆ Brings a range of earth and life science disciplines to bear on problems
- ◆ Produces information to increase understanding of natural hazards such as earthquakes, volcanoes, and landslides
- ◆ Conducts research on oil, gas and alternative energy potential, production, consumption, and environmental effects



Indian Affairs

- ◆ Fulfills Indian trust responsibilities
- ◆ Promotes self-determination on behalf of more than 562 Federally recognized Indian tribes
- ◆ Bureau of Indian Education provides quality education opportunities in Indian country



Bureau of Land Management

- ◆ Manages and conserves resources for multiple use and sustained yield on approximately 258 million acres of public land, including the following:
 - Mineral exploration and production
 - Timber production
 - Domestic livestock grazing
 - Outdoor recreation
 - Rights-of-way
 - Fish and wildlife conservation
 - Resource protection at sites of natural scenic, scientific, and historical value



Minerals Management Service

- ◆ Manages access to the mineral resources of the Outer Continental Shelf to help meet our country's energy needs
- ◆ Administers over 8,200 active mineral leases on almost 40 million OCS acres
- ◆ Oversees 15 percent of the natural gas and 25 percent of oil produced domestically
- ◆ Collects, accounts for, substantiates, and disburses revenues, including approximately \$13 billion in FY 2006 and \$12 billion in FY 2007, associated with mineral production from leased Federal and Indian lands
- ◆ Oversees offshore renewable energy permitting



National Park Service

- ◆ Maintains a network of 391 natural, cultural, and recreational sites for the benefit and enjoyment of the American people
- ◆ Provides technical assistance to State and local natural and cultural resource sites
- ◆ Provides respite and outdoor recreation to over 270 million annual park visitors



Bureau of Reclamation

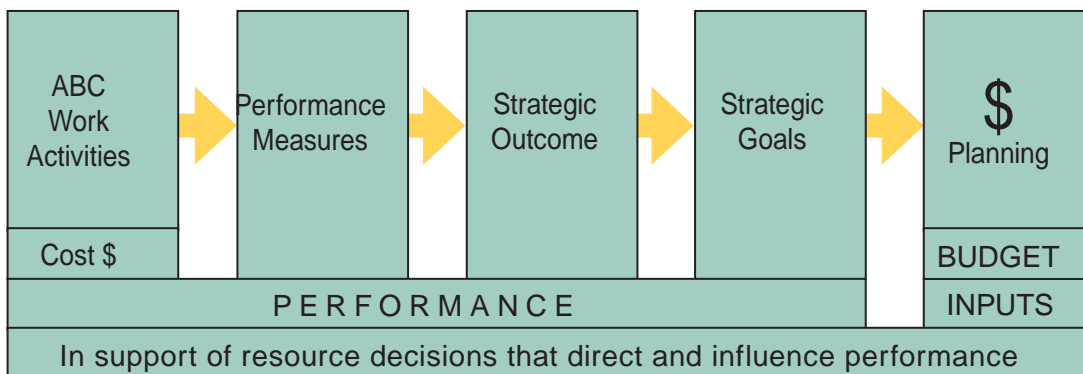
- ◆ Largest supplier and manager of water in the seventeen Western States
- ◆ Maintains 472 dams and 348 reservoirs
- ◆ Delivers water to one in every five western farmers and over 31 million people
- ◆ America's second largest producer of hydroelectric power



Office of Surface Mining

- ◆ Protects the environment during coal mining
- ◆ Ensures the land is reclaimed afterwards
- ◆ Mitigates the effects of past mining by pursuing reclamation of abandoned coal mine lands

FIGURE 1-4



Assessing Our Performance

A New Approach

This year we are incorporating a more structured approach for our performance assessment overview. Under each Mission Area, we will summarize the following.

- ◆ How pursuing the Mission Area *benefits* the American public
- ◆ The Department's *performance* progress toward achieving the Outcome Goals in each Mission Area outlined in the Strategic Plan
- ◆ *Next steps* being considered to help bring us closer to realizing our goals

To convey our performance and future plans under each Outcome Goal, we use representative Strategic Plan performance measures to highlight our collective performance. These select performance measures were chosen based on their relatively broad scope, compared to other more specifically defined performance measures, and their potential to represent the Department's overall performance. As such, they are not meant to capture the detail available in the Part 2 performance tables.

Our intent is to routinely use these representative measures so that our yearly progress can be tracked more readily with each subsequent PAR performance assessment overview. We will also use them to identify strategies for performance improvement and identify possible agencywide initiatives.

Activity-Based Costing

Activity-Based Costing and Management is a tool that links financial and performance data by capturing the cost of performing work activities. ABC/M provides an accurate picture of what is being achieved in relation to what is being spent. Cost drivers for each work activity become more visible. ABC/M information is useful to managers as it relates more clearly to what they deal with on a day-to-day basis. Therefore, an organization can more easily measure how efficiently it is performing work against the cost of the effort and evaluate where changes might be needed. There are approximately 300 ABC/M work activities that align to the strategic Outcome Goals for executing the Department's mission in resource protection, resource use, recreation, and serving communities.

As depicted above in Figure 1-4, ABC Work Activities and costs are used to assess performance across all bureaus and offices. The costs and performance measures are aligned to the Strategic Plan hierarchy and incorporated in the Statement of Net Cost. The presentation of costs for each representative performance measure is captured at the bureau level accounting system before aggregation to the strategic outcome and goals in the consolidated reporting tool.

Performance and Funding Trends

Each representative Strategic Plan performance measure is plotted for 2007 with a projection into the present fiscal year along with the trend from the past several years. Each measure is also

FIGURE 1-5
Performance vs. Cost

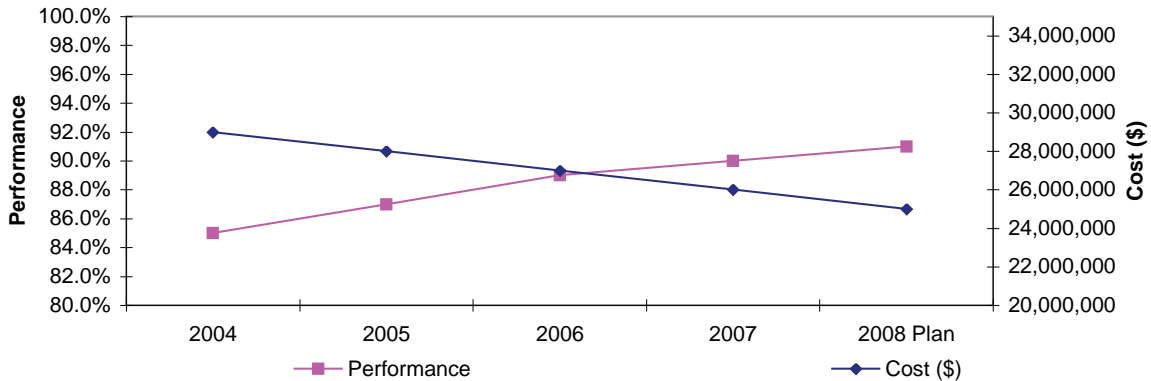


FIGURE 1-6

	2004	2005	2006	2007	2008 Plan
Representative Strategic Plan Measure	Performance target or result (%)				
	Amount achieved				
	Scope				
Cost (\$)					

accompanied by the corresponding trend in funding that contributes toward performance. In this manner, the reader can see the performance and funding realized thus far, along with planning proposed in the 2008 President's Budget.

With the updated Strategic Plan FY 2007–2012, some revised measures are not yet supported by historical data. However, their selection as a representative Strategic Plan performance measure signals our intention to continue routine tracking and reporting of these measures in subsequent PARs, to provide a long-term trend analysis of how we have performed over time.

Performance Tables

To give a more complete picture of Interior's performance, tables are included that lay out the performance specifics for each measure following the same annual trend pattern as the graphs.

Every measure has a performance factor—a *metric*. The annual performance results are usually expressed as a percentage based on the

performance factor designated for every measure. For such measures, the percentage is calculated by dividing the numerator—the actual amount achieved, be it acres in desired condition or percent of visitors who are satisfied with a visit to land managed by DOI—by the denominator, or the entire scope of possible achievement.

FIGURE 1-7

$$\frac{\text{Amount achieved}}{\text{Scope}} = \text{Performance Results (\%)}$$

The annual cost devoted to the program or activity is calculated based on the ABC/M methodology and is also listed in the table.

The following sections will describe progress in each Mission Area through representative Strategic Plan measures that capture our performance for this year.

Mission Area One

Resource Protection

Interior protects America's natural, cultural and heritage resources. Four Outcome Goals reflect our major objectives in pursuing this Mission Area:

- ◆ Improve health of watersheds, landscapes, and marine resources that are DOI managed or influenced consistent with obligations and State law regarding the allocation and use of water
- ◆ Sustain biological communities on DOI managed and influenced lands and waters consistent with obligations and State laws regarding the allocation and use of water
- ◆ Protect cultural and natural heritage resources
- ◆ Improve the understanding of national ecosystems and resources through integrated interdisciplinary assessment

Benefits

This Mission Area embodies a portion of Interior's stewardship pact with the American people: to protect our natural resources, as well as our inheritance of cultural and heritage assets. We preserve the past and the present with the goal of maintaining it for the future. The benefits to achieving our Outcome Goals are multifaceted yet interconnected.

Interior is the Nation's principal conservation agency. We manage over 500 million acres of public lands and 56 million surface acres of Indian trust lands. These assets are valued for their environmental resources, recreational and scenic merits, and vast open spaces. Our responsibilities also extend to monitoring and repairing damage done by past mining. The well-being of our land and water is critical to the ecology of our Nation.

Successful conservation works best in partnership with the American people. Our strategy is to empower Americans to become citizen-conservationists. Thousands of different cooperative projects are ongoing today across our Bureaus

based on collaborations with other Federal, State and local agencies, public and private organizations, Tribes, and private landowners. Interior can offer landowners, land-user groups, environmental organizations, communities, tribes, and companies resources and technical support to undertake conservation projects that advance the health of the land, benefiting all of us.

The Department is charged with protecting thousands of native plant and animal species, including more than 1,300 with special status under the Endangered Species Act and nearly 300 candidate species. The forests, mountains, and deserts house biological diversity that is critical to overall ecosystem health, and potentially impacts our own survival.

Interior also conserves the Nation's cultural and heritage sites that reflect a past as rich and diverse as our country. The expanse of these assets includes over 100,000 archeological sites, nearly 40,000 historical structures, and 140 million cultural and museum objects and documents.

The U.S. Geological Survey, the Department's principal science agency, supports our Resource Protection mission. USGS data contributes to sound land and resource decisionmaking through data collection and integration, as well as understanding, modeling, and predicting how multiple forces affect natural systems. Science lies at the foundation of our programs, including ongoing evaluation of their quality and relevance.

Representative Strategic Plan Measures

We have selected representative performance measures under each Outcome Goal to provide a picture of our overall performance in the Resource Protection Mission Area.

GOAL: Improve health of watersheds, landscapes, and marine resources that are DOI managed or influenced consistent with obligations and State law regarding the allocation and use of water

- ◆ Percent of DOI stream and shoreline miles that have achieved desired conditions where condition is known and as specified in management plans
- ◆ Percent of DOI acres that have achieved desired conditions where condition is known and as specified in management plans
- ◆ Number of Federal, private, and tribal land and surface water acres reclaimed or mitigated from the effects of natural resource degradation from past coal mining

GOAL: Sustain biological communities on DOI managed or influenced lands and waters consistent with obligations and State law regarding the allocation and use of water

- ◆ Percent of all migratory bird species that are at healthy and sustainable levels
- ◆ Percent of threatened or endangered species that are stabilized or improved
- ◆ Percent of baseline acres infested with invasive plant species that are controlled

GOAL: Protect cultural and natural heritage resources

- ◆ Percent of historic structures on DOI inventory in good condition

GOAL: Improve the understanding of National ecosystems and resources through integrated interdisciplinary assessment

- ◆ Percent of targeted science products that are used by partners for land or resource management decisionmaking

Discussion

GOAL: Improve health of watersheds, landscapes, and marine resources that are DOI managed or influenced consistent with obligations and State law regarding the allocation and use of water

Representative Strategic Plan Measure: Percent of stream/shoreline miles that have achieved desired conditions where condition is known and as specified in management plans

FIGURE 1-8

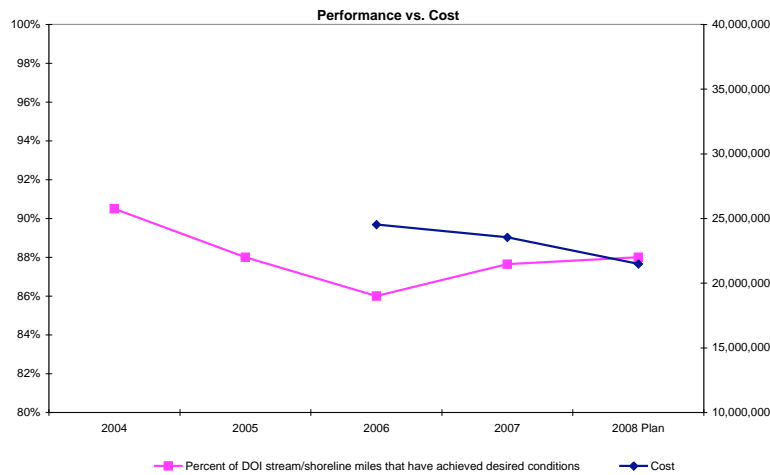


FIGURE 1-9

	2004	2005	2006	2007	2008 Plan
Performance	90.5%	88.0%	86.0%	87.6%	88.0%
Stream/shoreline miles in desired condition	126,821	131,200	137,173	195,306	196,197
Stream/shoreline miles whose condition is known	140,096	149,167	159,411	222,830	222,830
Cost (\$)	Not Available	Not Available	24,523,638	23,550,163	21,495,885

Three Bureaus look after our streams and shorelines: Bureau of Land Management, National Park Service, and Fish and Wildlife Service. Overall performance has been reasonably steady in the 85–90 percent range.

These Bureaus assess, record, and treat more and more streams and shoreline, as seen in the increasing number of miles included in the table. The largest portion belongs to BLM with a little more than 140,000 miles. FWS tracks almost 67,000 miles and NPS, which began reporting in 2007, almost 13,000 miles.

Bureau management plans detail what constitutes desired condition. Performance improvement is hard to assess on a year-to-year basis. However,

the Bureaus concur that achieving desired condition is a lengthy process and is affected by a number of management actions and treatments, including planting, seeding, wildfire, actions to control invasive plant and noxious weeds, and environmental conditions.

Particularly in refuges, streams and shorelines provide important habitat for a variety of fish, wildlife, and plants. Restoration often includes soft shoreline protection and planting native vegetation. Typical materials utilized for such projects include coconut filter fabric, coir logs, and native live plants and seed mixes. The nonnative materials usually biodegrade within five years after the vegetation has been established. Volunteers often provide invaluable labor to help with projects like these.



Stream/Shoreline Miles Restored

Arapaho National Wildlife Refuge, CO

FWS is partnering with USGS to restore riparian habitat along the Illinois River within Arapaho NWR in Colorado. Efforts have focused on replanting native willow species along the river banks and fencing exclusion areas to protect sites from excessive grazing from large animals like elk and cattle. These exclosures will help determine if grazing is a factor in why willow regeneration is not occurring naturally in the riparian area. Volunteers have also participated through a partnership with Wildlands Restoration Volunteers, a nonprofit group based in Boulder, Colorado, which organizes public involvement and provides trained crew leaders in these restoration efforts. The project implements the concept of adaptive management as various approaches to willow replanting and exclosure designs are tried and their effectiveness is measured. Riparian willow habitat is important to a number of wildlife species, including neotropical migratory birds. This project is partially funded through the Science Support Partnership program between FWS and USGS.



Innovative Water Management

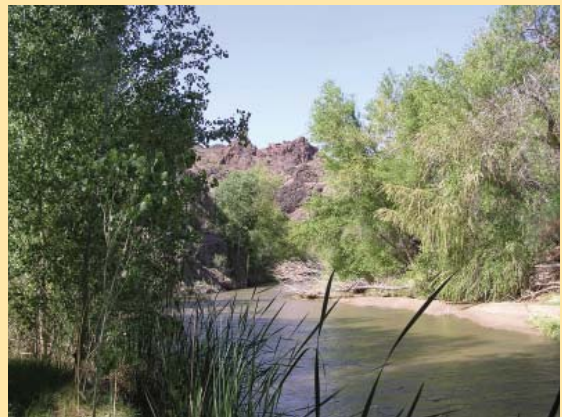
Bill Williams River National Wildlife Refuge, AZ



The Bill Williams River Corridor Steering Committee, headed by FWS in collaboration with BLM, BOR, U.S. Army Corps of Engineers, The Nature Conservancy, and Arizona State and city agencies, has successfully achieved a more natural flow of the Bill Williams River.

By rewriting the Alamo Dam Management Plan, native cottonwood and willow growth along the river has been encouraged, while tamarisk, or salt cedar, an invasive plant species, has been dramatically reduced. By adjusting the water release and desirable flooding from the dam, seeding from the desirable trees can be actively managed. Once established, cottonwood and willow will out-compete tamarisk for the moisture, nutrients, sunlight, and space necessary for growth. As the riparian zone rebounds, monitoring and research continue. The refuge has documented over 350 species of birds, an unusually high number for the southwest desert.

These photos show young cottonwood seedlings in 2005 and two years later—the same trees established without salt cedar developing.



Representative Strategic Plan Measure: Percent of DOI acres that have achieved desired condition where condition is known and as specified in management plans

FIGURE 1-10

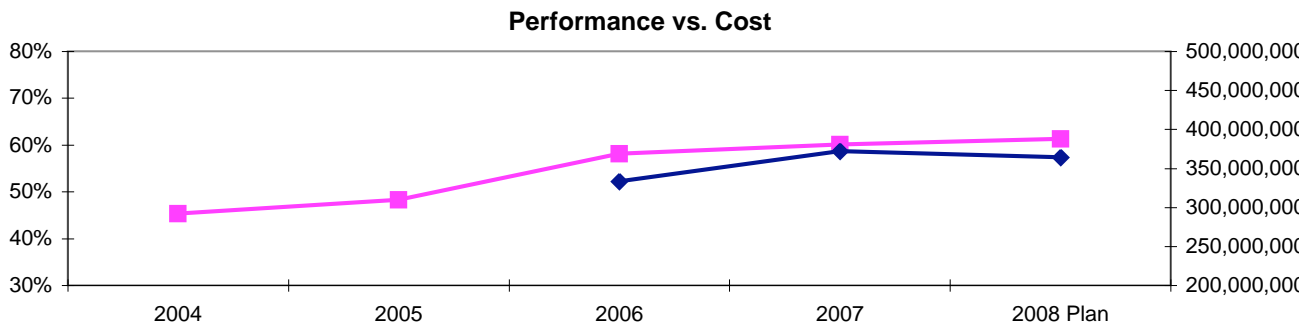


FIGURE 1-11

	2004	2005	2006	2007	2008 Plan
Performance	45%	48%	58%	60%	61%
Acres in desired condition	118,862,916	127,055,258	200,715,412	218,864,783	223,492,266
Acres with known condition	262,659,257	263,115,511	345,580,083	364,460,411	364,460,411
Cost (\$)	Not Available	Not Available	333,382,810	372,177,563	364,308,687

Improving the health of lands, watersheds, and marine resources is a key Outcome Goal in our Resource Protection mission area. Interior is the guardian of America's federally-managed lands and waters. The chart reflects a steady gradual increase in the percentage of acres achieving desired condition. This year the percentage increased by two percent over 2006.

Contributions to achieving desired condition are provided by the Bureau of Land Management, the Fish and Wildlife Service, and the National Park Service. NPS established a baseline for this measure in 2007 and will begin tracking results in 2008. While there has been steady progress, an additional infusion of \$22 million has been proposed in FY 2008 through the Healthy Lands Initiative to potentially increase the rate of improvement on more acreage.

The Initiative embodies a long-term, landscape-scale, collaborative effort with the goal of conservation and restoration of native habitats and fish and wildlife species, including those that are

rare and declining, while providing for managed development. We anticipate 800 species will benefit.

In BLM, \$15 million will be allocated to six priority geographic areas, five of which contain the largest onshore reserves of natural gas in the country. The Healthy Lands Initiative is characterized by the broad scale of the acreage it seeks to rehabilitate and conserve, and the accelerated pace—one to three years—at which results are expected. BLM faces a challenge noted in the Message from the Secretary of concurrently meeting land health goals while encouraging energy development and continued traditional land uses, including recreation, in the West.

BLM provided \$3 million from 2007 appropriated funds to jumpstart work under this Initiative. Several pilot areas were targeted and strides were made by treating the designated landscapes. This effort was expected to restore about 74,000 additional acres of BLM-managed land in 2007 and, with the additional monies proposed in the President's FY 2008 budget, over 300,000 of its acres are expected to be treated and restored in 2008.



Seeding in the Snow

Big Stone National Wildlife Refuge, MN

At the Big Stone NWR, FWS uses a novel method for native prairie restoration: snow seeding. Using a seed spreader, native grass and wildflower seed is sown directly atop the snow over a former row-crop agricultural field. Snow seedings are very effective because the seed warms up in the sun and melts into the snow layer. The seed becomes locked into the snow and is “cold treated” during that time. As the snow melts the thin layer of soil near the soil surface becomes friable. The seed is planted naturally and the soil firms up as it dries. Native plants include species like little bluestem, big bluestem, Indian grass, cone flowers and blazing stars.



Achievement is based on the condition of lands assessed that are meeting land health standards. Along with the continuing effort to assess land condition, improvement in land health is a gradual process that often takes long periods of time to see change, sometimes decades, especially in the arid



Cooperative Conservation

Fighting Weeds Together in the Florida Keys

Invasive weeds and exotic plants know no boundaries and are a nemesis to public land managers and private landowners alike. That’s why a landscape-scale, collaborative approach to eradicating invasive exotic plants in the Florida Keys has proven effective and exemplifies the principles of cooperative conservation.

The Florida Keys Invasive Exotics Task Force began eliminating weeds on public lands, but quickly realized that long-term success depended on private landowners and nurseries joining the effort. A volunteer corps was created and due to the size and relative isolation of the islands, efforts are proving to be highly successful. Invasive species have been purged on over 150 private properties in the Keys.

To further the education effort, the Task Force enlisted the help of local nurseries who have provided their customers with Keys-friendly landscaping plants, products and advice. The Task Force’s comprehensive partnering approach shows promise for a lasting victory over invasive exotic plants in the state of Florida and serves as a role model for cooperative conservation across the Nation.

West. Although the overall change appears to be positive, there are several notable indications that the condition of public lands has declined in certain areas. Improving the condition of our land is a challenging, but essential, part of the Department’s mission.

Healthy Lands Initiative

The Department of the Interior launched the Healthy Lands Initiative in 2007 to restore and improve the health and productivity of public lands in the Western United States while providing for managed development and traditional land uses. The goal is to get out in front of, as well as respond to, a multitude of pressures on public lands, such as increased urban-suburban development, increased outdoor recreational activity, rising demands for energy, and impacts from large-scale wildfires and invasive plants, such as cheatgrass.

The BLM, FWS and USGS are working together with State and local partners to achieve results on a landscape-scale across both public and private lands. Working with partners is a key component of the Initiative, and activities are also coordinated with recently completed State wildlife action plans.

The greater sage-grouse presents a particularly significant challenge, with habitat spanning the western United States, and mostly (72 %) under Federal management. The greater sage-grouse occupies only about 55 % of habitat originally available to them and the species has been petitioned several times for listing under the Endangered Species Act. The Initiative seeks to help prevent the need to list the sage-grouse by restoring and conserving key habitat areas throughout its range. Sagebrush habitat also supports significant numbers of additional plants and animals.



Before treatment



After treatment

The BLM started funding this initiative with a \$3 million down payment in 2007 matched by approximately \$2 million in partner contributions. More than 72,000 acres of shrub and grassland vegetation was improved on BLM land in 2007 through vegetation treatments, such as prescribed burns, mechanical removal of trees, and herbicide treatments of invasive species, such as cheatgrass. In addition, five miles of stream were enhanced and seventeen riparian projects were constructed. Examples of this work include planting willows and cottonwoods and fencing riparian areas. In 2008 and 2009, with a budget increase for BLM coupled with contributions from base funding in other related budget accounts, the BLM plans to improve 428,000 acres of shrub/grass/ woodlands; apply invasive species control treatments on 101,410 acres; enhance 158 miles of streams; complete 219 riparian projects; and reclaim 266 oil wells and associated roads. In addition, over 71,000 acres of fuels treatment will be implemented; 40 shrub/grass/pinyon juniper forest projects will be constructed; ten species recovery/ conservation plans will be implemented to improve habitats for desert tortoise, Peninsular Range Bighorn Sheep, desert pupfish, Armargosa vole, and sage grouse.

Representative Strategic Plan Measure: Number of land and surface water acres reclaimed or mitigated from effects of past coal mining

FIGURE 1-12

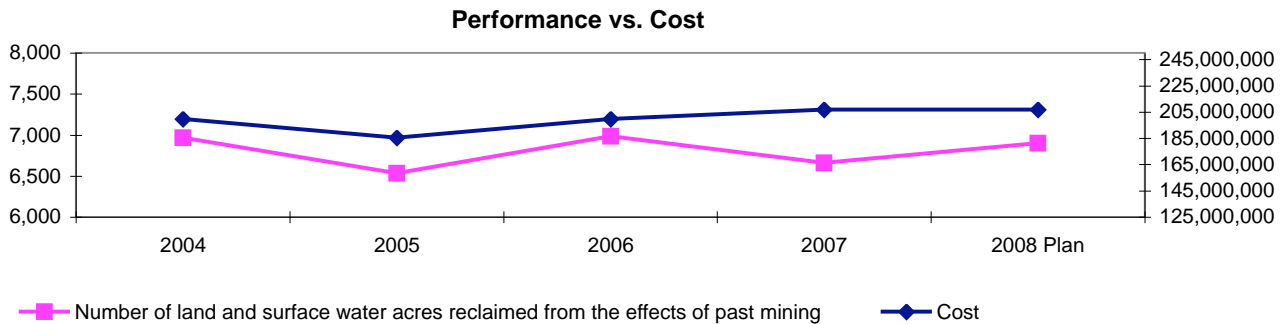


FIGURE 1-13

	2004	2005	2006	2007	2008 Plan
Number of land and surface water acres reclaimed or mitigated from the effects of natural resource degradation from past coal mining	6,965	6,533	6,983	6,658	6,900
Cost (\$)	199,722,508	185,335,814	199,514,683	206,985,032	206,985,032

A moderate increase is expected in FY 2008 compared to last year in the number of acres reclaimed from the effects of past coal mining. Projects typically take two to three years to implement, and results are usually not realized for several years after funding is applied to a site.

Most all of the land surface mined for coal within the eastern United States and Pacific Northwest was forested until mined. The coal fields of the eastern United States lie within the largest and oldest deciduous forests on Earth. Forests are major sequesters of carbon and producers of oxygen—they are critical to the ecological health of the Earth. Increases in surface coal mining have led to substantial forest fragmentation, loss of habitat for critical species such as the Indiana

Bat and Cerulean Warbler, and increased flooding due to higher peak runoff from reclaimed areas. OSM, in cooperation with several States and other partners, initiated the Appalachian Regional Reforestation Initiative to address effective reforestation of abandoned mine land. ARRI has laid the groundwork for changing perceptions of what constitutes effective reclamation.

We expect a dramatic increase in the number of reclaimed abandoned mine land acres, as the amount of money available to uncertified States, which have yet to conduct coal mine reclamation work, will almost double by FY 2009 as a result of the Surface Mining Control and Reclamation Act Amendments of 2006.



Return of the American Chestnut

The American chestnut at one time dominated eastern forests, representing a quarter of the trees from Maine to Florida and west of the Ohio Valley. In the first half of the twentieth century, however, the American chestnut tree was decimated by a fungus from Asia. Today, a fully grown American chestnut tree is a rare sight—though these trees are sprouting from roots in the forest, they soon become affected by the chestnut blight and die before maturing.

Under the Surface Mining Control and Reclamation Act of 1977, OSM oversees the reclamation of surface coal mines, many located in the eastern forests where the American chestnut was once king. OSM is working in partnership with The American Chestnut Foundation and the Appalachian Regional Reforestation Initiative to combine reclamation of mine sites with restoration of the American chestnut. The millions of acres of forest surrounding mine sites are home to wildlife that will spread the chestnut seeds.

For more than 25 years, TACF has worked to develop a blight resistant American chestnut that will restore the tree to the eastern woodlands.



The photos here show an American chestnut tree that was not destroyed by the fungus and a seedling that was planted on mine spoil.

GOAL: Sustain biological communities on DOI managed or influenced lands and waters consistent with obligations and state law regarding the allocation and use of water

Representative Strategic Plan Measure: Percent of all migratory bird species that are at healthy and sustainable levels

FIGURE 1-14

Performance vs. Cost

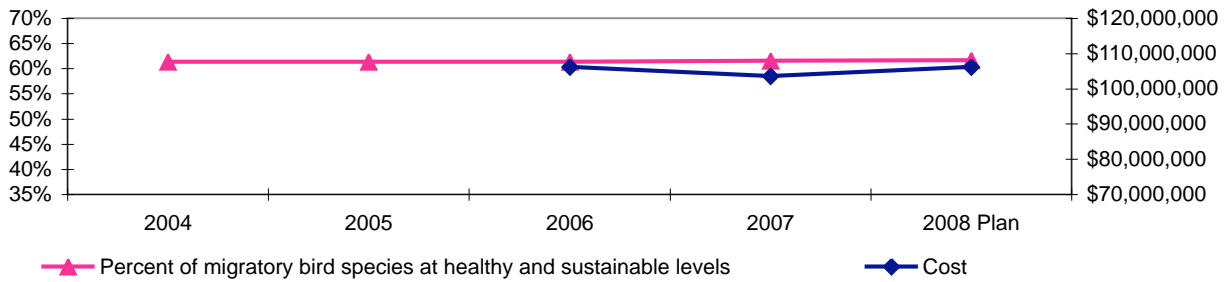


FIGURE 1-15

	2004	2005	2006	2007	2008 Plan
Performance	61%	61%	61%	62%	62%
Number of migratory bird species at healthy and sustainable levels	561	561	561	561	563
Number of migratory bird species	913	913	913	912	912
Cost (\$)	Not Available	Not Available	106,199,619	103,520,674	106,129,395

Migratory birds are one of North America’s most highly valued natural resources. The Fish and Wildlife Service is the lead Federal agency for migratory bird conservation. About 62 percent of the 912 migratory bird species are at healthy and sustainable levels.

The mission of the Migratory Bird Management Program is to conserve and manage the native species of migratory birds and their habitats, in partnerships with others, to fulfill U.S. treaty obligations and trust responsibilities. The aim is to remove or reduce harmful threats to birds and to identify and develop focused management actions that will result in healthy and sustainable population

levels. The program’s greatest challenge is to continuously increase knowledge of bird population status and trends.

Since 2004, the status of five migratory bird focal species has improved, helping to ensure 62% of our Nation’s migratory birds are at healthy and sustainable levels. The program will continue to work toward achieving the long-term performance goal of an increase of five additional species at healthy and sustainable population levels. However, achievement of this goal is not expected to occur until after several more years of work, as it takes considerable effort over time to improve the population of an entire species.

Curlew Conservation

The range of the Long-billed Curlew, a large shorebird endemic to the grasslands of North America, has contracted by more than one-third over the last century. Because of continuing conservation concerns, the FWS Migratory Bird Program designated the Long-billed Curlew as a Focal Species for conservation action.

One of the initial conservation steps for Long-billed Curlews involved the design and implementation of a rangewide breeding survey to accurately assess their status. Many partners from Federal and State agencies and nonprofit organizations participated in the FWS-led survey. Results are being published in peer-reviewed scientific journals. Service staff are also conducting a comprehensive conservation assessment, developing a Focal Species Action Plan, and facilitating communication among Long-billed Curlew researchers. Recent North American Wetlands Conservation Act grants and projects through the FWS Partners for Fish and Wildlife program have helped preserve and restore Long-billed Curlew habitat in Montana. The Long-billed Curlew is an icon for grassland protection in developing conservation provisions of the 2007 Farm Bill.



A Legendary Bird

Albatrosses are birds of legend and extremes. The oldest living North American bird in the wild is a Laysan Albatross that is still breeding at 55 years old. This superlative group of species also boasts the longest wingspan of any bird (over 11 feet). The bird is arguably the longest distance wanderer in the world. Two species of albatross breed in the U.S., the black-footed albatross and the Laysan albatross. Both have been identified as Birds of Conservation Concern by the Department. The



core of their breeding range is the Northwestern Hawaiian Islands, where the majority of birds nest on small islands and atolls. The Department is strategically moving forward on securing the future of black-footed and Laysan albatrosses by identifying and addressing threats, including incidental mortality in fishing operations, predation by introduced mammals, reduced reproductive

output due to contaminants, and nesting habitat loss and degradation due to invasive plant species. To guide this work, a comprehensive Conservation Action Plan has



been created and an innovative long-term monitoring program has been launched by the Department to track albatross populations at their breeding colonies. The Department has also teamed up with university researchers to track the long-range movements of albatrosses at sea, using cutting edge geo-location technology. Through this dual focus of conservation on land and at sea, the Department hopes to ensure the future of these magnificent birds which have been described by author Carl Safina as “living poetry upon the ocean.”

The photos show nesting albatross and an albatross chick.

Representative Strategic Plan Measure: Percent of threatened or endangered species that are stabilized or improved

FIGURE 1-16

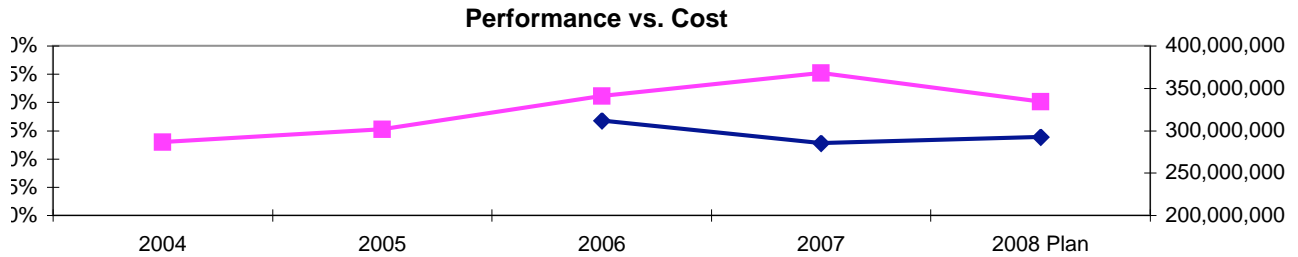


FIGURE 1-17

	2004	2005	2006	2007	2008 Plan
Performance	33%	35%	41%	45%	40%
T&E Species stabilized/improved	413	442	522	573	509
T&E Species	1,252	1,256	1,269	1,269	1,269
Cost (\$)	Not Available	Not Available	312,030,262	285,255,306	292,443,740

One of the most noble efforts under the Sustaining Biological Communities goal is improving and ultimately recovering threatened and endangered species. The overall pursuit is led by FWS with contributing efforts by BLM and NPS.

Our Department performance has reached the 45 percent range. Restoring a species to the point where it is a secure, self-sustaining component of its ecosystem requires a sizeable investment of effort over time and often involves trying to compensate for threats that have been impacting species for many years. Program performance is showing an overall improving trend, reflecting the successes of the efforts expended over the past years.

In FY 2007, the most notable delistings of endangered or threatened species include the bald eagle, Yellowstone grizzly bear, and Western Great Lakes gray wolf.

FWS is developing a strategic plan for the Endangered Species Program that identifies new long-term outcomes. The new goals will capture candidate conservation efforts to prevent species from becoming listed in the first place.

BLM typically works in conjunction with FWS to directly support the Endangered Species Act by restoring or enhancing acres of habitat that sustain species listed as threatened or endangered. In 2007, BLM began to track the population status of high priority listed species across its managed lands.



The Eagle Has Landed

On June 28, 2007, Secretary of the Interior Dirk Kempthorne announced the removal of the bald eagle from the list of threatened and endangered species at a ceremony at the Jefferson Memorial in Washington, DC. After nearly disappearing from most of the United States decades ago, the bald eagle is now flourishing across the Nation and no longer needs the protection of the Endangered Species Act.

Secretary Kempthorne said, "In 1963, the lower 48 states were home to barely 400 nesting pairs of bald eagles. Today, after decades of conservation effort, they are home to some 10,000 nesting pairs, a 25-fold increase in the last 40 years. Based on its dramatic recovery, it is my honor to announce the Department of the Interior's decision to remove the American Bald Eagle from the Endangered Species List."

Representative Strategic Plan Measure: Percent of baseline acres with invasive plant species that are controlled

FIGURE 1-18

Performance vs. Cost

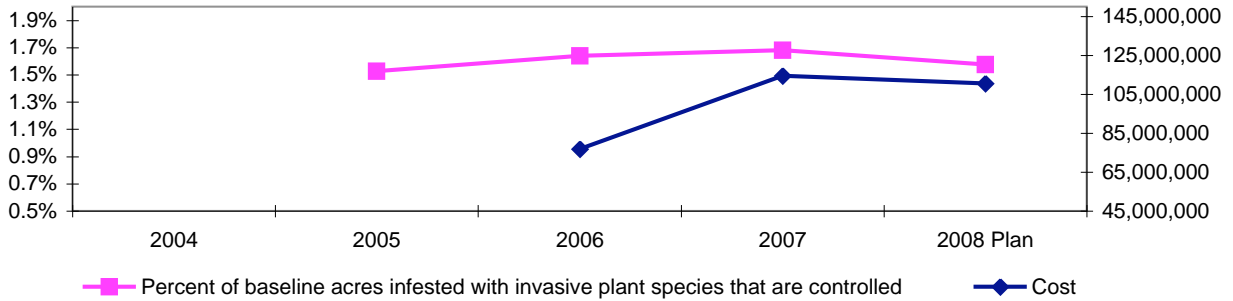


FIGURE 1-19

	2004	2005	2006	2007	2008 Plan
Performance		1.5%	1.6%	1.7%	1.6%
Number of acres infested with invasive species		615,991	667,640	634,296	594,325
Number of baseline acres infested		40,364,819	40,725,678	37,717,610	37,719,169
Cost (\$)	Not Available	Not Available	76,723,551	114,379,123	110,443,969

Invasive plants include both noxious weeds and other plants that are not native to the environment. For example, BLM considers plants invasive if they have been introduced into an environment where they did not evolve. As a result, they often have no natural enemies to limit their reproduction and spread. Invasive plants can spread into and dominate native or managed plant systems and disrupt the ability of the system to function normally through the aggressive competition for moisture, nutrients, sunlight, and space.

Four Bureaus, the Bureau of Land Management, National Park Service, Fish and Wildlife Service, and Bureau of Reclamation, support the effort to control acreage infested with invasive plant species. Baseline acres with invasive species that are controlled is at 1.7 percent—a result that might seem insignificant until one considers the magnitude of a problem that affects 38 million acres. The good

news is that 90 percent of Federal lands are not significantly infested.

The people power needed to combat exotic invaders is enormous, and the time to gain control of an invasive species is considerable. Our Bureaus are using inventive tactics to tackle the problem. NPS has responded to the invasion with Exotic Plant Management Teams. The seventeen teams, located throughout seven regions, were modeled on the coordinated rapid response approach used in wildland fire fighting.

Confronting invasive species presents a major challenge for the National Wildlife Refuge System managed by FWS. According to 2006 Refuge Annual Performance Planning data, two million acres of refuge lands are infested with invasive plants. While we are spending significant resources to control these populations, only about 14 percent



Before treatment

Tamarisks Begone!

Tamarisk (also known as salt cedar) is a hearty shrub-tree from Eurasia brought into the United States early in the last century. Tamarisk was purposely introduced for its superior ability to stabilize river banks for flood control, and to provide tree windbreaks to control wind erosion. Its ability to survive harsh habitats, its prolific reproductive traits, and broad ecological tolerances enabled tamarisk to excel in these roles. Unfortunately, these very same qualities allowed tamarisk to become a major invasive species in the United States. Tamarisk now infests nearly 2 million acres of land in the Western States.

This invasive woody plant can grow into uncontrolled dense stands along waterways and replace native

vegetation with single species tamarisk stands. Tamarisk can reduce habitat quality for wildlife, increases wildfire danger, chokes stream flow and may contribute to increased soil salinity. Tamarisk control and the preservation and restoration of riparian and wetland habitats are high priorities due to the importance these unique habitats play in biological diversity.

Specialists at the Bureau of Reclamation employed methods tailored to the special needs of each tract of tamarisk-infested land. These included the release of tamarisk leaf beetles, as shown below. Reclamation had originally planned to carry out tamarisk control efforts on a total of 550 acres. Additional funds enabled 1,361 acres on 1,911 treated acres to be successfully controlled.



After treatment

of infested refuge acres have been treated to date, and only about 5 percent of these have been controlled. Approximately 25,000 acres of refuge lands, in addition to a couple hundred water bodies, have been inventoried and mapped by approximately 200 volunteers trained to use handheld computers

and GPS devices. These volunteers have logged 8,000 hours providing valuable baseline data on the extent of invasive plant infestations on refuges. Refuge System staff work diligently to control invasive plants, but increasingly refuges rely on volunteers to help in the fight.

GOAL: Protect cultural and natural heritage resources

Representative Strategic Plan Measure: Percent of historic structures on DOI inventory in good condition

FIGURE 1-20

Performance vs. Cost

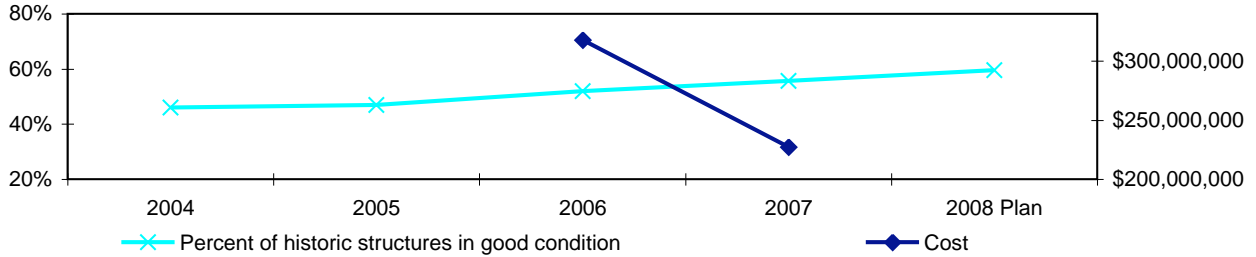


FIGURE 1-21

	2004	2005	2006	2007	2008 Plan
Performance	46%	47%	52%	56%	60%
Historic structures in good condition	12,102	12,660	13,788	14,825	15,747
Total number of historic structures	26,585	26,879	26,630	26,616	26,428
Cost (\$)	Not Available	Not Available	318,018,235	227,393,649	Not Available

Interior maintains almost 40,000 historic structures among four Bureaus—National Park Service, Bureau of Land Management, Indian Affairs and Fish and Wildlife Service. Overall performance in bringing the aggregate of structures to good condition has continued to improve. Deterioration over time lowers the status of these sites. Good condition means that a site is intact, structurally sound, stable, and maintains its character and material.

The largest portion of sites is found in our national parks. The increased 2008 funding from the National Park Service Centennial Challenge Initiative will help increase the number of historic structures in good condition to approximately 15,000 of the 26,000 structures located in national parks. The funding from the Centennial Challenge will also favorably impact other NPS cultural assets. NPS maintains over 100,000 archeological sites on park lands, from the Chaco Canyon National Monument in New Mexico, which contains extensive prehistoric pueblo ruins, to Indiana Dunes National Lakeshore, home of 240 known archeological sites. Overall NPS

performance has remained relatively steady since 2004, near 70 percent. The additional funding will enable NPS to conduct significant work on almost 3,000 sites.

BLM has implemented the Preserve America principles outlined in the President’s 2003 Executive Order 13287, particularly as they relate to using the Department’s historic resources to promote economic development through heritage tourism. In stabilizing, protecting, and interpreting standing structures on public land, BLM focuses on those structures that visually and emotionally engage visitors, transporting them to another time and place in our Nation’s past. About 77 percent of the historic structures on BLM-managed land are in good condition.

Roughly 1,000 buildings on refuges managed by FWS are considered *historic*: 50 years is the mark for consideration as an historic structure according to the National Historic Preservation Act. In March 2007, FWS launched a small grant program focused on projects that connect history with habitat



Heritage Asset Partnership

The Heritage Assets Partnership is a standing committee that supports responsible stewardship of the Department's heritage assets. These assets are of historical, natural, cultural, educational or artistic significance, and are expected to be preserved indefinitely. To accomplish that goal, the HAP has helped DOI develop language in the DOI Asset Management Plan for heritage assets, ensuring that the assets are appropriately integrated into the Plan.

Through the HAP, Bureau heritage assets managers develop common strategies and agreements to strengthen management, preservation and care of these irreplaceable resources that memorialize our Nation's past.

The photo here is one of Interior's assets: the Lookout Studio, built in 1914 by the great American southwestern architect Mary Elizabeth Jane Colter, who designed it to harmonize with its setting in the Grand Canyon.

management. Several of the recipients are now rehabilitating historic structures and simultaneously restoring or interpreting the habitat around them. In some cases, the Refuge System rehabilitates a historic structure for use as lodging for visitors or for administrative offices. This approach complies with legal mandates to protect these structures and also provides visitor services and reductions in rent costs.

Indian Affairs remains unable to report the condition of its historic structures, as the funding for this activity is minimal. The drop in costs is due to NPS allocating approximately \$90 million less in FY 2007 commensurate with what is needed for the type of projects planned in the coming years.



Collaborative Action and Dispute Resolution

Resolving the St. Croix River Crossing Controversy

The Stillwater Lift Bridge, built in 1931, spans the St. Croix National Scenic River and connects Stillwater, Minnesota, to northwestern Wisconsin. The lift bridge is heavily traveled by residents and visitors. Its deteriorating condition, due to its age, caused concern about its safety.

Federal and State transportation agencies decided to remove the bridge and build a new one. However, a permit was not granted as NPS had determined that the project would have a direct and adverse effect on outstanding scenic and recreational values.

In 2001, a group was formed that included representatives from Federal, State and local governments, as well as representatives of local citizen groups, environmental groups, historic preservation groups and local chambers of commerce. These parties held facilitated discussions to craft a solution that would satisfy transportation and environmental interests, as well as local concerns. The solution preserved a historic site and also mitigated impact on wildlife. The parties reached agreement in 2007 to keep the original lift bridge as a pedestrian and bicycle crossing, and to construct a new bridge for vehicular traffic.



GOAL: Improve the understanding of National ecosystems and resources through integrated interdisciplinary assessment

Representative Strategic Plan Measure: Percent of targeted science products that are used by partners for land or resource management decisionmaking

FIGURE 1-22

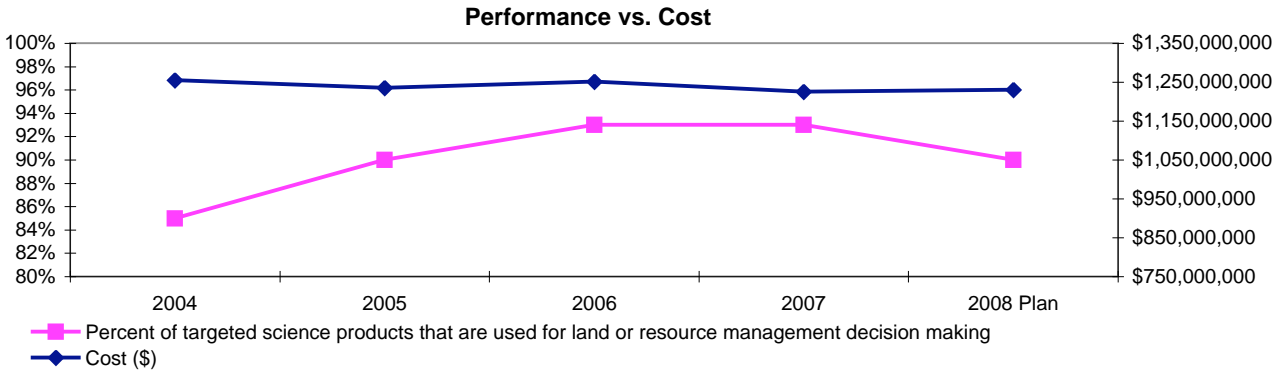


FIGURE 1-23

	2004	2005	2006	2007	2008 Plan
Percent of targeted science products that are used by partners for land or resource management decision making	85%	90%	93%	93%	90%
Cost (\$)	1,255,351,787	1,235,042,130	1,251,015,129	1,224,776,955	1,230,116,607

The U.S. Geological Survey supports both increased understanding and informed decisionmaking through science. USGS produces scientific assessments and information on the quality and quantity of our Nation's water resources, as well as providing geographic, geospatial, and natural resource data, and conducts multipurpose natural science research. USGS products include water resources monitoring and research, geologic landscapes and coastal assessments; geographic research; land remote sensing; geospatial data; biological research and monitoring programs; and information management and delivery programs. USGS expertise is used in interagency ecosystem initiatives across the United States. Actual performance continues to meet expectations. Costs are indicative of the number and relative size of studies undertaken by USGS in the related disciplines.

River Basin in Wyoming, one of the areas with the largest onshore natural gas reserves in the country. USGS, BLM, and FWS, along with the U.S. Forest Service, Wyoming Game and Fish Department, and the Wyoming Department of Agriculture, joined forces to tackle the issues at this complex wildlife-energy interface. USGS brings its portfolio of science expertise to help decisionmakers build and implement adaptive management solutions. USGS hosted a science workshop with over 35 organizations working together to develop a science plan. In 2008, USGS will implement short-term activities to meet immediate needs, as well as longer term research, and will develop tools, models and data management systems to store, retrieve, manage, and use the information collected in developing adaptive management. Our goal is to ensure the long-term viability and sustainability of wildlife and habitats in energy development areas.

In 2007, USGS redirected funding to support the Healthy Lands Initiative with a focus on The Green

Salt in the River of Grass

Understanding Everglades Salinity for Ecosystem Recovery

The interplay of freshwater and saltwater in Florida's Everglades is key to the habitats of creatures from American alligators to spiny lobsters to oysters. USGS scientists in the Ecosystem History of South Florida's Estuaries Project are involved in an effort to understand the dynamics of salinity in the South Florida Everglades, with an eye toward ecosystem recovery. Working closely with colleagues from Federal, State, and local agencies on the Southern Estuaries subteam of RECOVER (REstoration COordination and VERification), the team has established performance measures and targets for restoration—critical factors used in making and validating management decisions regarding the region. RECOVER is part of the Comprehensive Everglades Restoration Plan “responsible for linking science and the tools of science to set system-wide planning, evaluation and assessment tasks.”



This photo shows core collection in the southwest coastal area of Everglades National Park.



Preserve America

The Preserve America Initiative began in March 2003. The Preserve America Executive Order, which supports the National Historic Preservation Act, recommit the Federal government to historic preservation and encourages Federal agencies to care for heritage assets in Federal stewardship. Interior serves in a leadership role with the Advisory Council on Historic Preservation.

In addition, the Initiative aims to increase awareness of cultural and natural heritage assets and build support for integrating these historic treasures into contemporary community life. Preserve America celebrates the history of each community in the country.

The principal components of Preserve America include:

- ◆ Preserve America Community designation program, which recognizes communities that celebrate and protect their heritage, use their historic assets for economic development and community revitalization, and encourage people to experience and appreciate historic resources through educational and heritage tourism efforts.
- ◆ Preserve America Presidential Awards, started in 2004, have recognized four outstanding efforts annually to preserve and share heritage assets.
- ◆ Preserve America Grants, administered by the NPS, provide funding on a matching basis to help communities develop resource management strategies and sound business practices for continued preservation and use of heritage assets.

To date, there are over 500 designated Preserve America Communities in all 50 states, and almost \$10 million has been awarded to nearly 140 projects throughout the country. For more information, please visit <www.preserveamerica.gov>

Mission Area Two

Resource Use

How we manage our natural resources now directly affects the availability of those resources in the future. Four Outcome Goals for this Mission Area provide a framework for Interior's stewardship work.

- ◆ (Energy) Manage or influence resource use to enhance public benefit, responsible development, and economic value
- ◆ Deliver water consistent with applicable State and Federal law in an environmentally responsible and cost-efficient manner
- ◆ (Land-Related Resources) Manage or influence resource use to enhance public benefit, responsible development, and economic value
- ◆ Improve the understanding of energy and mineral resources to promote responsible use and sustain the Nation's dynamic economy

Benefits

Striking a balance between meeting our country's energy needs while ensuring responsible use of the land that contains these valuable resources is a worthy goal, especially in this time of heightened environmental consciousness. Our mission to manage America's natural resources includes promoting responsible development and use of energy, grazing land, forest products, and non-energy mineral deposits.

The quality of life that Americans enjoy today depends largely upon a stable and abundant supply of affordable energy. Energy heats and cools our homes. It fuels our ambulances, fire trucks, ships, and airplanes. It powers the companies that create jobs and the agricultural economy that feed our Nation and the world.

Mission Area Two: Resource Use

The Minerals Management Service issues offshore leases to oil and gas companies for prospective development. The Bureau of Land Management leases land that potentially holds coal, oil or gas onshore. Interior manages land and water that produce about 30 percent of America's energy supply. Typically, Interior's role is to provide responsible access to energy producers, not to perform the actual production. However, in the case of Interior's Bureau of Reclamation, energy production via hydropower is a Bureau function. Reclamation is the second largest producer of hydroelectric power in the Western United States, with 58 power plants annually providing more than 40 billion kilowatt hours of hydroelectricity to serve 6 million homes. Reclamation is also the largest wholesaler of water in the country. BOR brings water to more than 31 million people and provides one out of five western farmers with irrigation water for 10 million acres of farmland that produce 60 percent of the Nation's vegetables and 25 percent of its fruits and nuts. USGS research on, and assessments of, undiscovered non-fuel mineral and energy resources assist these Bureaus in their goal of providing responsible management of resources on Federal lands.

Representative Strategic Plan Measures

Our representative Strategic Plan measures that give an overall picture of our performance in the Resource Use Mission Area are organized under four Goals:

GOAL: (Energy) Manage or influence resource use to enhance public benefit, responsible development, and economic value

- ◆ Percent of fluid mineral leases with approved applications for permits to drill

- ◆ Number of onshore Federal acres under lease for coal development
- ◆ Number of offshore lease sales held consistent with the Secretary's 2007–2012 Five-Year Program
- ◆ Percent of active coal mining sites that are free of off-site impacts
- ◆ Percent of Federal and Indian revenues disbursed on a timely basis per statute

GOAL: Deliver water consistent with applicable State and Federal law in an environmentally responsible and cost-efficient manner

- ◆ Water infrastructure is in fair to good condition as measured by the Facilities Reliability Rating

GOAL: (Land-Related Resources) Manage or influence resource use to enhance public benefit, responsible development, and economic value

- ◆ Percent of grazing permits and leases processed as planned consistent with applicable resource management plans
- ◆ Percent of allowable sale quantity timber offered for sale consistent with applicable resource management plans

GOAL: Improve the understanding of energy and mineral resources to promote responsible use and sustain the Nation's dynamic economy

- ◆ Percent of targeted science products that are used by partners or customers for land or resource management decisionmaking

Discussion

GOAL: Manage or influence resource use to enhance public benefit, responsible development and economic value

Representative Strategic Plan Measure: Percent of fluid mineral leases with approved applications for permits to drill

FIGURE 1-24

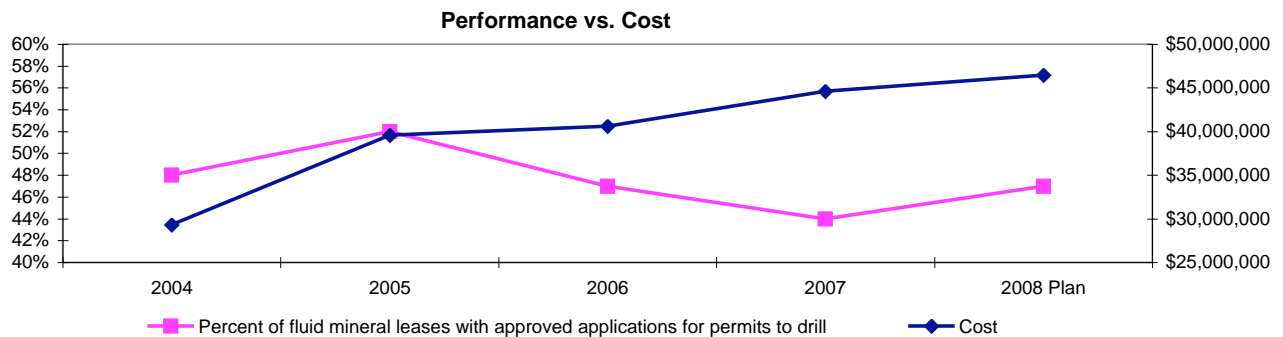


FIGURE 1-25

	2004	2005	2006	2007	2008 Plan
Performance	48%	52%	47%	44%	47%
Federal oil & gas leases in producing status	21,889	23,511	22,859	21,612	23,393
Federal oil & gas leases in effect	45,836	45,479	48,423	49,152	49,731
Cost (\$)	29,295,306	39,601,102	40,612,263	44,611,378	46,447,919

Performance on this measure was at 44 percent for 2007. BLM expects the increased demand for Applications for Permits to Drill to continue in 2008, although the number of leases is expected to remain at a comparable level each year. The number of APDs approved does not necessarily have a direct effect on the number of producing leases. APDs can be approved and drilled on leases that are already producing and, therefore, would not increase the number of leases in production. In most cases, a producing oil and gas lease will contain several producing wells.

An APD is a package that oil and gas operators submit to BLM that provides all the information related to how a well will be drilled, its construction, the tests conducted during drilling, how it will be plugged and abandoned if necessary, and all of

the equipment that will be used during the drilling process. BLM reviews the drilling plan from a technical standpoint before approving the APD to ensure that the operator will manage the site responsibly.

In 2007, BLM issued 3,188 oil and gas leases. At the end of the year, 49,152 oil and gas leases were in effect, and 21,612 of these leases were in a producing status. The percent of oil and gas leases producing is related to the following:

- ◆ Number of oil and gas leases issued each year
- ◆ Number of oil and gas leases that expire at the end of their 10-year terms without going into production during the year

Environmental Inspections Increase

In the Farmington Pilot Office, inspection and enforcement staffing has doubled since 2001. Under a new inspection strategy implemented in late 2005, the number of total inspections is up 22%. The 3,000 inspections conducted in FY 2006 included nearly 6,000 wells. The most dramatic increase has been in the number of environmental inspections, due to higher staffing levels and to greater awareness of the environmental issues associated with oil and gas development in the area. At the same time that the number of inspections is increasing, the unit-cost of labor per inspection has decreased, down 9% in the first year of the Pilot Project.



Under the authority given to Pilot Offices in the Energy Policy Act of 2005, an inspector from the New Mexico Oil Conservation Division and eight tribal inspectors from the Navajo Nation and the Jicarilla Apache Tribe are also assigned to the Farmington Office. Cooperation and coordination with NMOCD and

tribal inspectors eliminate duplication of effort and allow sharing of common inspection goals. The new inspection strategy ensures that all 20,000 producing oil and gas wells in the San Juan Basin will be inspected every three years.

- ◆ Number of producing oil and gas leases that terminate due to lack of production during the year
- ◆ New leases that become productive during the year

Costs budgeted for this activity increased in 2005 and reflected both the increased industry demand and the new requirements stemming from the Energy Policy Act of 2005. Those requirements included timely action on APDs and compliance with the National Environmental Policy Act.

The 2008 budget proposes that BLM's oil and gas program transition from dependence on mandatory mineral leasing rental receipts to increased reliance on fees for processing APDs. The Administration

submitted legislation to repeal provisions in Section 365 of the Energy Policy Act that prohibit BLM from charging fees for processing applications. The proposed legislation will also redirect mineral leasing receipts from BLM's Permit Processing Improvement Fund back to the Treasury. This approach should help BLM improve planning and customer service by strongly linking program funding to actual demand.

Every lease contains standard stipulations designed to protect air, water, wildlife, historic and cultural resources, as well as require reclamation. Stipulations are part of producing oil and gas in an environmentally responsible way. Before a drilling permit is issued and a well is actually drilled, experts conduct additional environmental analysis.

Representative Strategic Plan Measure: Number of onshore Federal acres under lease for coal development

FIGURE 1-26

	2004	2005	2006	2007	2008 Plan
Number of onshore federal acres under lease for coal development	456,578	453,442	466,652	466,943	464,450
Cost (\$)	2,982,176	3,921,020	4,019,503	3,522,116	2,901,627

At the end of 2006, BLM administered 293 Federal coal leases, covering approximately 460,000 onshore acres. The number of acres under lease for coal development is expected to be comparable between 2007 and 2008, and costs are expected to decrease slightly due to an expected decrease administration costs.

The Nation's reliance on Federal coal leases administered by BLM has increased from providing 29 percent of the Nation's coal in 1994 to 45 percent

in 2006. Two years ago, according to the Energy Information Administration, over half of the Nation's electricity generated came from coal. That amount accounts for 92 percent of the total coal extracted.

Annual coal production is slightly more than one billion tons, and demand for coal is expected to increase to nearly two billion tons over the next 25 years. Much of the projected increases must come from Federal reserves in the western States administered by BLM.

Reducing the Environmental Footprint of Development

Like all BLM Field Offices that process Applications for Permits to Drill, new Pilot Offices are finding ways to ensure that oil and gas operations on public land are environmentally responsible. The configuration and staffing in the Pilot Offices are being tested to see whether, in addition to processing APDs more efficiently, they can better integrate environmental Best Management Practices into permitting and improve inspection and enforcement during the operations phase.

The Grand Junction/Glenwood Springs Pilot Office exemplifies integration of BMPs to reduce the environmental footprint of development. On leases in the Piceance Basin, operator Williams Exploration and Production is using a new drilling rig that can simultaneously drill and complete up to 22 wells spaced seven feet apart on a single well pad. Combined with other BMPs, the drilling technology shortens the production cycle, minimizes impacts to wildlife and noise disturbances, and reduces truck traffic. Williams is using these same techniques on non-federal leases, and other operators are following the company's example on their leases in the Piceance Basin. The company received a 2007 BLM Oil, Gas and Geothermal Development Environmental Best Management Practices Award for this project.



Representative Strategic Plan Measure: Number of offshore lease sales held consistent with the Secretary's 2007–2012 Five-Year Program

FIGURE 1-27

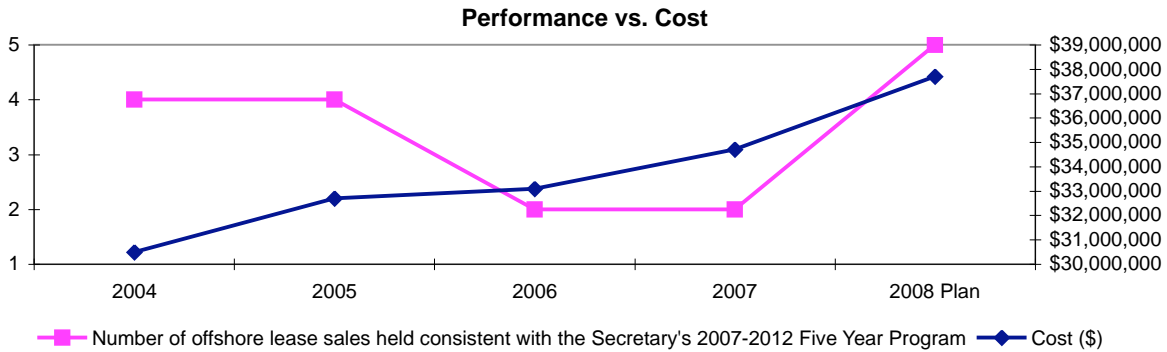


FIGURE 1-28

	2004	2005	2006	2007	2008 Plan
Number of offshore lease sales held consistent with the Secretary's 2007-2012 Five Year Program	4	4	2	2	5
Cost (\$)	30,500,000	32,700,000	33,100,000	34,700,000	37,700,000

The Outer Continental Shelf Lands Act requires the Secretary of the Interior to prepare and maintain an Offshore Oil and Gas Leasing Program that indicates the size, timing, and location of leasing activity determined to best meet national energy needs for the 5-year period following its approval. The Department provides the Nation with about 30 percent of its domestic oil production and 21 percent of its domestic natural gas production.

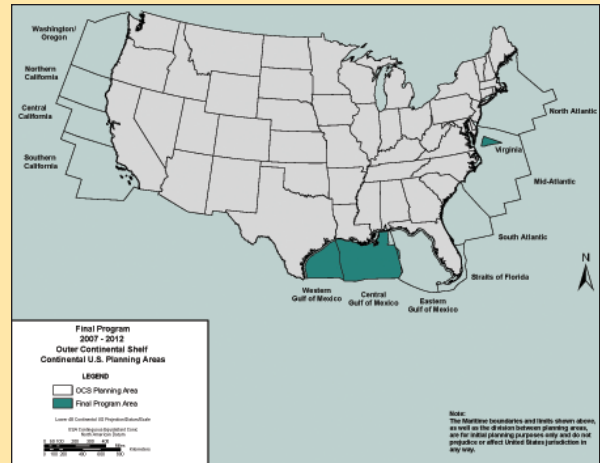
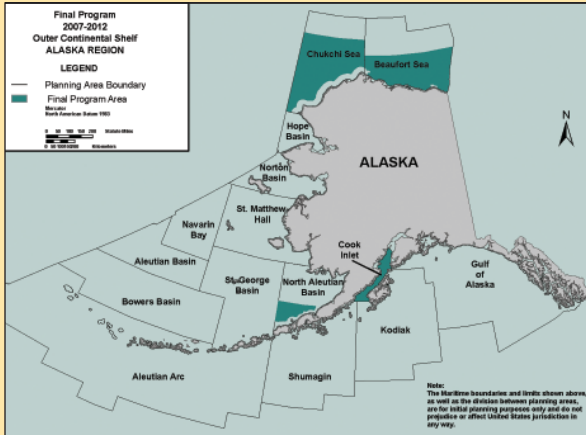
The two 2007 lease sales met the target set in the Secretary's 5-Year Program. A total of 21 lease sales in 8 of the 26 Outer Continental Shelf areas available for leasing were proposed during the next five-year program starting July 1, 2007. The eight

OCS sites include three areas in the Gulf of Mexico, one area in the Mid-Atlantic, and four areas offshore Alaska. Costs cover the preparation, conduct, and processing of each lease sale. Even though a lease sale occurs in a given year, costs for any lease sale are incurred over several years.

The Minerals Management Service estimates the program could produce 10 billion barrels of oil and 45 trillion cubic feet of natural gas, generating almost \$170 billion in net benefits for the Nation over a 40-year time span. Beneficiaries of offshore revenues are the U.S. Treasury, States adjacent to OCS leases, Land and Water Conservation Fund and the National Historic Preservation Fund.

Outer Continental Shelf

The Federal Outer Continental Shelf, a major supplier of oil and natural gas for the domestic market, consists of submerged lands, subsoil and seabed starting from three to nine statute miles out to 200 nautical miles from the U.S. coastline. The two maps show the program areas where lease sales will be held in Interior's Final 2007-2012 OCS Oil and Gas Leasing Program. This



leasing program, effective July 1, 2007, was developed through an extensive consultation process with Members of Congress, State, local and tribal officials, industry, environmental organizations, and the general public. This program ensures that the OCS remains a solid contributor to the Nation's energy needs through careful regulation and conservation of resources.

Representative Strategic Plan Measure: Percent of active coal mining sites that are free of off-site impacts

FIGURE 1-29

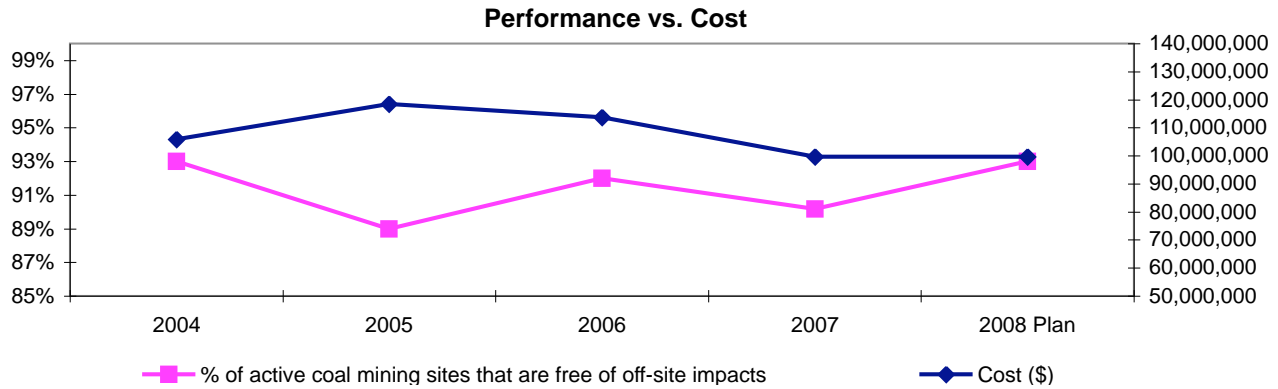


FIGURE 1-30

	2004	2005	2006	2007	2008 Plan
Performance	93%	89%	92%	90%	93%
Number of mining sites free of off-site impacts	6,364	7,436	7,454	7,103	
Number of mining sites	6,872	8,335	8,142	7,877	
Cost (\$)	105,813,000	118,487,000	113,684,000	99,688,551	99,688,551

Thirty years ago, in 1977, the Surface Mining Control and Reclamation Act was signed into law to provide National environmental standards for the regulation and reclamation of surface and underground coal mines. Congress created the Office of Surface Mining Reclamation and Enforcement at that time to carry out the regulatory programs.

OSM uses two measures to gauge success in promoting responsible mineral extraction: protection of the environment and public from off-site impacts and successful reclamation of land affected by surface coal mining operations. Off-site impacts are

negative effects resulting from surface coal mining activities, such as blasting or water runoff that affect people, land, water or structures outside the permitted area of mining operations.

The percent of mining sites free of off-site impacts was at 90 percent in 2007 and is expected to increase slightly in 2008 to 93 percent. Costs associated with this work will continue at the same level. Current coal mining operations include over 4.4 million acres in 26 States and on the lands of three Indian tribes.

Representative Strategic Plan Measure: Percent of Federal and Indian revenues disbursed on a timely basis per statute

FIGURE 1-31

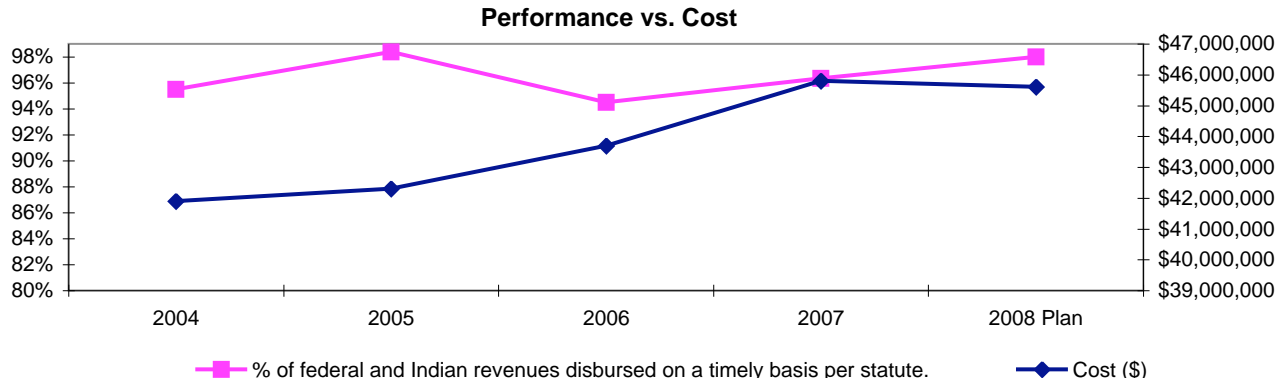


FIGURE 1-32

	2004	2005	2006	2007	2008 Plan
Performance	95.5%	98.4%	94.5%	96.3%	98.0%
Value of revenues disbursed on a timely basis	1,344,102,572	1,978,000,000	2,505,305,626	2,250,620,140	
Total Value of revenues disbursed	1,407,075,930	2,011,000,000	2,650,350,794	2,336,377,325	
Cost (\$)	41,900,000	42,300,000	43,700,000	45,800,000	45,600,000

When the Minerals Management Service was created in 1982, a consolidated system for the collection, accounting, and disbursement of revenues from mineral production on Federal and Indian lands was established. Since 1982, the MMS Minerals Revenue Management program has ensured the distribution of more than \$165 billion to Federal, State, and Indian recipients.

The Federal Oil and Gas Royalty Management Act of 1982 requires monthly distribution and disbursement of payments to States and Indians for their share of mineral leasing revenues. Historically, the distribution and disbursement function of the MMS has ensured that collections from Federal and Indian mineral leases are properly disbursed to the appropriate recipients—the U.S. Treasury, five Federal agencies, 38 States, and 41 Indian tribes. When disbursements are not timely, the MMS must pay late-disbursement interest. One of the MMS performance goals is to disburse Federal and

Indian revenues on a timely basis per statute. This is a measure of how timely Federal onshore funds are disbursed to the appropriate State recipients and of how timely MMS provides lease information on Indian royalty revenues to BIA, enabling timely payment of royalties to the individual Indian owners. This measure includes only the funds that are subject to late disbursement interest.

In FY 2006, the MMS focused on reducing accounts receivable and unapplied payments. This resulted in the processing of several older payments, which lowered performance to 94.5 percent compared to 98 percent in 2005. After this work was completed, timely disbursements increased to 96.3 percent in 2007. In FY 2008, MMS will begin a two-year interactive payment matching and billing initiative that will increase their capability to reduce accounts receivable, increase timeliness of disbursements, and reduce accompanying late-disbursement interest.

GOAL: Deliver water consistent with applicable State and Federal law in an environmentally responsible and cost-efficient manner

Representative Strategic Plan Measure: Water infrastructure is in fair to good condition as measured by the Facilities Reliability Rating

FIGURE 1-33

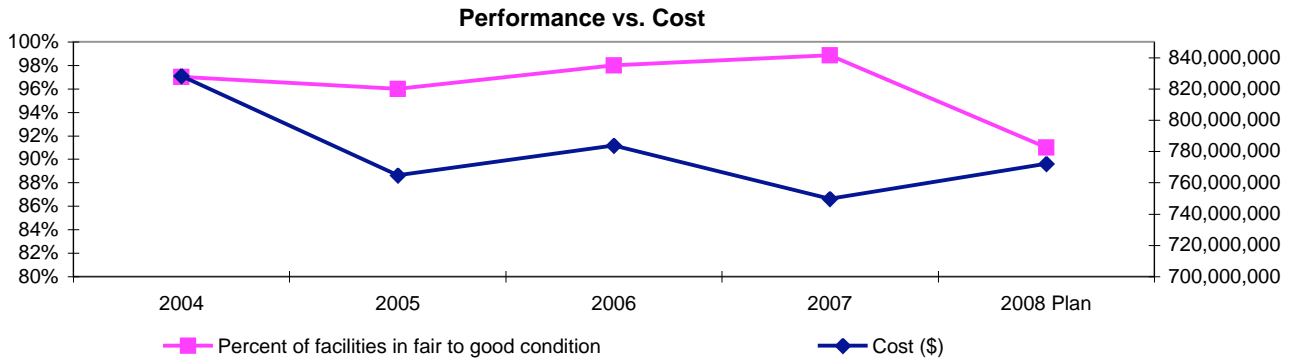


FIGURE 1-34

	2004	2005	2006	2007	2008 Plan
Performance	97%	96%	98%	99%	91%
Dams and associated facilities in good condition	331	326	333	341	316
Total number of dams and associated facilities	340	338	340	345	347
Cost (\$)	828,165,354	764,708,017	783,874,681	749,680,635	772,171,055

Operating and maintaining safe and reliable water infrastructure are key factors in the Bureau of Reclamation’s ability to deliver water. Reclamation delivered 28 million acre-feet of water against water delivery contracts in 2007.

The Facilities Reliability Rating used in this measure is a score derived from a set of weighted criteria to assess dam condition, maintenance, and operations. The score is then correlated to a *condition descriptor*, i.e., good/fair/poor. Of 345 dams classified as high or significant hazard dams, 341 were considered in fair to good condition last year. *Significant hazard* dams are those located upstream that could potentially flood populations living downstream if the dam fails. A 2008 increase

in funds is allocated to this effort. Results will take time to show up beyond 2008. Due to an excellent FY 2007 performance, Reclamation will be reevaluating their 2008 target.

The Dam Safety Program continues to be one of Reclamation’s highest priorities. Approximately 50 percent of Reclamation’s dams were built between 1900 and 1950, and about 90 percent of the dams were built prior to current state-of-the-art design and construction practices. Aging dams require more reliance on monitoring, examinations, and reanalyses to assure safe dam performance. Under the program, dams are examined by specialists every three years, with additional internal reviews performed annually.

Increased Dam Safety

The Bureau of Reclamation has awarded the first in a series of construction contracts for a new auxiliary spillway at Folsom Dam and Reservoir.

The auxiliary spillway, or Joint Federal Project, represents an unprecedented partnership among Reclamation, the U.S. Army Corps of Engineers, the California Department of Water Resources/Reclamation Board, and the Sacramento Area Flood Control Agency. When completed, the JFP will address the hydrologic risk of possible overtopping of the dam or dikes during an extreme storm. The JFP also achieves the Corps'



objective of increasing flood control at Folsom to protect against an event of such magnitude.

The project will be constructed in three successive phases by Reclamation and the Corps. Work on Phase I will begin in late fall 2007 and will be completed by 2009. Phases II and III will follow, with full completion of the JFP expected by 2021.

The photo above shows the new auxiliary spillway project and to the left is the Folsom Dam as it is today.

GOAL: Manage or influence resource use to enhance public benefit, responsible development, and economic value

Representative Strategic Plan Measure: Percent of grazing permits and leases processed as planned consistent with applicable resource management plans

FIGURE 1-35

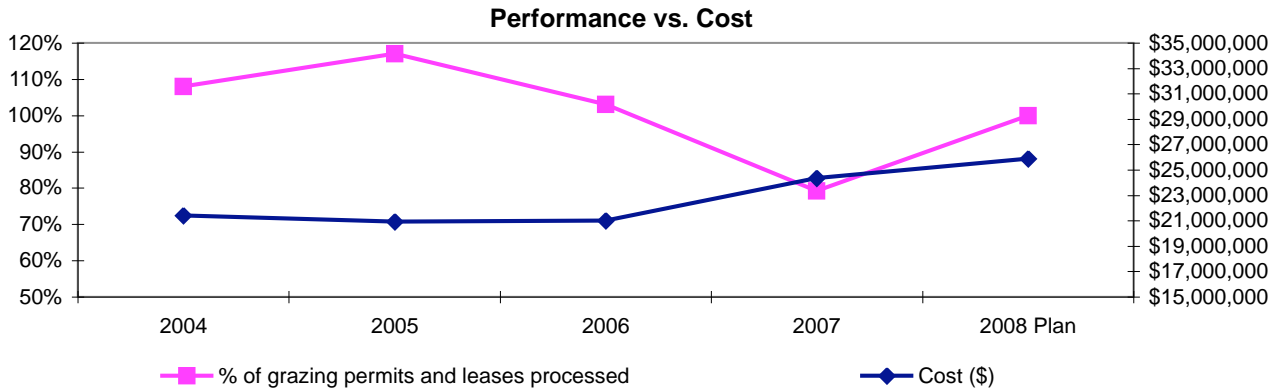


FIGURE 1-36

	2004	2005	2006	2007	2008 Plan
Performance	108%	117%	103%	79%	100%
Grazing permits processed	2,512	2,730	2,565	2,058	2,600
Grazing permits received for processing	2,329	2,342	2,479	2,600	2,600
Cost (\$)	21,405,348	20,917,613	21,019,714	24,352,483	25,894,497

BLM manages approximately 158 million acres authorized for livestock grazing. The Bureau administers more than 18,000 grazing permits and leases on nearly 22,000 allotments. The permits are issued in compliance with local and land use plan objectives and direction, including a requirement that conditions meet land health standards. If an area is not meeting those standards and current livestock grazing is a significant factor in not meeting the standards, changes in grazing management are made to address those conditions by the next grazing season. Livestock use is measured in animal unit months—the amount of forage needed by an “animal unit” for one month. The grazing use on BLM-managed public land has decreased from

about 22 million AUMs in 1941 to 12.7 million AUMs in FY 2007.

Grazing permits are issued typically for 10 years, but can be issued for a shorter period. Although grazing permit targets have been met, there is still a backlog in the number of permits that have been fully processed. The backlog is due to the extensive amount of litigation associated with permits, along with increased complexity in the permit process. Both factors have increased the time and cost required for a permit to be issued. There is no indication this trend will change in the foreseeable future.

Representative Strategic Plan Measure: Percent of allowable sale quantity timber offered for sale consistent with applicable resource management plans

FIGURE 1-37

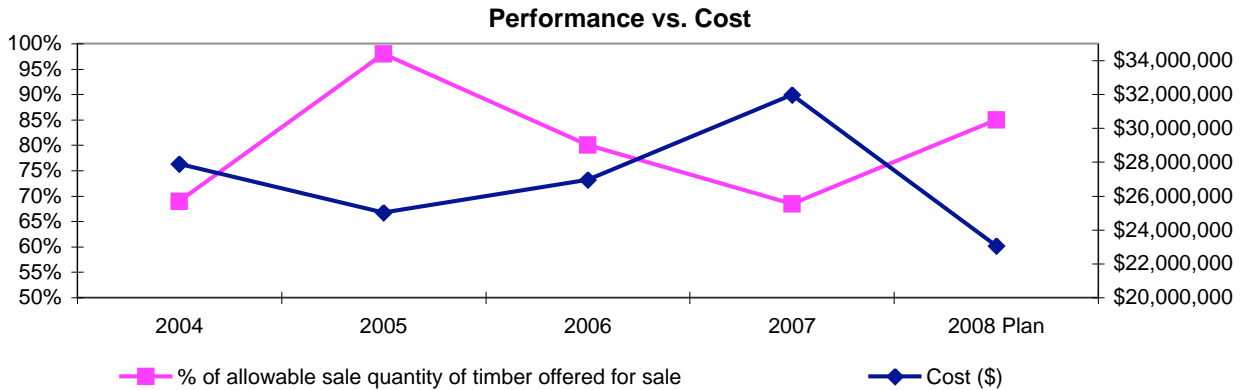


FIGURE 1-38

	2004	2005	2006	2007	2008 Plan
Performance	69%	98%	80%	68%	85%
Timber offered (MMBF)	140	198	162	139	172
Allowable sale quantity of timber (MMBF)	203	203	203	203	203
Cost (\$)	27,906,311	25,033,019	26,945,719	31,975,747	23,067,388

The Oregon and California grant lands consist of about 2.4 million acres and are some of the most productive timber lands managed by the Federal government. They are managed under the O&C Act (Public Law 75-405) and the Northwest Forest Plan. The O&C Act requires that the land be managed for permanent forest production in conformance with the principle of sustained yield. That is, management of the land is to provide a permanent source of timber supply, protect watersheds, regulate stream flow, contribute to the economic stability of local communities and industries, and provide recreational opportunities. The NWFP intended to provide a balanced, long-term management plan that maintained a stable supply of timber while also protecting fish and wildlife habitats.

The allowable sale quantity of timber is measured in million board feet. The chart shows performance achieved compared to 203 MMBF, the amount of timber offered annually within western Oregon.

Performance declined in 2007 because BLM was required to remove about one-third of the timber sale plan offerings as a result of litigation and the loss of several court cases invalidating critical biological opinions needed for the timber sales. The BLM and the regulatory agencies are replacing the rescinded biological opinions so the planned sales can proceed in the future. Costs increased in FY 2007 due to increased unit costs for additional survey requirements, sales needing to be reworked, and delays in contract awards. The challenge for FY 2008 will be to achieve the performance target while reducing these costs.

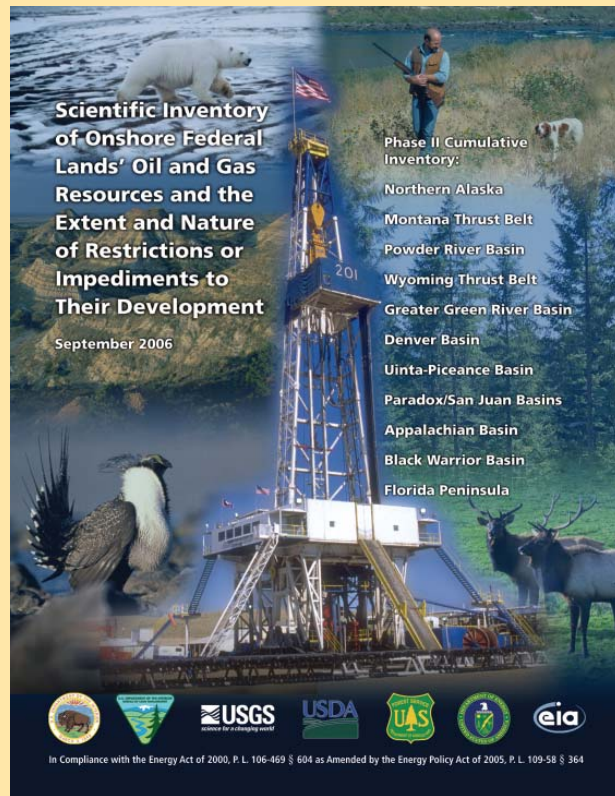
In terms of historical data, the large increase in 2005 occurred because the BLM reported the entire volume offered in that year rather than just the ASQ volume offered. This reporting was in error.

Improved Understanding to Responsibly Meet America’s Energy Resource Needs

The second phase of the Energy Policy and Conservation Act Amendments of 2000 inventory was delivered to Congress and released to the public in November 2006. This inventory is the culmination of a multi-agency collaborative effort that includes the USGS, Bureau of Land Management, the U.S. Forest Service, the Department of Energy, and the Energy Information Administration.

The report presents a comprehensive review of federal oil and gas resources in eleven basins in the United States and constraints on their development. The basis for the inventory came from USGS assessments for undiscovered, technically recoverable oil and gas.

The Phase II inventory studied approximately 100 million acres of federal lands, including split estate. USGS estimates undiscovered oil and gas resources under these lands total 21.2 billion barrels of oil and 186.9 trillion cubic feet of natural gas. Undiscovered oil and gas resources are concentrated in Northern Alaska and the Interior West. The study also finds that approximately 24% of the Federal land in these areas is accessible under standard lease terms, approximately 30% of the federal land is accessible with restrictions on oil and gas operations beyond standard stipulations, and approximately 46% of the federal land is inaccessible.



GOAL: Improve the understanding of energy and mineral resources to promote responsible use and sustain the Nation’s dynamic economy

Representative Strategic Plan Measure: Percent of targeted science products that are used by partners or customers for land or resource management decisionmaking

FIGURE 1-39

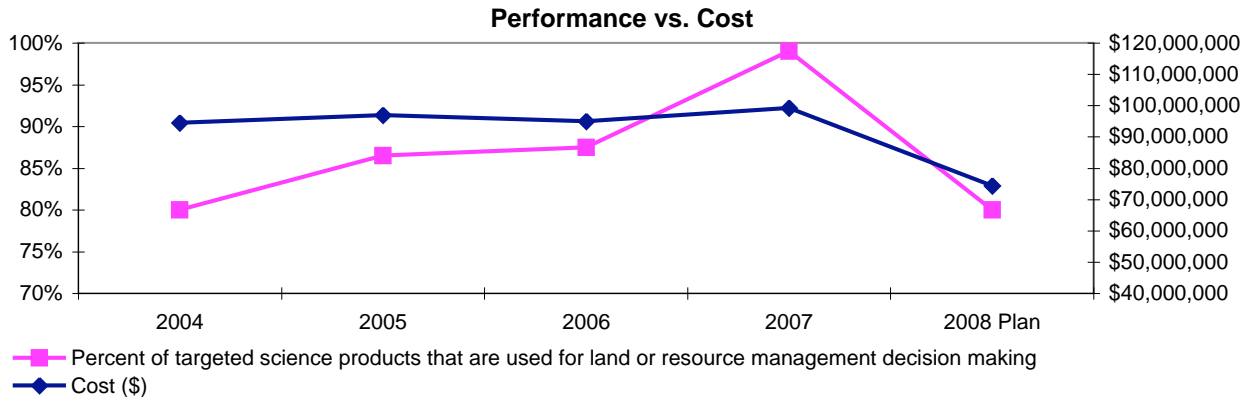


FIGURE 1-40

	2004	2005	2006	2007	2008 Plan
Percent of targeted science products that are used by partners or customers for land or resource management decision making	80%	87%	88%	99%	80%
Cost (\$)	94,429,073	96,883,040	94,898,465	99,256,515	74,308,201

Performance on the science products measure is assessed through two USGS programs: the Mineral Resources Program and the Energy Resources Program. Together they provide reliable and impartial scientific information on geologically-based natural resources.

The Mineral Resources Program is the sole Federal provider of scientific information for objective resource assessments and unbiased research results on mineral potential, production, consumption, and environmental effects. Among the tools and technologies USGS developed and employed are (1) assessments for as yet undiscovered mineral deposits in the United States and around the world and (2) Web-based data delivery tools that serve 128 years of mineral resource, geochemical and geophysical data to land managers, Federal agencies responsible for National security and economic policy, the public, and other research scientists. Costs for this program

are expected to be reduced in 2008 as a result of proposed funding reductions to support other priority programs.

The Energy Resources Program researches and assesses oil, natural gas, coalbed methane, gas hydrates, coal, geothermal resources, oil shale, and uranium resources, both globally and nationally. The program also evaluates environmental and human health impacts associated with production, occurrence and use of energy resources. Costs for 2008 are expected to remain essentially the same as in 2007.

USGS performance is expected to be in the 80th percentile despite the reduced investment for the Mineral Resources Program. The 80% target for FY 2008 reflects the performance threshold set by USGS. Performance results typically exceed this established target level.

An Unconventional Energy Resource

Recently, the U.S. Department of Energy, BP Exploration (Alaska), and USGS successfully drilled a research well on the North Slope of Alaska to collect samples and information about gas hydrates, a potential unconventional natural gas energy resource. Gas hydrates, which are accumulations of methane (natural gas) trapped in ice-like structures with water, represent an immense potential energy resource underlying large portions of the world's marine continental shelves and Arctic continental areas.

The target for this test well, located at Milne Point, was gas hydrate within the Sagavanirktok Formation in the Mt. Elbert prospect accumulation. This occurrence had been identified by seismic, well, and reservoir modeling studies during earlier phases of this research program. Drilling crews and research team members collected about 430 feet of core samples from this well. Subsequent data collection and analysis will continue for several months and research findings will be reported thereafter.

This research provides a better understanding of the occurrence of gas hydrates, as well as information with which to assess the endowment of this resource. This



research also improves the understanding of the types of technology and protocols needed to identify, explore, and ultimately produce this resource.

The photos show a drill rig on the North Slope and a hydrate-saturated, fine-grained sand core from the Mt. Elbert #1 well.

Mission Area Three

Recreation

Two Outcome Goals state the core intent of the Recreation Mission Area:

- ◆ Improve the quality and diversity of recreation experiences and visitor enjoyment on DOI lands
- ◆ Expand seamless recreation opportunities with partners

Benefits

Recreation is a vitally important part of Interior's mission. More than 22 million people live within 25 miles of Interior lands. Accessible and nearby, public land is quickly becoming America's backyard. The land we manage contains multiple recreational opportunities for individual enrichment through interaction with nature. Recreation activities are diverse—from off-road vehicles to contemplative wilderness experiences; from "edutainment" to work/play volunteerism.

Interior maintains and manages thousands of recreation areas. Close to 500 million people from around the world spend time in recreational activities on land managed by DOI. To the greatest extent possible, Interior works among its own Bureaus and with our partners to provide a seamless and enjoyable experience. Recreation opportunities can vary substantially depending on the impact on the resources, land management legal authorities, and the mission of the Bureau.

Interior's stewardship activities devoted to recreation are shared by the National Park Service, Bureau of Land Management, Fish and Wildlife Service and Bureau of Reclamation. They oversee our national parks, wildlife refuges, water recreation areas and public land recreation sites. Opportunities to visit and enjoy these natural resources are a benefit enjoyed by the public through the work in this Mission Area.

Discussion

The representative Strategic Plan measure chosen for the Recreation Mission Area is visitor satisfaction, which is measured through surveys. Surveys are typically distributed when visitors enter land or parks managed by NPS, FWS, or BLM. Questions are site-specific, so visitors might be asked about their various experiences, the ease in navigating through different sites or exhibits, if maps or permits were readily available, if park rangers were helpful, whether they gained a greater appreciation or understanding about the park, and the degree of overall satisfaction with their visit. Answers to the survey questions help identify and target areas where the Department can improve.

GOAL: Improve the quality and diversity of recreation experiences and visitor enjoyment on DOI lands

Representative Strategic Plan Measure: Percent of visitors satisfied with the quality of their experience

FIGURE 1-41

Performance vs. Cost

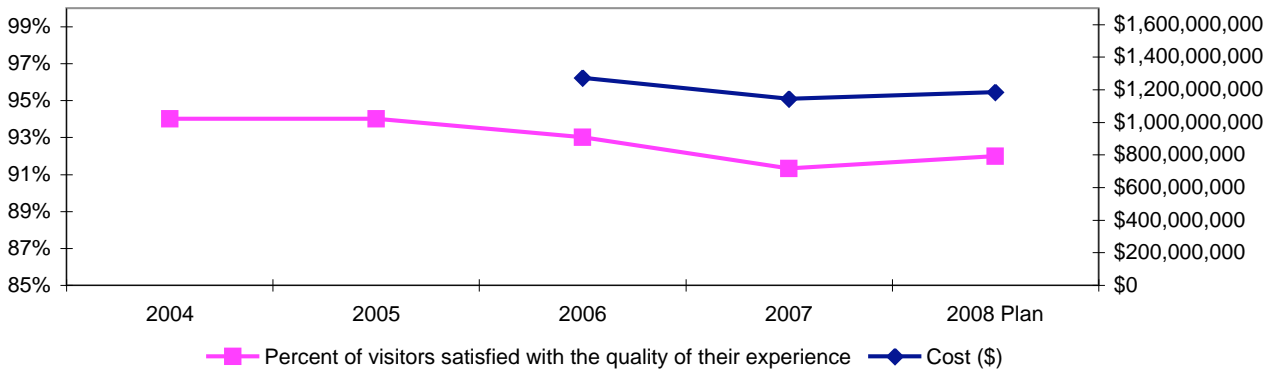


FIGURE 1-42

	2004	2005	2006	2007	2008 Plan
Percent of visitors satisfied with the quality of their experience	94%	94%	93%	91%	92%
Cost (\$)	Not Available	Not Available	1,273,925,343	1,144,335,910	1,183,143,898

Visitor satisfaction is measured through surveys handed out to visitors by three different Bureaus with slightly different objectives. At the Department level there was a decline of 2 percent in measured visitor satisfaction this past year, although performance remains in the 90th percentile.

Fish and Wildlife Service has maintained a constant visitor satisfaction rate of 85 percent from 2005 through 2007, which is considered adequate for refuges where the primary purpose is to protect wildlife and habitat.

The National Park Service views the public as their customers. For NPS, visitor satisfaction maintains record levels. From 2004 to 2006, nearly 96 percent of park visitors rated the overall quality of services as good or very good. In 2007, satisfaction decreased only slightly to 95 percent, which is not considered significant. With the upcoming centennial of the establishment of the National Park Service, the President has called for the further enhancement of the national parks to prepare them for another century of conservation and enjoyment. Through a Centennial Initiative, the President's FY 2008

National Park Centennial Initiative

In August 2006, President Bush launched his National Park Centennial Initiative. To shape the initiative, the NPS asked people, through a series of listening sessions and online, to share their hopes for national parks; considered 6,000 comments; wrote centennial and performance goals to meet the needs of parks and future generations; set criteria for centennial proposals; and worked with Congress to introduce centennial legislation.



The guiding report, *The Future of America's National Parks* describes five centennial goals:

- ◆ **Stewardship** – Lead America and the world in preserving and restoring treasured resources
- ◆ **Environmental Leadership** – Demonstrate environmental leadership to the nation
- ◆ **Recreational Experience** – National parks are superior recreational destinations where visitors have fun, explore nature and history, find inspiration, and improve health and wellness

- ◆ **Education** – Foster exceptional learning opportunities that connect people to parks
- ◆ **Professional Excellence** – Demonstrate management excellence worthy of the treasures entrusted to our care

In honor of the NPS 91st anniversary, Secretary Kempthorne and Director Bomar announced a highly anticipated list of 201 eligible centennial proposals for 2008.

The eligible proposals were evaluated by teams of NPS professionals and represent a total investment of \$369.9 million – \$215.9 million from partners and \$154 million federal. Moving forward on these proposals requires action by Congress on centennial legislation and appropriations.



The photos show the Secretary with the National Park Centennial Initiative Report, The Future of America's National Parks, and Director Bomar with students from the Class of 2016 who demonstrated the interactive version of the report.

budget includes augmented annual funding and a special fund to match contributions from individuals, foundations, businesses, and the private sector up to \$100 million per year over the next ten years. With this influx of Centennial Initiative funding, we expect NPS visitor satisfaction to rise over the next few years. Funding will be used to hire 3,000 more seasonal park rangers, guides, and maintenance workers; improve landscapes; repair historic structures; and restore native habitats. With visitor satisfaction already in the mid-90th percentile, the upward potential for improvement is limited. Our expectations are tempered by this diminishing marginal return on investment.

The Bureau of Land Management manages vast acres of multiple-use land. The BLM reports a decrease from their 2006 performance of 97 percent to 93 percent in FY 2007. The decrease may not be significant. Visitor satisfaction is harder to assess on

BLM lands overall, as surveys are given primarily to those visitors who pay an entrance fee.

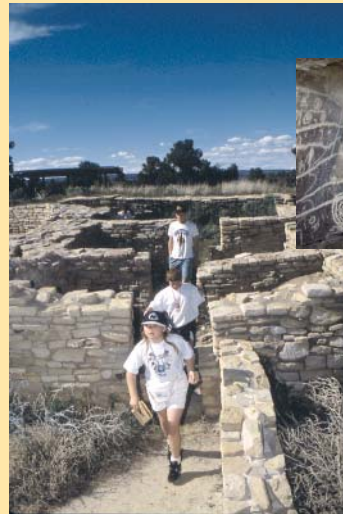
The success of the BLM's recreation and visitor services program is the direct result of developing and maintaining an extensive array of partnerships covering all aspects of the program. These partnerships include cooperative efforts with other governmental entities at all levels, working with interest and user groups, maintaining an active volunteer program, and working with communities and tourism interests. The recreation program has been successful in engaging volunteers, accounting for almost half of the Bureau's volunteer hours and nearly doubling the recreation workforce to serve visitors, maintain facilities, and restore resources. In 2006–2007, the BLM recreation program logged in over 575,000 volunteer hours at a value of \$9.5 million.

Archeological Site Bonanza

Canyon of the Ancients National Monument

Technically, the Monument has no historic structures. However, there are 5,000 documented archaeological sites at the Monument, with 20,000 to 30,000 predicted. Currently, about 60 sites are regularly monitored by volunteer site stewards and BLM staff. Some 3.5 million artifacts are curated at the Anasazi Heritage Center museum.

The 165,000-acre National Monument in southwestern Colorado contains some of the richest, best-preserved evidence of Native American culture in the United States. Volunteers assist in literally every program and aspect of operations at the Monument, including management and monitoring of archaeological sites, as well as preparing artifacts for storage and research at the museum. Serving out on the landscape, volunteer Site Stewards monitor cultural resource site conditions. Volunteers assist in closing user-made routes through sensitive cultural sites, document road conditions, and monitor wilderness study areas. Volunteers also cut and pile brush to



eliminate a serious fire threat to a site containing hundreds of rock art images (petroglyphs).

More than 260 regular volunteers annually contribute an average 10,000–

13,000 hours, effectively doubling BLM staff time with an in-kind value of nearly \$200,000 per year. These volunteer opportunities create the potential for everyone to become an advocate for America's cultural heritage.



The photos show visitors and volunteers to the Canyon and one of the many historic sites. At bottom right, is Lynn Scarlett, Deputy Secretary, with John Nau, Chairman of the Advisory Council on Historic Preservation.

The population growth rate of the West affects management of the BLM recreation and visitor services program. The populations of eight out of the twelve Western States have grown over 50 percent, with the largest growth centered in urban areas, and the demand for outdoor recreation

in the West has increased by 65 percent in the last 30 years. The extraordinary size of the uniquely American public estate, combined with the vast diversity of the BLM outdoor recreation setting, attracts 56 million visitors annually.

Mission Area Four

Serving Communities

Interior's fourth Mission Area has five Outcome Goals that describe Interior's efforts related to the safety and well-being of the American public and commitment to its trust responsibilities to Indians, Alaska Natives and island communities.

- ◆ Improve protection of lives, resources and property
- ◆ Improve understanding, prediction, and monitoring of natural hazards to inform decisions by civil authorities and the public to plan for, manage, and mitigate the effects of hazard events on people and property
- ◆ Fulfill Indian fiduciary trust responsibilities
- ◆ Advance quality communities for tribes and Alaska natives
- ◆ Increase economic self-sufficiency of insular areas

Benefits

The measures contained under the Outcome Goals describe how the DOI works to improve the quality of life in the communities we serve. The Department assesses different types of activities under this Mission Area, from unplanned wildland fires to Interior's Indian fiduciary trust responsibilities to reducing the impacts of natural hazards on people and property through scientific research. A whole range of performance measures track how the Department is advancing the quality of life for tribes and Alaska natives—measures that assess our work in the arenas of education, public safety through crime control, and financial accountability.

The American public is the direct beneficiary of the DOI's focus in serving communities.

- ◆ Wildland fire measures deal with the effects of fire and fuel treatments on communities located near or adjacent to DOI lands. The Office of Wildland Fire Coordination tracks how many acres of land can be treated through fuel reduction so catastrophic fires are less likely to occur and how quickly fires are controlled. These efforts directly increase the safety of residents who live in those areas.

Mission Area Four: Serving Communities

- ◆ The Department's science Bureau, USGS, offers technical assistance and advice to State and local communities that could be affected by natural hazards. The information they provide helps these communities develop emergency evacuation procedures, update city emergency plans and look for ways disasters can be mitigated through advance planning.
- ◆ Indian tribes benefit from Interior's funding for Indian schools that often serve children who live in such remote locations that no other school is conveniently accessible.
- ◆ Bureau of Indian Education helps serve the educational needs of Tribal communities through 184 BIE-funded elementary and secondary schools
- ◆ The Office of the Special Trustee for American Indians is updating century-old trust recordkeeping so that Indian beneficiaries have confidence in the accounting and are promptly and accurately paid.

Representative Strategic Plan Measures

The following representative Strategic Plan measures demonstrate the Department's performance in the Serving Communities Mission Area.

GOAL: Improve protection of lives, resources, and property

- ◆ Percent of unplanned and unwanted wildfires on DOI land controlled during initial attack

- ◆ Percent of acres treated which achieve fire management objective as identified in applicable management plans

GOAL: Improve understanding, prediction, and monitoring of natural hazards to inform decisions by civil authorities and the public to plan for, manage, and mitigate the effects of hazard events on people and property

- ◆ Percent of communities/tribes using DOI science on hazard mitigation, preparedness and avoidance for each hazard management activity

GOAL: Fulfill Indian fiduciary trust responsibilities

- ◆ Percent of financial information accurately processed in trust beneficiary accounts
- ◆ Probate: percent of estates closed

GOAL: Advance quality communities for tribes and Alaska natives

- ◆ Percent of IA/BIE funded schools achieving Adequate Yearly Progress
- ◆ Part I violent crime incidents per 100,000 Indian Country inhabitants receiving law enforcement services

GOAL: Increase economic self-sufficiency of insular areas

- ◆ Ratio of Federal revenue to total revenues in insular areas

Discussion

GOAL: Improve protection of lives, resources and property

Representative Strategic Plan Measure: Percent of unplanned and unwanted wildfires on DOI land controlled during initial attack

FIGURE 1-43

Performance vs. Cost

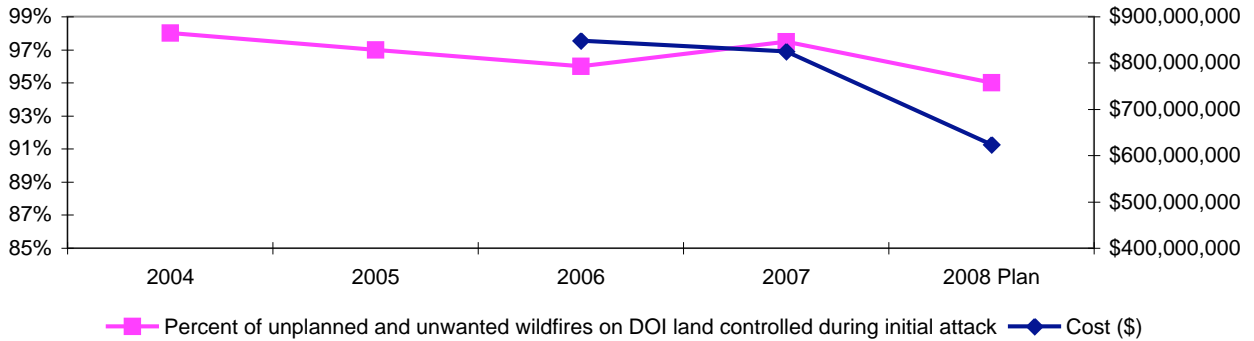


FIGURE 1-44

	2004	2005	2006	2007	2008 Plan
Performance	98%	97%	96%	97%	95%
Fires controlled during initial attack	5,852	2,325	9,790	6,270	
Total fire ignitions	5,947	2,406	10,149	6,432	
Cost (\$)	Not Available	Not Available	\$847,893,380	\$825,011,119	\$623,479,918

After the unprecedented fire season of 2000, the President requested a report recommending how to respond to severe, ongoing fire activity, reduce impacts of fires on rural communities and the environment, and ensure sufficient firefighting resources in the future. The report became the cornerstone of the National Fire Plan. The Department of Agriculture Forest Service and DOI work collaboratively to provide seamless wildland fire protection. DOI fire management activities are performed by four Bureaus: BLM, FWS, NPS, and Indian Affairs. Interior's Office of Wildland Fire Coordination coordinates their efforts.

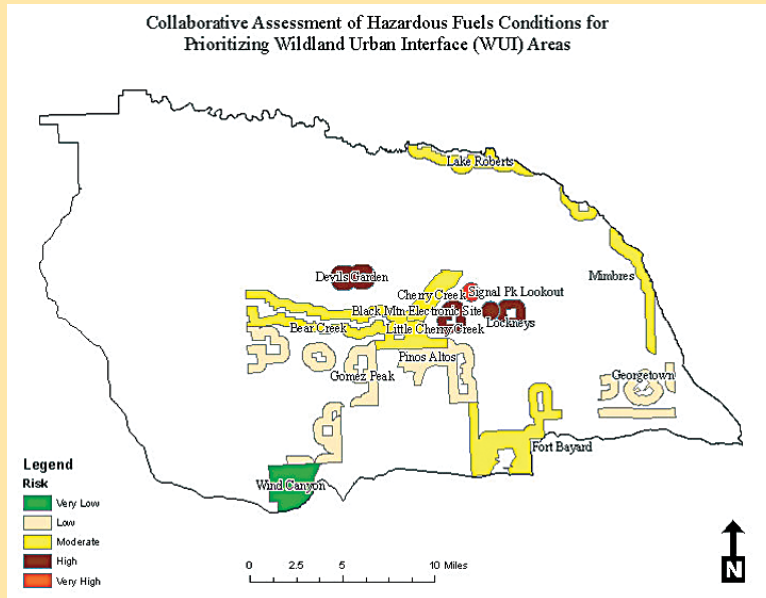
To address the slight decrease in performance, the 2008 budget proposes a shift in funds from firefighters whose job is extended attack and large fire support to firefighters available for initial response. The proposal would add 238 firefighters to better guarantee an initial attack strength that is able to maintain performance of at least 95 percent of fires suppressed on initial attack. Maintaining an effective initial attack capability is critical to controlling fires when they are small and less costly to suppress.

Strengthening Wildland Fire-Fighting

The LANDFIRE program provides fire and land managers with information required to identify land vegetation and hazardous fuel build-up. Decades of land use, fire exclusion, exotic species invasions, and, to some extent, climate change have altered the landscape. As a result, the number, size, and severity of wildfires have changed significantly from those of historical conditions – sometimes with catastrophic consequences.

Hazardous fuel reduction, ecosystem rehabilitation and restoration, and firefighting safety are priorities of land managers. LANDFIRE produces maps of hazardous fuels and vegetation in specific areas that aid land managers in identifying fuel treatment opportunities.

LANDFIRE vegetation and fuels data, when combined with local fire weather, fire occurrence, resource information, and fire and ecological condition modeling, are deemed critical for developing management strategies and prioritizing potential projects to be applied in fuels planning, land use plan revisions, and fire management plans.



One example is the Signal Peak Assessment Area in Southwest New Mexico. The data were modeled and analyzed to classify lands into low, moderate, and high potential fire behavior hazard. Spatial comparisons were conducted to identify where treatments were most effective and assess options near wildland urban interface, Mexican spotted owl habitat, and other key resource concerns.

Representative Strategic Plan Measure: Percent of acres treated which achieve fire management objective as identified in applicable management plans

FIGURE 1-45

Performance vs. Cost

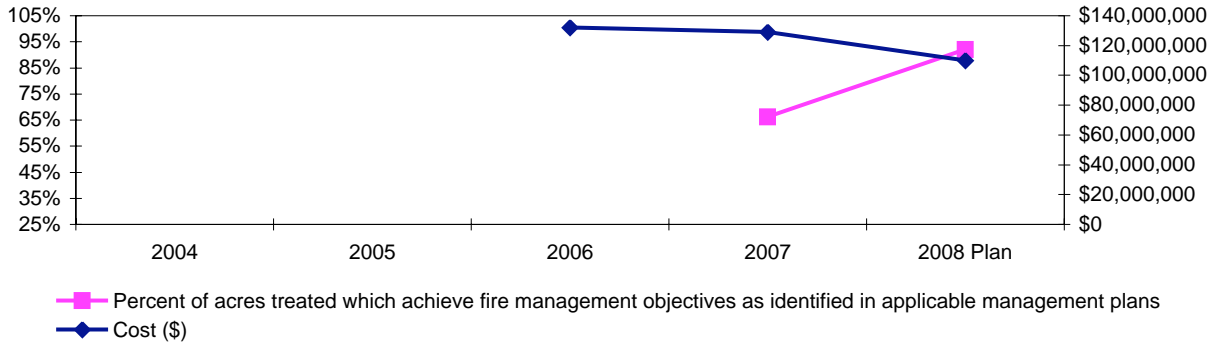


FIGURE 1-46

	2004	2005	2006	2007	2008 Plan
Percent of acres treated which achieve fire management objectives as identified in applicable management plans			New for 2007	66%	92%
Cost (\$)	Not Available	Not Available	132,009,662	129,068,455	109,935,403

Years of natural fuels buildup, coupled with drought, insect, and disease damage, make our forests vulnerable to environmentally destructive fires. Many of our forests are fifteen times denser than they were 100 years ago. Where 25 to 35 trees per acre once grew, now more than 500 trees are crowded together.

This measure tracks the impact on acres treated through fuel reduction as a percent of targeted goals. The goal of treatments is to change fuel conditions by removing or modifying buildup of flammable underbrush in forests and woodlands and reducing threats from flammable invasive species on rangelands. A number of tactics are used to treat acreage by fuel reduction.

- ◆ prescribed fire
- ◆ mechanical thinning
- ◆ herbicides
- ◆ grazing

The ability to provide summary reports of fire funding and project performance information continues to be a challenge. Attention necessitated by the quantity and severity of fire incidents occurring over the past few years has drawn workforce efforts away from focus on enhancing information sources.

Pyro-diversity was recently undertaken in the Great Smoky Mountains National Park, Tennessee, in a prescribed burn to reduce accumulated hazardous fuels and to reduce hardwood crowding of pine stands. Ignition crews set a variety of fire types ranging from slow moving, backing fires to moderate flanking fires and fast moving, intense head fires. This pyro-diversity mosaic should lead to a healthy, biologically diverse forest stand that is more resistant to catastrophic wildfires.

The percent of acres treated that achieve fire management objectives was at 66 percent in 2007. Targets were initially estimated based on a higher success rate for overall treatment objectives than actually occurred. Consequently, the FY 2008 target is being reevaluated in light of 2007 results.

GOAL: Improve understanding, prediction, and monitoring of natural hazards to inform decisions by civil authorities and the public to plan for, manage, and mitigate the effects of hazard events on people and property

Representative Strategic Plan Measure: Percent of communities/tribes using DOI science on hazard mitigation, preparedness and avoidance for each hazard management activity

FIGURE 1-47

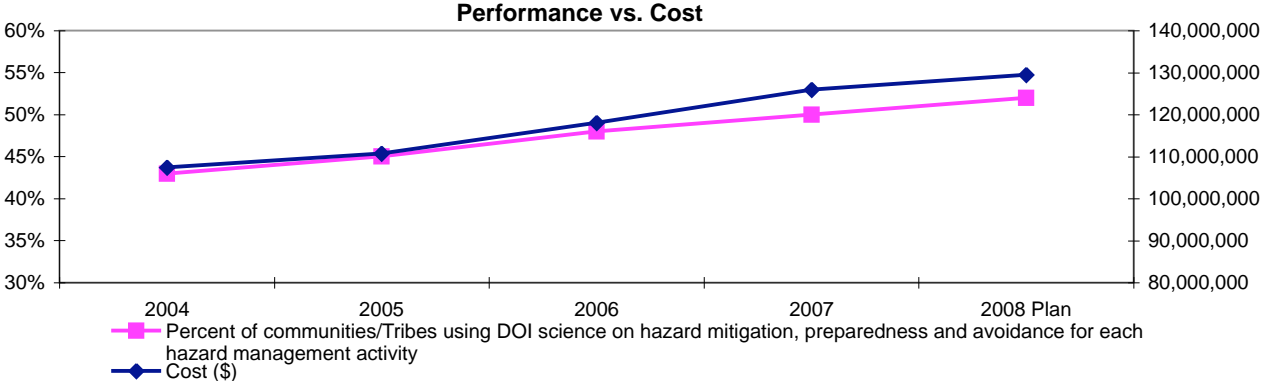


FIGURE 1-48

	2004	2005	2006	2007	2008 Plan
Percent of communities/Tribes using DOI science on hazard mitigation, preparedness and avoidance for each hazard management activity	43%	45%	48%	50%	52%
Cost (\$)	107,436,102	110,733,990	118,005,777	125,913,313	129,428,617

USGS has primary responsibilities for the hazard mitigation measure, under the Disaster Relief Act of 1974, by issuing alerts about volcano, earthquake, and landslide activity. USGS protects communities by significantly reducing the vulnerability of the millions of people most at risk from having their lives endangered by natural hazards.

Performance is tracked by the average percent of at-risk communities which use USGS science products to mitigate, prepare for, or avoid one of these hazards. The volcanoes program has identified 256 at-risk communities, of which 83 percent have applied the USGS science products; the earthquake program has 885 localities, with 63 percent who have adopted appropriate building codes; and 1,800 communities at risk of landslides, of which 5 percent have taken subsequent action. The information provided by USGS is considered used if a community implements a disaster

response plan, updates building codes, or revises city plans utilizing this information—all of which can take years.

Performance is expected to continue at comparable levels. Here, costs are a reflection of the size and level of effort needed by each study, depending upon the scope and complexity of the study subject. The level of application of the study findings is determined more by the usefulness and relevance of the work, along with the willingness of the community to implement, rather than the cost of the necessary effort.

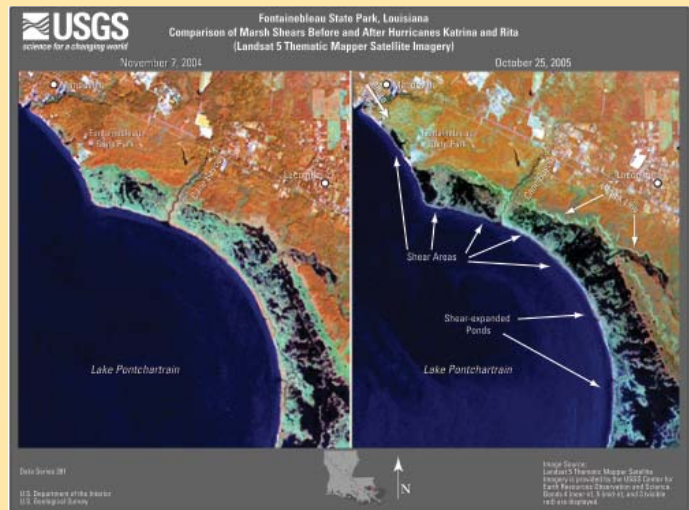
The volcanoes program released the first-ever comprehensive and systematic review of the 169 U.S. volcanoes in 2005. Currently erupting volcanoes are Mount St. Helens in Washington and Kilauea in Hawaii, and those exhibiting unrest are Mauna Loa in Hawaii and Fourpeaked in Alaska.

Before/After Hurricanes Katrina & Rita

Changes in Coastal Louisiana

In 2007 the U.S. Geological Survey's National Wetlands Research Center published two reports documenting the 217 square mile loss of Louisiana coastal land after Hurricanes Katrina and Rita.

- ◆ The USGS Data Series Report 281, *Satellite Images and Aerial Photographs of the Effects of Hurricanes Katrina and Rita on Coastal Louisiana* <<http://pubs.usgs.gov/ds/2007/281/>>, contains dozens of Landsat Thematic Mapper satellite imagery and aerial photography, acquired before and after the hurricanes, showing new water areas that represent land losses caused by direct removal of wetlands. They also show transitory changes in water area caused by remnant flooding, removal of aquatic vegetation, and scouring of marsh vegetation.
- ◆ The article, "Land Area Changes in Coastal Louisiana After Hurricanes Katrina and Rita," describes in detail how land losses occurred in the various basins along the State's coast. Permanent



losses cannot be estimated until several more growing seasons have passed and the transitory impacts of the hurricanes are minimized, but this work serves as a regional baseline for monitoring post-hurricane wetland recovery. The report, a joint effort of many USGS biologists, geologists, hydrologists, and geographers, was developed and managed by the National Wetlands Research Center. It will soon be available on line at the USGS Pubs Warehouse <www.nwrc.usgs.gov>.

The Volcano Hazards Program monitors volcanoes to detect earthquakes, ground deformation, temperature change, and volcanic gas emissions. The monitoring network is maintained and operated by five volcano observatories located in Alaska, Hawaii, Yellowstone, Eastern California, and the Cascade Mountain range in Washington that function autonomously. A major goal of the VHP is to develop a National Volcano Early Warning System, a nationally integrated system that provides 24/7 situational awareness and data for all potentially hazardous U.S. volcanoes.

In FY 2007 the USGS Earthquake Hazards Program completed its five-year update of the National Seismic Hazard Maps. These maps influence the seismic provisions in National and international building codes—affecting billions of dollars of new construction every year. The maps are developed with broad community input through a series of workshops held with scientists, engineers, public planners and code developers. USGS tracks code adoptions by communities nationwide, as a key outcome measure for reducing

the Nation's earthquake risk. EHP also provides custom hazard mapping and analysis tools, to help users tailor a suite of hazard mapping products to their specific needs.

The Landslide Hazards Program focuses on research to better understand the causes of ground failure. Research is conducted on landslides related to steep slopes, heavy rains, and vegetation loss due to wildfires. Monitoring systems at sites in California near Yosemite National Park, and in Portland and Newport, Oregon provide continuous rainfall and soil-moisture and pore-pressure data needed to understand the mechanisms of landslide occurrence. Such a modestly funded program will never be able to reach every one of the 1,800 at-risk communities, so work is prioritized in areas where the hazard is greatest and where the most help can be leveraged from partners. For example, USGS is partnering with the National Weather Service to provide an early warning system for *debris flows*—the fast-moving type of landslides that commonly kill people—in several southern California counties.

GOAL: Fulfill Indian fiduciary trust responsibilities

Representative Strategic Plan Measure: Percent of financial information accurately processed in trust beneficiary accounts

FIGURE 1-49

	2004	2005	2006	2007	2008 Plan
Percent of financial information accurately processed in Trust beneficiary accounts	18%	99.7%	99.7%	99.8%	98.0%
Cost (\$)	14,679,497	12,574,349	13,695,762	17,178,852	Not Available

The Office of the Special Trustee for American Indians was established by the American Indian Trust Fund Management Reform Act of 1994 to improve the accountability and management of Indian funds held in trust by the Federal government.

OST, through the Office of Historical Trust Accounting, continues to scan 120 years of financial records that document payments to American Indians for leasing rights to land parcels that were allotted to tribal members in 1887. Four hundred million pages of records are maintained at a secure, low-cost site in Lenexa, Kansas, and records are still arriving from around the country.

Trust income is generated from the sale or rental of Indian-owned land and natural resources for timber harvests, grazing, and royalties received from oil and natural gas exploration and production. Funds also are derived from interest earned on invested funds, as well as awards or settlements of tribal claims. OST maintains about 1,800 accounts for tribal entities and approximately 371,000 open Individual Indian Monies accounts and manages about \$3.3 billion of investments.

Since 1996, the trust has been the subject of a class-action lawsuit, *Cobell vs. Kempthorne*, in which trust beneficiaries seek an accounting of trust fund transactions.

With a staff of 641 employees, OST has overseen efforts to overhaul the trust’s accounting system, collect its records, and consolidate the trust’s software systems. Those efforts have paid off as reflected in the performance results for FY 2007—99.8 percent accuracy.

Historical accounting efforts continue on nearly 270,000 IIM accounts resulting from land-based income receipts. Interior’s Historical Accounting Project document, published on May 31, 2007, projects the reconciliation to be completed by FY 2011. The majority that are post-1985 “electronic era” accounts are expected to be completed by FY 2009. During FY 2007, the *Judgment and Per Capita* accounts (those results from court decisions or tribal allocations to individual tribal members) reconciliation were deferred in order to devote greater priority to the IIM accounts. Before the change, however, 86 percent of nearly 97,000 accounts were reconciled with only a few errors identified.

Due to *fractionation*, in which descendants of beneficiaries receive interest in land rather than discrete parcels, the office must manage a proliferation of tiny land shares that are tracked despite costing far more to administer than they will ever pay out. Each time a generation passes away, it is likely that more and more people will become owners of an interest in fractionated land.

Representative Strategic Plan Measure: Probate—percent of estates closed

FIGURE 1-50

	2004	2005	2006	2007	2008 Plan
Probate: Percent of estates closed	New for 2007			89%	100%
Cost (\$)	Not Available	Not Available	80,445,363	89,702,443	Not Available

Indian Affairs is responsible for increasing the efficiency of probate case preparation and distribution and OST for improving the accuracy and timeliness of ownership information. Reliable trust ownership records are crucial to making accurate payments to trust beneficiaries and also essential to economic development of Indian lands. This measure was assessed in a new manner beginning in FY 2007. The program estimates that the FY 2007 target will not be met using assigned performance quotas that are regularly tracked. The data are projected using the Probate Tracking “ProTrac” database.

The probate program prepares probate cases for submission so that legal heirs can be determined and estates can be distributed. One of the challenges has been the probate backlog, due to fractionation, which has delayed distribution of assets. Fractionation occurs when ownership of Indian trust land is divided, generation after generation, among all eligible descendants. Typically an estate is not considered closed until the assets have been disbursed to the heirs. This situation has improved to such an extent that,

at the end of 2007, all backlog case preparation was completed. The expected outcome from this effort is that the percent of estates considered closed will increase to address virtually all pending cases in FY 2008.

OST is also reducing the size of the “Whereabouts Unknown” list. OST manages approximately 371,000 Indian trust accounts. Of these, a significant number receive \$10 or less in income each year. Beneficiaries move and often don’t notify OST that their address has changed. If these beneficiaries die, OST and IA must know where they are because the interest has to be probated, no matter how small, to keep the chain of title current. In FY 2007, approximately 37 percent of Whereabouts Unknown accounts were resolved, exceeding the annual target of 25 percent. Additionally, collaborative efforts between OST and IA resulted in approximately \$21.8 million being distributed to individual Indian trust account holders who were previously on the Whereabouts Unknown list.

This is a new measure in 2007. Performance will likely remain at the high level established in 2007.

GOAL: Advance quality communities for tribes and Alaska natives

Representative Strategic Plan Measure: Percent of IA/BIE funded schools achieving Adequate Yearly Progress

FIGURE 1-51

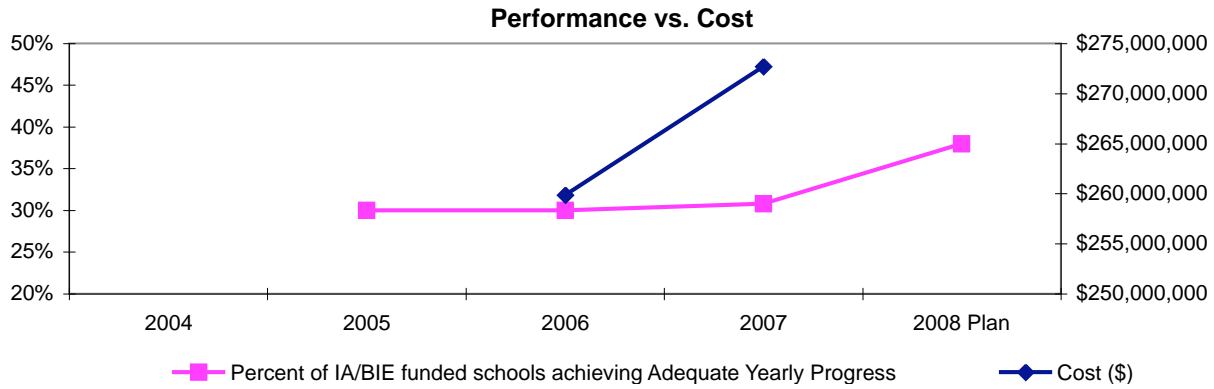


FIGURE 1-53

	2004	2005	2006	2007	2008 Plan
Performance		30%	30%	31%	38%
Schools achieving Adequate Yearly Progress	New Measure	51	51	53	64
Total number of schools		170	170	172	170
Cost (\$)	Not Available	Not Available	259,856,744	272,683,614	Not Available

Achieving Indian education goals continues to be a challenge. The No Child Left Behind Act established Adequate Yearly Progress in math and language arts as the determining performance factor for success in schools nationwide, including those in the BIE school system. Currently, 31 percent of BIE schools met AYP, with an increase to 38 percent targeted in 2008. However, the most recent figures show some additional progress: 27 percent of schools not making AYP improved in math and 20 percent improved in reading.

Raising the AYP level is a BIE priority. After receiving the AYP results for School Year 2004–2005, BIE held consultations with the Department of Education, the Office of Inspector General, and principals of BIE schools to identify key risk areas that would likely improve student performance. One of the major risks was lack of a functional management structure. The implementation of a management structure capable of improving academic outcomes and program administration will be ongoing in FY 2008.

By 2014, the No Child Left Behind Act requires:

- ◆ Every student must read and do math at grade level or above
- ◆ Every student must demonstrate proficiency through use of annual assessments

The proposed FY 2008 budget includes an increase of \$15 million for the Improving Indian Education Initiative. The funds will provide the following:

- ◆ Educational program reforms designed to improve student achievement by the 2014 target date



DOI Environmental Achievement Award Goes to First Mesa Elementary School Polacca, AZ

First Mesa Elementary School can serve as many as 400 Indian elementary students. As the first Leadership in Energy and Environmental Design-certified school in Arizona, and the second for the Department, the school facility responds to a variety of environmental issues important in this remote and arid region.

The colors and materials selected for the exterior of the building were chosen to complement the surrounding natural environment and reflect traditional Hopi culture. The school boasts many environmentally preferable features. No potable water is used for irrigation. Fixtures,

including sinks, urinals and toilets, achieve more than 30 percent savings in water usage. All mechanical and electrical systems were commissioned to maximize performance. Despite the remoteness of the site, the school has initiated an aggressive recycling program.

The school facility includes classrooms, media center/library, a 600 seat gymnasium, administrative area, cafeteria and food service facilities, an art/music classroom, play fields, playgrounds. A weather station and educational displays throughout make the building a learning experience in itself.

- ◆ Improvements in the safety and reliability of the BIE-funded school bus fleet to assist reduction of student absenteeism
- ◆ Targeted program enhancements, such as tutoring, to assist under-performing schools in achieving AYP goals
- ◆ Upgrade of the Native American Student Information System to support the reporting requirements of the NCLBA

AYP goals are also supported by providing quality learning environments. Conditions of the school buildings have improved over the past five years. Funds either provide maintenance to bring facilities up to standard or, if the cost of restoration is more than the cost of replacement, are used to build a replacement school.

Representative Strategic Plan Measure: Part I violent crime incidents per 100,000 Indian Country inhabitants receiving law enforcement services

FIGURE 1-53

	2004	2005	2006	2007	2008 Plan
Part I violent crime incidents per 100,000 Indian Country inhabitants receiving law enforcement services	Baseline Re-established in 2006		492	374	492
Cost (\$)	Not Available	Not Available	30,480,251	25,690,548	Not Available

The level of Part I violent crime is the determining measurement for safety in Indian Country. Part I violent crime refers to murder and nonnegligent manslaughter, forcible rape, robbery, and aggravated assault as reported to the FBI for purposes of the Uniform Crime Reports.

Indian reservations suffer high homicide rates, juvenile crime and gang activity, child abuse, and substance abuse. The spread of methamphetamine is compounding the problem.

The spread of methamphetamine is a critical culture-threatening issue. Drugs flow across the border, and reservations are prime locations for delivering methamphetamine. A recent Indian law enforcement agency survey indicated a relationship between meth proliferation and increases in violent crime.

In the FY 2008 Interior Budget, the Safe Indian Communities Initiative has proposed \$16 million in 2008 to combat the methamphetamine and related problems. IA will put an additional 50 law enforcement agents in targeted communities based on the crime rate, population, and current staffing levels, and also invest in specialized training for the current force. The certified drug officer total will go from eleven in 2007 to 111 in 2008. More officers on patrol will have the knowledge and tools to break up drug trafficking, disrupt the activities and organization of crime groups, and seize illegal substances.

The 2008 target will be reconsidered based on the performance level achieved in 2007.



Methamphetamine Dealers Routed

In the last three years, the Wind River reservation has been targeted by the Sinaloa Cowboys, a group of highly organized, violent Mexican drug dealers, as a prime area to sell methamphetamine. IA law enforcement officers sought permission from the Tribal counsel to take action. Tribal officials gave permission and strong support.

IA officials formed a task force with the State of Wyoming, federal agencies, and the cities of Lander and Riverton, Wyoming. Wire taps were obtained and in May, 2006, approximately 53 suspects were charged and 43 arrested for drug crimes. This was one of the largest operations conducted on Indian land.

In January 2007, the task force learned that methamphetamine was once again being distributed in the same area. BIA generated enough information to apply for an affidavit for a Title III wire tap. All wire taps were completed and in September, an IA Special Agent presented testimony before a U.S. Grand Jury and returned with 38 federal indictments. On September 25, 2007, about 150 law enforcement personnel arrested 35 defendants.

The photo shows IA law enforcement officers in training.

GOAL: Increase economic self-sufficiency of insular areas

Representative Strategic Plan Measure: Ratio of Federal revenue to total revenues in insular areas

FIGURE 1-54

	2004	2005	2006	2007	2008 Plan
Federal Assistance as a percentage of GDP for insular economies	26%	25%	28%	30%	28%
Cost (\$)	Not Available	Not Available	Not Available	Not Available	Not Available

The insular areas in this measure refer to Guam, American Samoa, the U.S. Virgin Islands and the Northern Mariana Islands, as well as the three freely associated states: the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau.

The Office of Insular Affairs assists the island governments to develop more efficient and effective financial management practices and increase development opportunities so that island contributions to their total revenues increase.

Three of the four territories face economic challenges, and all are facing fiscal difficulties.

- ◆ The Mariana Islands rely heavily on tourism, especially from Japan. There has been a change in regional tourism patterns, leading to a 15 percent decrease in 2006 from the previous year. The rapidly dwindling garment industry has been negatively impacted by trade agreements affecting clothing and textiles.
- ◆ Guam depends primarily on tourism and is a popular destination for Japanese, Korean and Chinese tourists. Tourism took a recent downturn along with tourism in the rest of Asia, but is expected to stabilize when U.S. Marine personnel and operations, currently in Okinawa, transfer to Guam sometime in 2007–2008.

- ◆ American Samoa relies on two tuna canneries that employ 10,000 people for 80 percent of the private sector economy. Unfortunately, these are likely to shut down soon as a result of changes in international trade and tariff policies.

- ◆ The American Virgin Islands is a popular tourist destination. Its manufacturing sector consists of petroleum refining, textiles, electronics, rum distilling, pharmaceuticals, and watch assembly plants—a more diversified economy than the other territories. However, it faces a potentially serious challenge from changes in tax law.

The fourth Conference on Business Opportunities in the Islands was held on Guam in October 2007. The conference provided an opportunity for U.S. business people to meet with island entrepreneurs and business owners to strengthen the island economies. The conferences draw business people from the construction, airline, travel and tourism, environmental technology, and communications technology industries.

Improving island economies continues to be extremely challenging, especially due to the remote locations of these territories and their relatively small populations. Performance is expected to remain essentially the same for 2008. Funding for this measure is over \$70 million annually.

Infrastructure Key to Successful Economics

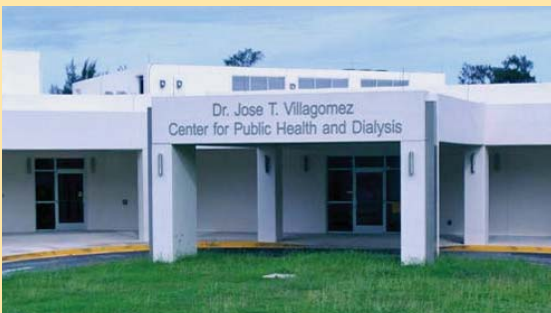
OIA has worked to improve the environment for economic development in the insular areas. OIA's facilitation efforts are beginning to yield results.

- ◆ A company is exploring financing options to bring a fiber-optic cable to American Samoa. The cable will provide several benefits to the islands, such as allowing a call center to open on the island and providing high speed internet access.
- ◆ A financial investment firm is relocating a large portion of its operations to the U.S. Virgin Islands. This will provide new jobs and tax revenue for the local government.

Through OIA's infrastructure development programs, the foundation for further economic growth is being established. For example, 62 classrooms were completed in the Republic of the Marshall Islands in FY 2007.



Additionally, a Public Health and Dialysis Center was finished this past year on the island of Saipan in the Northern Mariana Islands. These activities will assist the islands in their economic development efforts.



Management Excellence

The Department's Strategic Plan 2007–2012 is organized into four main Mission Areas. A fifth area, Management Excellence, provides the enabling framework for accomplishing our mission through improved business processes, practices, and tools. Of course, any accomplishments would not be possible without the key element—a highly skilled, diverse, and dedicated workforce.

In FY 2007, Interior continued to make progress in areas targeted by the President's Management Agenda. The PMA is a strategy for improving the management of the Federal Government. The focus is on performance and results. Quarterly reviews by Office of Management and Budget examine six areas in which improvements and progress can be made: human capital, improving financial performance, competitive sourcing, e-government, budget/performance integration, and real property.

OMB uses an Executive Branch Management Scorecard to monitor agencies' status and progress toward attaining PMA goals. Color-coded ratings are provided and included in the discussion of highlighted performance measures from Interior's Strategic Plan for each core area.

For FY 2007, Interior joins an elite group of seven Federal agencies which are not Red for status or progress in all six initiatives. Moreover, Interior anticipates achieving Green for status and progress for the six PMA initiatives by the end of FY 2008.

GOAL: Increase accountability

OUTCOME: Improving Financial Performance

FIGURE 1-55

	FY 2006		FY 2007		Expected FY 2008	
	Status	Progress	Status	Progress	Status	Progress
PMA Scorecard Rating	R	G	Y	G	G	G

The Department’s goal to increase accountability through improved financial management focuses on four individual performance measures. Financial management begins with accounting transactions and encompasses every aspect of our mission and program performance across the agency. The measures we have chosen are the percent of reporting entities’ receiving a clean audit opinion, the percent of entities maintaining an effective internal control environment, percent of material weaknesses or non-compliance corrected within established schedules, and the percent of financial performance metrics met or exceeded.

The Department continues to pursue improved financial management and our senior leadership has defined the Department’s goal to be world-class financial management. Our progress rating above is indicative of our commitment to improving our financial management status as defined by the PMA. Implementation has begun on the integrated financial management system that will significantly enhance the accuracy, timeliness, and usefulness of financial information that drives decision making and results. This system, FBMS, will link critical transaction and budget formulation

systems and allow all levels of management to view consistent real-time data to monitor performance. Implementation issues and challenges come with all initiatives of this nature and complexity, however, we fully expect to overcome those hurdles and maintain our targeted goals for all four measures.

As with every large decentralized organization providing diverse mission-oriented services, the collection of useful and consistent management information is difficult. Our challenge is made even more difficult by the number of independent and unique software systems employed by our Bureaus and offices. We overcome this hurdle from an accounting and reporting perspective with significant manual efforts and other mitigating controls. As referenced in our Office of Inspector General, Top Management Challenges report, the Department has several initiatives underway to improve this area, such as the FBMS implementation discussed above.

Additionally, we have proactively worked to improve our controls and this effort has resulted in no material weaknesses being identified for FY 2007. In addition, Interior has established an OMB approved “Getting to Green Plan” for FY 2008.

Interior Enterprise Architecture Sustained Excellence

For the past three years, the Department of the Interior has been recognized as a leader in enterprise architecture across the federal government. According to the Office of Management and Budget, the DOI EA program was ranked #1 in FY 2005, 2006, and one of the top five rated agencies for 2007. The Government Accountability Office also rated DOI's EA program as the most mature in its last government-wide assessment in 2006 by having completed 97% of all elements.

Over the past few years, the IEA has partnered with DOI's business community in developing modernization blueprints that guide transformation projects aimed at maximizing program performance. Collectively, these blueprints identify over 100 legacy systems/sub-systems that will be retired when the target solutions are deployed.

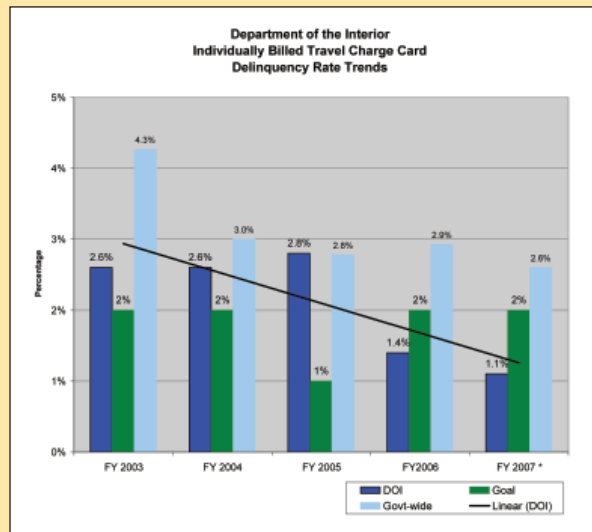
Table 6: Percentage of Framework Elements Satisfied by Department and Agency Architecture Programs within Each Maturity Stage

Departments/Agencies and Maturity Stages	Percent of framework elements satisfied	Percent of Stage 2 elements satisfied	Percent of Stage 3 elements satisfied	Percent of Stage 4 elements satisfied	Percent of Stage 5 elements satisfied
Department of the Interior	97	100	100	88	100
Department of Housing & Urban Development	94	100	100	75	100
Department of the Labor	87	100	100	88	63
Department of the Justice	77	100	100	63	50
Stage 2					
Office of Personnel Management	94	100	83	88	100
Department of Homeland Security	77	100	83	75	50
Department of Agriculture	61	100	67	50	25
Stage 1					
Department of Commerce	87	89	100	88	75
Social Security Administration	87	89	100	100	69
Department of Education	84	89	100	75	75
Department of Energy	77	89	63	88	50
National Aeronautics and Space Administration	71	67	100	63	63
Small Business Administration	71	78	67	75	63
Department of the Treasury	71	78	63	63	63
Department of Health and Human Services	71	89	100	38	63
Environmental Protection Agency	74	86	63	88	38
Department of Defense – Global Information Grid	71	89	67	75	50
Department of Defense – Business Enterprise Architecture	68	78	67	63	63
Department of Veterans Affairs	65	78	63	50	50
Department of Transportation	65	78	63	50	50
Department of State	58	67	67	63	38
General Services Administration	55	67	50	50	50
Nuclear Regulatory Commission	55	67	63	50	25
National Science Foundation	52	78	67	25	38
Department of the Air Force	48	66	67	38	25

GAO-06-831 Enterprise Architecture

OMB has cited DOI's approach – Methodology for Business Transformation – as a best practice that other federal agencies can leverage in developing their architectures.

Delinquency Rate Declines



The Department of the Interior delinquency rate illustrates the Department employees' record for paying their charge card obligations in a timely manner – within 60 days. The Department measures the percent of delinquent payments relative to the total billed amounts. A low delinquency rate accrues cash benefits to the Department in the form of rebates and improves the credibility of the charge card program with both the Congress and the general public. In 1997, the Department's delinquency rate was approximately 13%. The Department undertook aggressive steps to improve this rating, such as becoming the first agency to implement a salary off-set to reduce the number of charged off accounts and maximizing the central billing of rental cars and hotels, thereby reducing the financial burden on employees. As the chart displays, the Department continues to improve, consistently remaining below the Government-wide rating. In FY 2005, the Department delinquencies of 2.8 % on average equaled the government-wide rate. Since then, the Department has improved in this area by reporting a 1.1% delinquency rating for FY 2007.

GOAL: Advance modernization/integration

OUTCOME: E-Government

FIGURE 1-56

	FY 2006		FY 2007		Expected FY 2008	
	Status	Progress	Status	Progress	Status	Progress
PMA Scorecard Rating	Y	R	Y	Y	G	G

Related Strategic Plan Measure: Score achieved on the OMB Enterprise Architecture Framework

In 2007, the Integrated Enterprise Architecture program received a green rating from OMB and was recognized as one of the top five enterprise architecture programs across the Federal government for the third consecutive year. The program issued a Deputy Secretary-approved, Governance Plan that outlined the decisionmaking processes used to develop segment and DOI enterprise architectures. The annually updated DOI Enterprise Transition Strategy was also approved by the Deputy Secretary. IEA also implemented data quality performance measures and objectives for the Departmental Enterprise Architecture Repository. The measures and objectives were incorporated in quarterly evaluations of Bureau Enterprise Architecture programs.

The IEA program released an updated version of its Methodology for Business Transformation which implemented over 100 improvements to the methodology. OMB asked the DOI IEA program to consolidate all of the MBT documentation and post on <www.CORE.gov> as a best practice example for other Federal agencies to use in creating segment architectures.

The IEA program completed and gained approval from the Investment Review Board of two additional modernization blueprints for Human Resource Management, and Land Management Planning and National Environmental Policy Act compliance.

Related Strategic Plan Measure: Percent of completed IT projects for which customers report objectives were met

With 28 major IT investments in the operations and maintenance stage, 24 have conducted operational analyses to determine if customer objectives were achieved. The remaining four have operational analyses underway or planned.

Of the 24 operational analyses that have been conducted, 21, or 87.5 percent, indicate that

customer objectives were met and that business requirements were satisfied. The three investments that did not report customer satisfaction have adequate plans to ensure customer objectives will be met through a combination of system replacements, retirements, and enhancements.

OUTCOME: Human Capital Management

FIGURE 1-57

	FY 2006		FY 2007		Expected FY 2008	
	Status	Progress	Status	Progress	Status	Progress
PMA Scorecard Rating	G	G	G	G	G	G

Related Strategic Plan Measure: Percent of employees who have resolved competency gaps for specified occupational groups representing Departmentwide skill needs.

In 2004, the Department purchased a computer system to help identify competency gaps in specified occupational groups. The Department continues to work with OPM and vendors to configure the system to capture the desired data and address the competency gaps in various occupational groups. When the competency assessment tool is available on the learning management system (DOILEARN),

we will develop baseline data on proficiency levels of selected occupations. We will compare that baseline with occupational outcome criteria and track progress after strategies to close the gaps have been implemented. Until the tool is successfully launched, we will measure our success in terms of staffing level trends in selected occupations and report an aggregate percent change.

Related Strategic Plan Measure: Increase in the percentage of qualified, highly skilled, diverse candidates hired as a result of implementing specified requirements of the DOI Strategic Plan for Achieving and Maintaining a Highly Skilled and Diverse Workforce, FY 2005–2009.

During FY 2007, DOI invested resources and the following strategies to increase the percentage of highly skilled, diverse candidates hired by the Department:

- ◆ Used a diversity recruitment consortium to help recruit and place students from partner educational institutions
- ◆ Created the Indian Excellence Program to assist managers in outreach and recruitment of Indian students
- ◆ Developed a corporate targeted recruitment tool to locate and hire applicants for mission critical occupations
- ◆ Established linkage with the <www.DisabilityInfo.gov> website as a resource for individuals with disabilities

- ◆ Reinforced communication and collaboration with employee-focused groups
- ◆ Implemented cooperative partnerships with external organizations, such as the National Association for Equal Opportunity and the League of United Latin American Citizens, to strengthen outreach and recruitment to diverse segments of the labor force

Despite these efforts, DOI has experienced a decrease in the number of total hires, and a 3.8 percent decrease in the percent, of women, minorities, and persons with disabilities since the first quarter of FY 2007. In light of this decrease, more remains to be done to fill competency gaps with highly skilled, diverse candidates. Some additional strategies include strengthening training programs to promote an inclusive work environment and more effective marketing of DOI career opportunities.

OUTCOME: Organizational Reviews and Acquisitions (Competitive Sourcing)

FIGURE 1-58

	FY 2006		FY 2007		Expected FY 2008	
	Status	Progress	Status	Progress	Status	Progress
PMA Scorecard Rating	G	R	G	Y	G	G

Related Strategic Plan Measure: Number of FTE in competitive sourcing studies completed during the fiscal year

Through the end of FY 2007, DOI had completed competitions on 2,725 FTEs, and directly converted another 1,773 FTEs. In all those efforts, only one employee was impacted by involuntary actions. These studies have resulted in current cumulative annualized savings over \$6M. Efficiencies that resulted in savings include resource sharing arrangements and right-sizing, right-skilling, and right-grading of staffing requirements. Savings have been reinvested in deferred maintenance projects, upgrading utility systems, absorption of increased fuel costs, upgrading equipment, and purchasing supplies in larger quantities to take advantage of quantity discounts. We completed competitions impacting 223 FTEs during FY 2007, and studies impacting 466 FTEs are still in progress. Included in that number is an NPS-wide review of human capital functions. This competition is being

conducted concurrent with an organizational review of all human capital functions, which could result in dramatic change and improvement in how those critical services can enhance NPS missions.

Status of Competitions

- ◆ Completed to Date
 - Standard = 510 FTEs
 - Streamlined = 2,215 FTEs
 - Direct Conversions = 1,773 FTEs
- ◆ In Progress
 - Standard = 466 FTEs
 - Streamlined = 100 FTEs

Related Strategic Plan Measure: Percent savings compared to relevant GSA Federal Supply Schedule prices for contracts awarded through Strategic Sourcing

The FY 2007 GPRA Strategic Sourcing Initiative target was to achieve an overall savings of 2 percent compared with the General Services Administration's Federal Supply Schedule. Strong partnerships were developed with offices and bureaus to advance this initiative. By collaborating across the Department, we exceeded the goals to streamline the procurement process, reduce administrative and commodity costs, improve management efficiency, and maintain the

Department's commitment to small business and environmental objectives. The following Strategic Sourcing commodities were completed in FY 2007 and realized significant savings compared to the Federal Supply Schedule: IT Equipment (23%); Office Supplies (15%); Relocation Services (9%); Domestic Delivery (25%); and Wireless Equipment and Services (5%). We plan to sustain this level of performance in FY 2008.

OUTCOME: Real Property Asset Management

FIGURE 1-59

	FY 2006		FY 2007		Expected FY 2008	
	Status	Progress	Status	Progress	Status	Progress
PMA Scorecard Rating	Y	G	Y	G	G	G

Related Strategic Plan Measure: Overall condition of buildings and of structures (as measured by the FCI) that are mission critical and mission dependent, (as measured by the API) with emphasis on improving the condition of assets with critical health and safety needs.

Over the past three years, since the development, approval and implementation of the Asset Management Plan, processes, and tools, the Department of the Interior has significantly improved the overall condition of its constructed asset portfolio. Specifically, the AMP, implemented in 2005, provided guidance on the conduct of comprehensive and annual facility/asset condition

assessments. The AMP also provided the framework and initial guidance used to gather facility/asset data and populate the Federal real property profile database. As the process of data collection and analysis has matured, use of data to make daily business decisions that improve the overall condition of assets has increased.



Restoring Essential Assets

The Sacramento Landing is located on the shores of 12-mile long Tomales Bay at the Point Reyes National Seashore in Northern California. The Sacramento Landing pier was a deteriorated timber pier that provided access to a floating dock used to moor NPS vessels. The pier had deteriorated to such an extent that it was condemned for public use after a 40-foot section of the pier collapsed.

This completed project provides an all-weather safe anchorage for the park emergency response boats and enables the boats to respond during any tide cycle.

It also provides an environmentally safe fueling station. In addition to being the only pier within the park suitable for use of law enforcement and emergency response operations, the Tomales Bay Marine Station is the only marine facility for research on Tomales Bay and crucial to promoting many research and monitoring studies on coastal resources. Tomales Bay specific studies include monitoring water quality, fish, seals and invasive non-native species. The facility will also accelerate the All Taxa Biodiversity Inventory of Tomales Bay, which had documented over 2,000 marine species in the past four years.

OUTCOME: Performance-Budget Integration (Performance Improvement)

FIGURE 1-60

	FY 2006		FY 2007		Expected FY 2008	
	Status	Progress	Status	Progress	Status	Progress
PMA Scorecard Rating	Y	G	Y	G	G	G

- ◆ The development and application of Representative (Strategic Plan) Performance Measures, as displayed in this report, provide a clearer overview of progress being made against the Strategic Plan. Related costs associated with the pursuit of individual objectives are reported by matching costs to individual Strategic Plan performance measures.
 - The graphs and tables in this report display, as available, past trends and a preview of what is expected in the near future in achieving the Department's set of goals. The addition of relative funding, provided via use of activity-based costing, offers insight into the relationship of funding with realized and planned performance.
 - Many of the relationships between funding and performance are not linked to the extent that one dollar achieves a unit of achieved performance in a single year. While annual performance targets and annual appropriations focus our attention on a single year, funding over several years may be needed to attain the final achievement of an acre of land to desired condition or the stabilization of an endangered species.
 - While some of the selected Representative Performance Measures do not display much past history, their presence signals the onset of continued, routine tracking of performance. We will continue to emphasize these measures in future PARs and report on their results year after year.
- ◆ Program Reviews
 - Under the President's Management Agenda for Budget and Performance Integration, specific program-level reviews are conducted in consultation with the Office of Management and Budget using the Program Assessment Rating Tool. While the following table (Figure 1-61) lists the ratings of the programs that have been reviewed, more detailed information regarding findings and follow-on actions that are under way can be found on the <www.ExpectMore.gov> website.
 - In FY 2007, progress in implementing follow-on actions continued, most notably in terms of six programs previously rated as "Results Not Demonstrated" successfully accomplishing ratings of "Adequate to Moderately Effective." The overall progress made is reflected in the programs that have been reassessed with higher ratings (the subsequent rating identified in parentheses). A higher level of direct engagement of senior management significantly helped this year's conduct of program assessments and is a continuing practice. The perspective and guidance provided by these senior individuals were invaluable to ensuring a more thorough response to questions that were policy in nature, providing overall programmatic context, ensuring attention of the related OMB examiner, and providing related support to the associated program personnel.

Take Pride in America

Achieving Our Goals

From October 2006 through September 2007, approximately 350,000 volunteers contributed 15 million hours of service on public land for NPS, FWS, BLM BOR, USGS, along with Natural Resource Conservation Service, the U.S. Forest Service, and the U.S. Army Corps of Engineers.

The Thomson Causeway Recreation Area Cleanup held on Earth Day 2007 in Thomson, Illinois is an excellent example of dedicated volunteerism on our Nation's public land. Forty-five volunteers, including Boy Scout Troops and local high school students, planted trees, picked up one truck load full of trash, cleared debris, and landscaped. In total, 92 hours of service were contributed by the community to this U.S. Army Corps of Engineers recreation area. Their service represents the spirit of citizen stewardship of the



Nation's valuable resources. These volunteers exercise the purest form of civic action by taking pride in their country.

- The most significant challenges that remain for those programs with ratings of "Results Not Demonstrated" include successfully revising some legislation, identifying mutually agreeable performance measures, and attaining

adequate performance results data to demonstrate the amount of progress that is being made. Preparations are already underway to graduate more programs out of the ranks of "Results Not Demonstrated" next year.

FIGURE 1-61

Summary of PARTs and Ratings (parenthetic ratings are RePARTs)	BY 2004	BY 2005	BY 2006	BY 2007	BY 2008	BY 2009
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
IA						
Indian Land Consolidation	Mod. Eff.					
K-12 School Operations	Adequate					
K-12 School Construction	RND		(RND)			(Adequate)
Forestry Management		Adequate				
Law Enforcement		RND				(Adequate)
Tribal Courts		RND				
Job Placement and Training			Mod. Eff.			
Tribal Colleges			Adequate			
Operation and Maintenance of Roads			RND			
Economic Development Guaranteed Loans				Adequate		
Housing Improvement				RND		
Dam Safety and Dam Maintenance				Mod. Eff.		
Operation and Maintenance of Irrigation Projects				RND		
Human Resources					Adequate	
Natural Resources					Adequate	
Real Estate Trust Services					RND	
BLM						
Wildlife Habitat Restoration	Mod. Eff.					
Energy & Minerals Mgmt		Adequate				
Recreation Management		Adequate				
Realty and Ownership Management			Adequate			
Southern Nevada Land Sales			RND			
Land Use Planning				RND		
Mining Law Administration				RND		
Resource Management					Adequate	
BOR						
Hydropower	Mod. Eff.	(Effective)				
Rural Water Supply Projects	RND					
Water Reuse and Recycling	Mod. Eff.					
Science and Technology (S&T) Program		Effective				
Water Management Project Planning and Construction			RND			(Mod.Eff.)
Recreation and Concessions			Adequate			
Water Management Operations and Management				Adequate		
Safety of Dams Program				Effective		

Summary of PARTs and Ratings (parenthetic ratings are RePARTs)	BY 2004	BY 2005	BY 2006	BY 2007	BY 2008	BY 2009
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Site Security				Mod. Eff.		
CALFED					Adequate	
CVPIA					Adequate	
Water Management & Environmental Mitigation						Adequate
FWS						
National Wildlife Refuge System		RND				(Adequate)
Migratory Bird Management & Conservation			RND			
Endangered Species				RND		
Wildlife & Sport Restoration				RND		
Fisheries					Effective	
Habitat Conservation					Adequate	
MMS						
Outer Continental Shelf Environmental Studies	Mod. Eff.					
Minerals Revenue Management		RND				(Mod.Eff.)
Outer Continental Shelf Minerals Evaluation and Leasing			Mod. Eff.			
Outer Continental Shelf Minerals Regulation and Compliance				Effective		
NPS						
Natural Resource Stewardship	Mod. Eff.					
Facility Management	RND	(Adequate)				
Grants		RND				
National Historic Preservation		Mod. Eff.				
Cultural Resource Stewardship			Adequate			
Technical Assistance				Adequate		
Heritage Partnership				RND		
Visitor Services				Mod. Eff.		
Concessions Management				Adequate		
Park Police					Adequate	
OSM						
State-managed Abandoned Coal Mine Land Reclamation	RND					(Mod.Eff.)
State-managed Regulation of Surface Coal Mining		RND			(Effective)	
Federal-managed Regulation of Surface Coal Mining			RND		(Effective)	

Summary of PARTs and Ratings (parenthetic ratings are RePARTs)	BY 2004	BY 2005	BY 2006	BY 2007	BY 2008	BY 2009
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
USGS						
Geographic Research, Investigations, and Remote Sensing	RND		(Effective)			
Geologic Hazards Assessments		Mod Eff.				
Mineral Resource Assessments		Mod Eff.				
Energy Resource Assessments		Mod Eff.				
Water Information Collection and Dissemination			Mod Eff.			
Water Resources Research			Mod Eff.			
National Cooperative Geological Mapping				Mod. Eff.		
Biological Research and Monitoring				Mod. Eff.		
Biological Information Management and Delivery				Mod. Eff.		
Coastal and Marine Geology					Mod. Eff.	
DOI						
Wildland Fire Management	RND			(RND)		
Central Utah Project				Adequate		

Programs are rated:

- Results Not Demonstrated (RND)**
- Ineffective**
- Adequate**
- Moderately Effective (Mod. Eff.)**
- Effective**

Compliance with Legal and Regulatory Requirements

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

- ◆ Federal Managers' Financial Integrity Act
- ◆ Federal Financial Management Improvement Act
- ◆ Inspector General Act Amendments
- ◆ Federal Information Security Management Act
- ◆ Other key legal and regulatory requirements including the following:
 - Prompt Payment Act
 - Debt Collection Improvement Act

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

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

Federal Managers' Financial Integrity Act

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

- ◆ Programs and operations achieve intended results efficiently and effectively;

- ◆ Resources are used in accordance with the mission;
- ◆ Programs and resources are protected from waste, fraud, and mismanagement;
- ◆ Laws and regulations are followed; and
- ◆ Timely, accurate and reliable data are maintained and used for decision-making at all levels.

Interior's internal control program is designed to ensure full compliance with the goals, objectives, and requirements of FMFIA and OMB Circular No. A-123, *Management's Responsibility for Internal Control*, including Appendix A, *Internal Control over Financial Reporting*; OMB Circular No. A-127, *Financial Management Systems*, and OMB Circular No. A-130, *Management of Federal Information Resources*.

Management Assurances

FMFIA requires agencies to provide an annual statement of assurance regarding the effectiveness of internal and accounting controls over financial systems. Agencies are also required to provide an assurance statement on management's assessment of the effectiveness of internal control over financial reporting as of June 30 each fiscal year. During FY 2007, the Office of Financial Management conducted comprehensive site visits and otherwise provided oversight with regard to risk assessments, internal control reviews, assessments of internal control over financial reporting, and progress in implementing audit recommendations. Interior's FY 2007 Annual Assurance Statement is highlighted to the right. The basis for the assurance statement conclusions are discussed below.

Internal Control Assessments

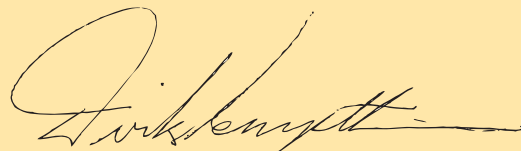
Interior conducts annual assessments of the effectiveness of management, administrative, and accounting systems controls in accordance with FMFIA and OMB guidelines. The conclusions in the Secretary's FY 2007 Annual FMFIA Assurance Statement are based on the results of 512 internal control reviews of programs and administrative functions conducted by bureaus and offices, including an assessment of internal control over financial reporting; 48 Office of Inspector General program audits; 21 Government Accountability

FY 2007 ASSURANCE STATEMENT

Interior's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives and requirements of the Federal Managers' Financial Integrity Act of 1982. Interior conducted its annual assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with the requirements of the Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Internal Control*. Based on the results of this evaluation, Interior can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2007, was operating effectively and that no material weaknesses were found in the design or operation of the internal controls.

In addition, Interior conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular No. A-123. Based on the results of this evaluation, Interior can provide reasonable assurance that its internal control over financial reporting as of June 30, 2007, was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting. Further, subsequent testing through September 30, 2007, did not identify any reportable changes in key financial reporting internal controls.

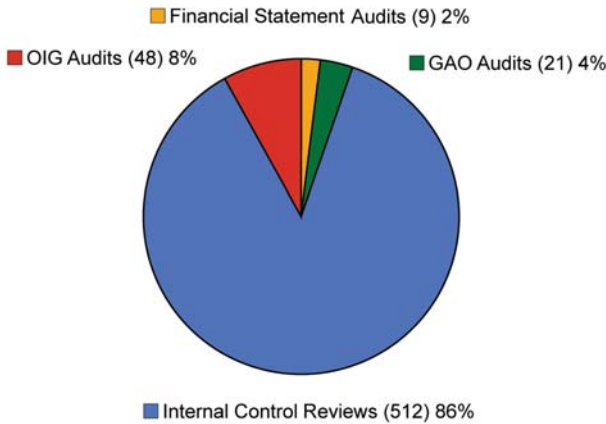
Also, Interior can provide reasonable assurance that its financial systems substantially comply with the Federal Managers' Financial Integrity Act and with the component requirements of the Federal Financial Management Improvement Act.



Dirk Kempthorne
Secretary of the Interior
November 13, 2007

FIGURE 1-62

Basis for FY 2007 Assurance Statement



Office program audits; and the 9 financial statement audits conducted by the independent public accounting firm, KPMG LLP, under the auspices of the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994 (see Figure 1-62). As in prior years, internal control reviews performed by the Department and its bureaus provided the majority of the support (86%) for the Annual Assurance Statement. In addition, many of Interior’s internal control reviews and related accountability and integrity program activities focused on areas identified as major management

challenges and on components of the President’s Management Agenda. Figure 1-63 presents a crosswalk of those activities.

FMFIA Material Weaknesses and Accounting System Nonconformances

OMB Circular No. A-123 requires that each agency identify and report on material weaknesses affecting the agency. Interior has adopted the OMB guidelines for material weakness designations. These guidelines are highlighted on the next page. Interior recognizes the importance of correcting material weaknesses in a timely manner. The Office of Financial Management and senior program officials continuously monitor corrective action progress for all material weaknesses. At the beginning of FY 2007, Interior had no department-level FMFIA material weaknesses pending correction carried forward from the previous year.

The Department has a reporting practice consistent with the December 2004 revision to OMB Circulars No. A-123 and No. A-136, *Financial Reporting Requirements*, to report only department-level material weaknesses in the Performance and Accountability Report. Bureau-level material weaknesses continue to be reported internally

FIGURE 1-63

Crosswalk of Activities Related to Major Management Challenges

Management Accountability and Integrity Program Activities in FY 2007 Related to Interior’s Major Management Challenges and President’s Management Agenda	Interior’s Major Management Challenges								President’s Management Agenda				
	Financial Management	Information Technology	Health, Safety, and Emergency Management	Maintenance of Facilities	Responsibilities to Indian and Insular Affairs	Resource Protection and Restoration	Revenue Collections	Procurement, Contracts, and Grants	Competitive Sourcing	Strategic Management of Human Capital	Expanded Electronic Government	Improved Financial Management	Budget and Performance Integration
Internal Control Reviews/Management Studies and Initiatives	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
OIG Audits													
- Program Audits Completed	✓	✓	✓	✓	✓	✓	✓	✓				✓	
- Financial Statement Audits Completed	✓	✓			✓		✓	✓				✓	✓
GAO Audits Completed	✓	✓	✓	✓	✓	✓	✓	✓				✓	

and are actively monitored by the bureau and the Office of Financial Management for timely corrective action. The FMFIA material weakness, (Indian Trust Assets) shown in Figure 1-64, was downgraded in FY 2006. Interior has no department FMFIA material weaknesses to carry over to FY 2008 for management's reporting purposes.

A summary of the Department's financial statement audit material weaknesses, FMFIA material weaknesses and accounting system nonconformances is presented in Figures 1-65 and 1-66.

Internal Control over Financial Reporting

Revised OMB Circular No. A-123, Appendix A, strengthens internal control requirements over financial reporting in Federal agencies. The revised circular provides updated internal control standards and requirements for conducting management's assessment of the effectiveness of internal controls over financial reporting.

In FY 2007, the Department completed its second assessment of the effectiveness of internal control over financial reporting. The results of the assessment revealed that adequate controls exist and that financial reporting can be relied upon by senior management when used in conjunction with other decision-making processes. The assessment did not disclose any material weaknesses in the Department's financial reporting activities. Although deficiencies were found in some financial reporting business processes, corrective actions are expected to correct the deficiencies. The Department's internal controls over financial reporting reasonably ensure the safeguarding of assets from waste, loss, and unauthorized use or misappropriation, as well as reasonably ensure compliance with laws and regulations pertaining to financial reporting (See FY 2007 Assurance Statement, paragraph 2).

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

Material Weakness Guidelines

OMB and the Department define a *material weakness* as follows:

- ◆ A control deficiency, or combination of control deficiencies, that in management's judgment, should be communicated because they represent significant weaknesses in the design or operation of internal control that could adversely affect the organization's ability to meet its internal control objective which the agency head determines to be significant enough to report outside the agency.
- ◆ A *material weakness* in financial reporting is a significant deficiency- i.e., one that adversely affects the ability to initiate, authorize, record, process, or report financial data reliably and in accordance with Generally Accepted Accounting Principles - or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

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

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

FIGURE 1-64

FMFIA Material Weaknesses Previously Downgraded				
Description	Corrective Actions	FY 2007 Progress	FY 2006 PAR Target Date	Status
<p>Bureaus: IA/OST/OS/OHTA</p> <p>First Reported: FY 1991</p> <p>Indian Trust Assets: The Office of the Special Trustee for American Indians' conversion to a commercial trust fund accounting system and the implementation of enhanced OST management controls ensure that all collected trust funds are properly accounted for. The remaining items to correct this material weakness includes: Office of Historical Trust Accounting's historical accounting; strengthening the existing system of controls to ensure that Indian Affairs ownership and distribution information is correct.</p>	<p>Departmental trust policies, procedures, systems and internal control will continue to be improved and training provided to achieve the goals of the Comprehensive Trust Management Plan.</p>	<p>Indian Affairs - has: (1) closed 9,400 probate cases; (2) assisted the Department's regulatory initiative team in drafting regulations for probate, owner managed leasing, consolidation by sale, and ownership information; (3) deployed Trust Asset and Accounting Management System and data conversion at 45 agency field offices in 12 regions; (4) published program procedural handbooks for the Trust land and natural resource management programs; and (5) issued policies on Life Estates/Dowers, Witnesses, Timber Sales, Minerals, and Rounding.</p> <p>OHTA has completed to date, historical accounting that supports several significant conclusions: (1) a very high percentage of records exist and can be located; (2) differences between supporting records and recorded transactions are few in number, small in size, and not systemic; (3) there is no evidence historical records have been altered; and (4) there is ample evidence that monies collected were distributed to the correct recipients.</p> <p>The Office of the Secretary coordinated efforts with IA, OHTA, and OST to assess the Trust weaknesses identified as potential findings in subsequent audit reports.</p> <p>OST completed the implementation of a centralized commercial lockbox process that was initiated in FY 2005; this process included policies, procedures and training. OST Regional Trust Administrators are taking the lead in concert with Bureau of Indian Affairs regional directors to oversee the leasing module conversions to the TAAMS. Regarding these conversions 100% of recurring Individual Indian Monies income and 100% of IIM accounts were converted to the leasing module of the TAAMS.</p> <p>Beneficiaries serviced by the various agencies that have been converted to the leasing module for TAAMS are receiving quarterly performance statements that provide information regarding source of funds, encumbrance information (who is leasing their property, duration and payment terms of lease), and a listing of the trust property they own.</p>	<p>FY 2008</p>	<p>Interior downgraded to Significant Deficiency in 2006.</p> <p>Downgrade validated by financial statement auditors in 2007.</p>

Federal Financial Management Improvement Act

FFMIA builds upon and complements the CFO Act, Government Performance and Results Act, and Government Management Reform Act. FFMIA requires that Federal agencies substantially comply with: 1) applicable Federal accounting standards; 2)

the Governmentwide U.S. Government Standard General Ledger; and, 3) Federal financial management system requirements that support full disclosure of Federal financial data, including the cost of Federal programs and activities.

Federal agencies are required to address compliance with the requirements of FFMIA in

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

Although the FY 2007 Department financial statement audit report did identify a deficiency concerning noncompliance with the Single Audit Act Amendments of 1996 and OMB Circular No. A-133, the Department substantially complies with the FFMIA and FFMIA.

Inspector General Act Amendments (Audit Follow-up)

Interior believes that the timely implementation of OIG and Government Accountability Office audit recommendations is essential to improving efficiency and effectiveness in its programs and operations, as well as to achieving integrity and accountability goals. As a result, DOI has instituted a comprehensive audit follow-up program to ensure that audit recommendations are implemented in a timely and cost-effective manner and that disallowed costs and other funds due from contractors and grantees are collected or offset. In FY 2007, Interior monitored a substantial number of new Single Audit (293), OIG (67), and GAO (52) audit reports. Audit follow-up actions include analyzing audit reports referred; advising grantors of single audit findings; tracking, reviewing, and validating program and financial audit recommendations; developing mutually acceptable and timely resolution of disputed audit findings and recommendations;

overseeing the implementation, documenting and closing of audit recommendations; and monitoring the recovery of disallowed costs.

Departmental Goal for Timely Implementation of Audit Recommendations

To further underscore the importance of timely implementation of OIG and GAO audit recommendations, Interior has established an aggressive performance goal to implement 85% of all GAO and OIG recommendations where implementation was scheduled to occur during the year or in previous years. Financial audit recommendations issued in FY 2007 were also included in the goal base.

In FY 2007, Interior exceeded its performance goal with a composite implementation rate of 89% (Figure 1-67). Interior's success in achieving the performance goal for the fifth consecutive year was due primarily to DOI's aggressive monitoring process. Monthly and quarterly scorecards on status of program internal control reviews and of audit recommendation implementation were prepared for each bureau and office to ensure commitments are being met, and that senior management attention was directed immediately to slippage when it occurred. This same progress monitoring will continue in FY 2008 to ensure achievement of next year's performance goal.

Audits Performed Under the Single Audit Act

Interior provides over \$2 billion each year in funding for: grants, cooperative agreements, Indian self-determination contracts, and self-governance compacts to state and local governments; Indian tribes, colleges and universities; and other not-for-profit organizations. Under the provisions of the

FIGURE 1-65

Summary of FY 2007 Financial Statement Audit					
Audit Opinion	Unqualified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Control over Trust Funds (IA, OST, & DO)	1	0	1 (Downgraded)	0	0
Total Material Weaknesses	1	0	1	0	0

FIGURE 1-66

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0

Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0

Conformance with Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Systems Conform to Financial Management System Requirements					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total of Non-Conformances	0	0	0	0	0	0

Compliance with Federal Financial Management Improvement Act (FFMIA)		
	Agency	Auditor
Overall Substantial Compliance	Yes	Yes
1. System Requirements	Yes	
2. Accounting Standards	Yes	
3. U.S. Standard General Ledger at Transaction Level	Yes	

Single Audit Act, grantees’ financial operations, internal control structures, and levels of compliance with applicable laws and regulations must be audited each year. All Single Audit reports are forwarded to and screened by the Federal Single Audit Clearinghouse. Those Single Audit reports with findings and recommendations requiring audit follow-up are forwarded to the Department’s Office of Inspector General, who, in turn, forwards those reports to the Office of Financial Management for

distribution to the appropriate bureaus for audit follow-up, resolution and tracking. Each bureau is responsible for meeting with grantees and negotiating a resolution to the deficiencies identified in the audit reports, as well as for determining the allowability of any expenditure of Federal funds that has been questioned by the auditors.

Interior closed 234 of 293 audits under the Single Audit Act (80%) in tracking during FY 2007. As in

previous years, the Department plans to continue its monitoring and follow-up activities during FY 2008 to close audit reports including those with disallowed costs.

Performance and Financial Audits

Performance and Financial Audits are OIG conducted audits of Interior’s programs, organizations, and financial and administrative operations. During FY 2007, 67 OIG audits with 443 recommendations were tracked; 393 (89%) were completed or closed.

Some OIG audit reports contain recommendations to improve efficiency and assert that funds could have been put to better use. For the 12 months ending September 30, 2007, the OIG issued 4 audit reports (excluding audits of contracts and grants, discussed below) with \$13.8 million of FBU. During the period, management agreed to and closed recommendations in 8 reports with \$4.3 million of reported FBU.

Audits of Contracts and Grants

For the 12 months ending September 30, 2007, the OIG reported issuing 27 audit reports that contained \$5.6 million in questioned costs, \$4.6 million in unsupported costs, and \$1.9 million of FBU. During the period, management agreed to and closed recommendations in 12 reports with \$4.7 million of questioned costs, including \$2 million of unsupported costs.

GAO Audits

GAO audits are a major component of Interior’s audit follow-up program workload and cover a variety of programs, operations, and activities. A total of 31 GAO reports with 79 recommendations were carried over from FY 2006. During FY 2007, GAO issued a total of 23 new reports with 29 recommendations. The Department was successful in closing 26 of the 54 reports and 41 of the 108 recommendations in tracking during FY 2007 (Figure 1-68).

FIGURE 1-67

FY 2007 DEPARTMENTAL PERFORMANCE GOAL FOR IMPLEMENTATION OF OIG AND GAO AUDIT RECOMMENDATIONS			
Agency	Recommendations Meeting Departmental Goal Criteria	Recommendations Implemented	Percentage Implemented
DOI TOTAL	490	434	89

Audited Financial Statement Results

As required by GMRA, Interior prepares consolidated financial statements. These financial statements have been audited by KPMG LLP, an independent public accounting firm, since FY 2001 (the OIG audited the financial statements prior to FY 2001). Additionally, certain bureaus prepare financial statements that are also audited.

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

The results of the FY 2007 financial statement audit are summarized in Figure 1-65. As shown in the table, Interior again achieved an unqualified audit opinion, the eleventh in a row, for the Department’s consolidated financial statements.

In FY 2006, the Department did not agree with the auditors that Indian Trust Assets was a department-level material weakness. A variety of actions were taken in FY 2006 and 2007 to significantly improve internal controls and systems for Indian trust. An extensive amount of documentation was provided to the auditors during the FY 2007 audit cycle. As a result of these actions, the auditors have downgraded Indian Trust Assets from a department-level material weakness to a significant deficiency.

Figures 1-69 and 1-70 summarize the status of material weaknesses and noncompliance issues reported in the FY 2007 and FY 2006 financial statement audit. As noted previously, Interior reports only department-level material weaknesses and noncompliances. The Department has established an internal goal of completing corrective actions for material weaknesses and noncompliance issues by the end of the following fiscal year, unless the magnitude of the corrective action involves a multiyear effort.

The FY 2006 auditor’s report identified 3 instances of noncompliance with laws and regulations. The Department fully concurred with only one of the findings (See Figure 1-70). During FY 2007, the Department corrected 2 noncompliance issues reported in

FIGURE 1-68

SUMMARY OF ACTIONS TAKEN IN FY 2007 ON AUDIT REPORTS ISSUED BY THE GAO					
			Number of Recommendations	Number of Reports	
In tracking as of October 1, 2006			79	31	
FY 2007 audits added to tracking system after October 1, 2006			29	23	
Subtotal			108	54	
Closed during FY 2007			41	26	
In tracking as of September 30, 2007			67	28	
Code	Status of final reports in tracking	Number of Recommendations	Number of Reports		
D1	Mgmt decisions < 1 yr old	42	19		
D2	Mgmt decisions > 1 yr old	25	9		
D3	Mgmt decision under formal appeal	0	0		

the FY 2006 audits. The third issue, Single Audit Act Amendments of 1996, is the only noncompliance issue carried over to the FY 2007 audit, and management concurs with it.

Major Management Challenges Confronting Interior

The OIG and the GAO annually advise Congress on what they consider to be the major management challenges facing the Department. Appendix A presents a summary of the major management challenges identified by the OIG and GAO. Appendix B contains the Department of the Interior’s response to the challenges identified.

Federal Information Security Management Act

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

Information security is an ongoing process of continuous improvement. Challenges are constantly present from evolving requirements and technologies. During FY 2007, the Department

identified the following priorities for improving its overall information security posture:

- ◆ Continuing improvements in revising Department Certification and Accreditation documentation and execution processes, to include OMB requirements for protecting personally identifiable information.
- ◆ Further improving the Department’s security configurations in accordance with emergent Security Technical Implementation Guides as directed by OMB.
- ◆ Refining the Department’s compliance effort in meeting the requirement to report system weaknesses through the Plans of Action and Milestones process.
- ◆ Implementing automated tools to verify and validate system security configurations.
- ◆ Integrating processes into life cycle management.

By focusing on these priorities, the Department was able to continue to make significant progress in improving and strengthening its overall security posture during FY 2007. In addressing the priorities listed above, the following actions were achieved:

- ◆ C&A packages were completed for 96 percent of bureau systems in the Department’s inventory. The content of C&A packages created or updated in FY 2007 was

FIGURE 1-69

FY 2007 and 2006 Audited Financial Statements Material Weakness Corrective Action Plan (as of September 30, 2007)						
			Fiscal Year			
Bureau	Material Weakness Description	Corrective Action	2006	2007	Original Target Date	Status
DEPT IA DO OST	Control Over Trust Funds	FY 2006 – Develop and implement procedures and internal controls to address the deficiencies in controls related to Indian Trust Funds.	X		11/30/07	Downgraded

FIGURE 1-70

FY 2007 and 2006 Audited Financial Statements Noncompliance Corrective Action Plan (as of September 30, 2007)						
			Fiscal Year			
Bureau	Noncompliance Description	Corrective Action	2006	2007	Original Target Date	Status
DEPT IA BLM BOR DO FWS NPS	Federal Financial Management Improvement Act (FFMIA)	FY 2006 – Improve procedures and internal controls to ensure that the financial statements and related disclosures are prepared in accordance with the federal accounting standards.	X		9/30/06	Completed
DEPT DO NBC	Potential Noncompliance with the Anti-Deficiency Act, Acquisition Regulations, and Leasing Laws and Regulations	FY 2006 – Investigate and resolve potential noncompliance with the Anti-Deficiency Act, procurement regulations, and leasing laws and regulations to ensure compliance with the Act.	X		6/30/07	Completed
DEPT DO BOR FWS NPS USGS	Single Audit Act Amendments of 1996	FY 2006 – Improve grantee monitoring processes to ensure compliance with the Single Audit Act Amendments and obtain necessary audit reports in a timely fashion to meet the requirements of the Act. FY 2007 – Obtain Single Audit, Financial Status, Grant Performance, and Annual Reports and issue management decisions on audit findings in accordance with the requirements of the Single Audit Act Amendments.	X	X	9/30/06	Carryover

standardized along NIST Special Publication 800-37 and related standards and guidelines associated with the C&A of information systems.

- ◆ A STIG Working Group was established to coordinate and approve common, Department- wide security configurations. The working group most recently addressed: OMB guidance on standard configurations for the Windows XP Operating System based

on the Federal Desktop Core Configuration consistent with the memorandum to agency Chief Information Officers; establishment of Windows XP and VISTA Virtual Machine and *Procedures for Adopting the Federal Desktop Core Configurations*, issued by OMB on July 31, 2007; and, NIST Special Publication 800-68, *Guidance for Securing Microsoft Windows XP Systems for IT Professionals: A NIST Security Configuration Checklist*.

- ◆ The Plans of Action and Milestones process implemented last year were reviewed and found to significantly improve the involvement of senior level management, a key goal. Additional guidance was distributed to further improve the completion of corrective actions and their documentation. The guidance also helped ensure FISMA compliance.

Specific actions, initiated and/or completed, in FY 2007 include:

- ◆ **Department of the Interior IT Security and Privacy Program** – The program is in the final process of completing the Department's IT Security Policy Handbook to align Departmental policies with the NIST Special Publication 800-53 families of controls, and of implementing OMB's requirements for the protection of sensitive agency information, including personally identifiable information, by deploying appropriate encryption solutions and technology to remote laptops and workstations. Interior completed and promulgated the Department's Privacy Loss Mitigation Strategy in accordance with the OMB Memoranda on *Recommendations for Identity Theft Related Data Breach Notification*, issued on September 20, 2006, and *Safeguarding Against and Responding to the Breach of Personally Identifiable Information (M-07-16)*, issued on May 22, 2007. Interior also completed the Identity Theft Task Force charter, established the Department's ITTF, and promulgated Office of the Chief Information Officer Directive 2007-005, *Departmental Strategy to Safeguard Personally Identifiable Information and Reduce the Collection and Uses of Social Security Numbers*.
- ◆ **Certification and Accreditation Process** – In FY 2007 Interior established a Memorandum of Agreement with the Department of Justice and initiated a project to begin deploying the Cyber Security Assessment and Management solution in support of improvements to Interior's Certification and Accreditation, POA&M's and Internal Control Review processes. The DOJ is a Shared Service Center provider

under OMB's Information Systems Security Line of Business. By implementing the CSAM solution Interior expects to realize significant improvements to the C&A process through the increased standardization of C&A processes, consistency and quality of documentation, and efficiencies through integration between those three related program components. During FY 2007, Interior also re-certified and re-accredited approximately 56 percent, or 84, of its General Support Systems and Major Applications.

Senior management commitment towards ensuring FISMA compliance and continuous improvement with regard to assessing risk, demonstrating commensurate controls, and documenting agency official approval of operations is demonstrated by Interior's C&A performance metrics in Figure 1-71.

Plans of Action and Milestones – The POA&M is the OMB-required, authoritative format for tracking identified weaknesses in IT security programs and systems. Designated Approving Authorities, CIOs, and System Owners must review the POA&M and determine reasonable remediation milestones, schedules, resources, and priorities within their system release plans. The CSAM solution described above will enable automating various aspects of Interior's POA&M tracking, management, and reporting processes. This FISMA automated reporting solution will provide bureaus and offices greater simplicity in entering and managing their known security weaknesses. Department-level reporting will also be greatly enhanced to provide the most accurate reporting possible and minimize workload. This more efficient reporting mechanism enables constrained staff resources to focus on the adequacy of weakness descriptions, appropriateness of resolution plans, accuracy of corrective action status, and enable greater prioritization of resources to perform increased compliance oversight. The CSAM solution will also enable the prioritization of some of the most critical corrective actions at the Departmental level.

Information Security Controls – The Department established a cross-DOI Internal Security Improvement Team working group to develop an IT Security Defense-in-Depth Strategic Plan that included approximately 40 recommendations to

address risks associated with insider threats to Interior’s information and information systems. Initial recommendations from this team were provided on July 19, 2007, and Interior expects to make final decisions regarding implementation strategy by November 2007. A number of key recommendations included in that plan are being integrated into Interior’s IT Roadmap initiative to appropriately prioritize and align these initiatives with other related and planned initiatives.

As part of Interior’s self-assessments performed under annual ICRs, Interior measures the progress of implementing required security controls consistent with NIST FIPS Pub. 200 and SP 800-53, and assessed in accordance with NIST SP 800-53A, for information systems using five levels of effectiveness with the following maturity levels:

- ◆ Level 1 – control objective documented in a security policy.
- ◆ Level 2 – security controls documented as procedures.
- ◆ Level 3 – procedures have been implemented.

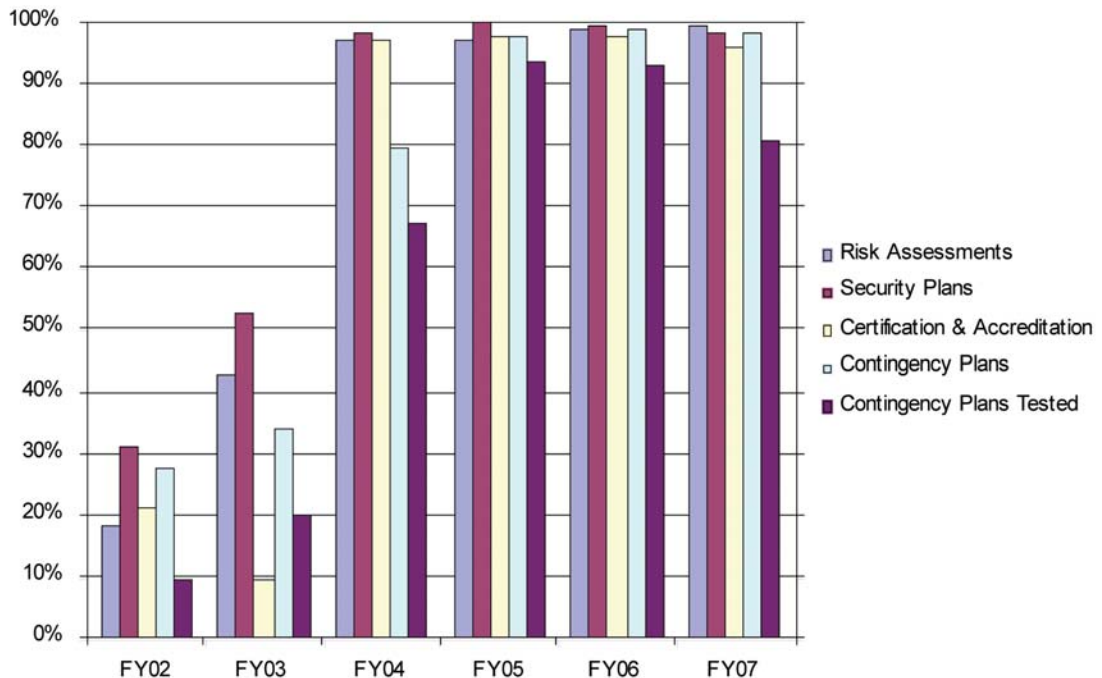
- ◆ Level 4 – procedures and security controls are tested and reviewed.
- ◆ Level 5 – procedures and security controls are fully integrated into a comprehensive program.

Based on the results of these reviews, Interior has achieved an overall Level 4.51 maturity when measured against the assessment criteria.

Enterprise Resource Management Program – Key goals are to align the Department’s major IT investments with its enterprise architecture, improve security through more consistent and efficient products and services, and better manage IT resources to reduce costs.

Minimum Standards for Security Configurations – Interior maintains an inventory of approved STIGS for critical IT security components, such as operating systems, router configuration, database hardening, etc. This effort requires constant attention due to changes taking place in the field of information technology and requirements of OMB for standard configurations. Interior’s STIG Working Group recently adopted OMB’s STIG for the Windows XP

FIGURE 1-71
Certification and Accreditation Activities



Operating System and will begin implementing those standard secure configurations in the first quarter of FY 2008, resulting in improved security for end-user computers and a more manageable environment.

Portfolio Management Program – Seventy percent of actions required in FY 2007 to attain Level 3 maturity along GAO's IT Investment Management framework will be completed. In addition, 100 percent of IT investment expenditures will be reviewed through the Capital Planning and Investment Control process and emphasis will be placed on ensuring that 95 percent of the Department's IT investments are within ten percent variance of established cost, schedule, and performance baselines. Building on these accomplishments, the program goal for 2008 is to fully attain Level 3 maturity, synchronize capital planning activities with enterprise architecture and IT security, and build upon the implementation of the Project Management Information System.

Skilled Workforce – Programs are not successful unless they are managed by a skilled workforce. To develop the best possible information security programs within the Department, it has developed a staffing pattern that allows for the full implementation of an Information Security Program commensurate with its size and balancing the appropriate mix of Federal employees and contractors. Several key positions have already been filled and more hiring actions are in progress to fill positions that were formerly contract employees with Federal employees.

The annual FISMA evaluations of both the OIG and CIO concluded that IT security at Interior needs improvement, risks and vulnerabilities remain, and improvements can be made. Interior believes the policies and processes in place to address those risks are present, that improvements have been and will continue to be made in a timely and cost-effective manner, and that DOI substantially complies with FISMA.

Compliance with Key Legal and Regulatory Requirements

Interior is required to comply with several key legal and regulatory financial requirements, including the PPA, the DCIA, and the Independent Offices Appropriation Act.

Based on the results of the FY 2007 independent financial statement audit, Interior was determined to be compliant with legal and regulatory financial requirements and the USSGL components of the FFMIA. As noted earlier in this section, Figure 1-66 presents a summary of the Department's areas of compliance reported in the FY 2007 financial statement audit opinions.

Prompt Pay, Debt Collection, and Electronic Funds Transfer

The Department is continuing to improve performance under the requirements of the PPA and the DCIA. The PPA requires that payments be made within 30 days of receipt of invoice; otherwise, the Federal Government is required to pay interest. The DCIA requires any non-tax debt owed to the United States that has been delinquent for a period of over 180 days be turned over to the Department of the Treasury for collection. Electronic Funds Transfer, a provision of the DCIA, mandates all recipients of Federal payments, except tax refunds, receive their payments electronically.

The Department's FY 2007 performance resulted in achieving goals for the PPA (Figure 1-72), the DCIA (Figure 1-73), and payments made by EFT (Figure 1-74).

Financial Management Improvement Initiatives

The Department is moving forward to fully comply with the *E-Gov Travel* initiative. During FY 2007, Interior began to roll out an end-to-end automated travel management system providing booking/reservations, travel authorization, and travel voucher processing services under one system. The system will be interfaced with the current finance system, Federal Financial System, and will be integrated with the Financial and Business Management System as it is deployed throughout the Department.

Improved Cost Information

The Department continues enhancement of the Management Cost Accounting system and its integration with the financial accounting system. This integration has focused on providing valid and useful information related to performance measurement and budgeting to all levels of management throughout the organization. This requires cost information aggregation and reconciliation that support bureau program managers as well as Departmental management's strategic goals and objectives. We have accomplished alignment in the Statement of Net Cost by building an organizational structure that captures cost transactions at the Mission Area and the End Outcome Goal level while allowing the bureaus to adopt flexible goals and activities that support these outcomes. These flexibilities have led to some criticism by GAO that we have no single integrated information system to obtain the MCA data. However, we have begun addressing this concern by implementing FBMS in two bureaus this fiscal year. Full implementation of this system will facilitate the single data source solution and ensure consistency across each entity. This fiscal year we focused on identifying representative measures within each mission area and identifying the expense data for these measures as they are built into the Statement of Net Cost model.

Financial Management Systems

The Department shares the view of the government-wide CFO Council that a key to improved financial and program management is improved financial management systems. Improving financial management systems will provide for and strengthen decision-making capabilities and enable Interior program and financial managers to more effectively achieve the Department's missions. The Department recognizes the importance of its financial management systems as a part of its capital assets portfolio and uses sound information technology investment management principles to plan and monitor these systems. With FBMS, Interior's goal is to achieve and maintain the objective stated in OMB Circular No. A-127, *Financial Management Systems*, for each agency to establish a single, integrated financial management system. In pursuing this goal, the Department will follow the information technology investment management practices and principles identified in the Clinger-Cohen Act of 1996.

FIGURE 1-72
Prompt Payment

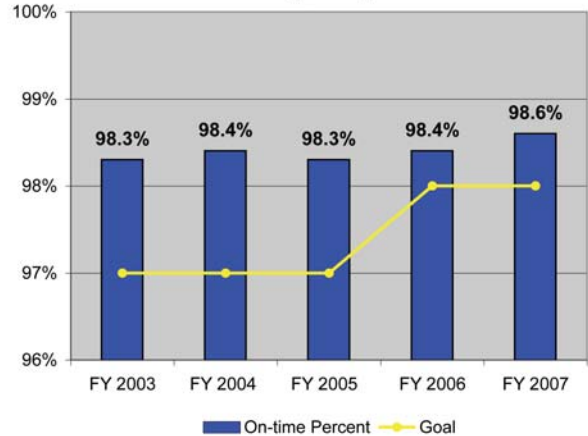


FIGURE 1-73
Debt Referral

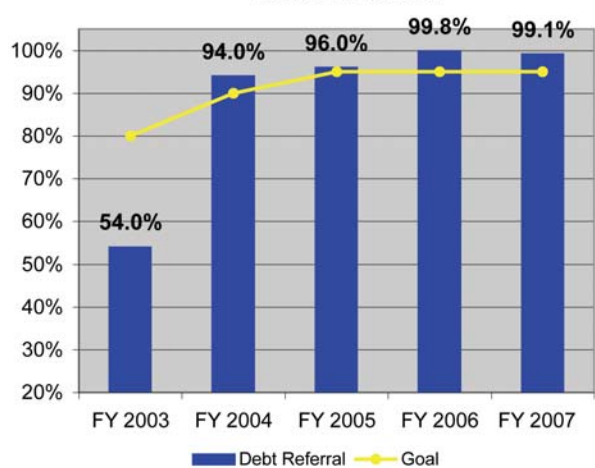
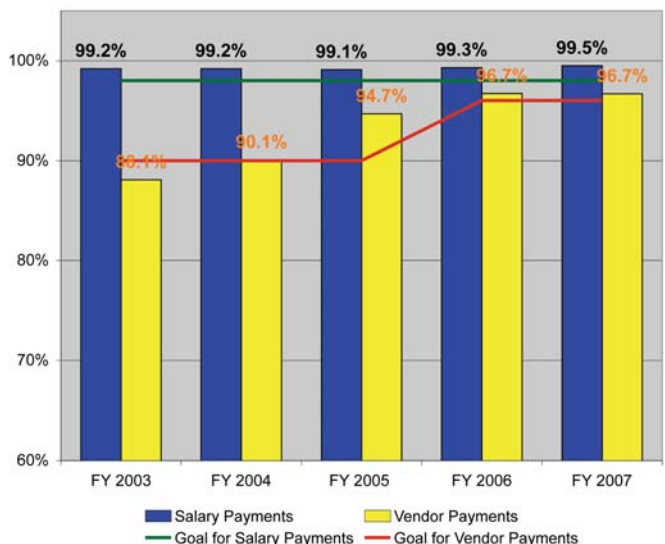


FIGURE 1-74
Electronic Funds Transfer



Financial Management Systems Improvement Strategy

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

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

The Department has viewed the movement toward a single, integrated financial system as encompassing four interrelated elements: (1) improve internal controls; (2) eliminate redundant data entry; (3) enable end-to-end transaction processing; and (4) standardization of data for improved information quality.

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

- ◆ **FBMS.** Define, carefully plan, and implement a new generation of financial management systems to replace existing systems that are no longer supported by their software companies;
- ◆ **Critical Programmatic/Financial Management Systems.** Continue to improve certain critical bureau-based programmatic/financial management programs: Minerals Revenue Management and American Indian Trust Funds; and
- ◆ **Interior Enterprise Architecture Program.** Continue to improve the Information Technology infrastructure supporting financial systems. The IT infrastructure is critical to

maintaining quality financial management systems. One of the major IT infrastructure efforts is the Interior Enterprise Architecture Program.

Financial and Business Management System

The Department of the Interior is in the third phase of implementing FBMS resulting in the Department's business transformation over the next few years. Interior has developed an Interior-wide strategic plan for the first time in the Department's history to guide efforts to deliver more programs and services in a fiscally responsible manner — and FBMS is a major component of this strategic plan. This will require Interior to operate more as one Department and work towards being able to share resources across bureaus to maximize resources.

When fully operational, FBMS will provide Interior with standard business practices supported by a single, integrated financial and administrative system for all bureaus. FBMS is an integrated suite of software applications that will help Interior manage a variety of business functions, including core financials, acquisition, budget formulation, personal property and fleet management, real property, travel, financial assistance, and enterprise management information.

The standardization and integration delivered by FBMS will help facilitate more collaborative relationships and establish a common approach to financial and business management. As a result, the Department will be positioned to deliver programs and services in a more efficient and effective manner. Benefits gained from implementing this suite of applications will include:

- ◆ Access to and sharing real-time, accurate business information that supports effective business decisions for mission delivery;
- ◆ Issuance of accurate financial reports and analysis of core financial, acquisition, financial assistance, and property data; and
- ◆ Retirement of outdated and legacy systems no longer supported by their software vendor.

FY 2007 Accomplishments

Several necessary activities were accomplished to ensure the successful 2007 phase of FBMS implementation - the deployment of the acquisition functionality integrated with the November 2006 deployment of core financials; financial assistance functionality; and enterprise management information and reporting for the Office of Surface Mining and the Minerals Management Service. FBMS is being hosted by Interior's National Business Center. The NBC is an OMB-designated Shared Service Provider. Some of the activities included the following:

- ◆ Improved month-end processing now managed in a cooperative manner with the bureaus, the Project Management Office, and the NBC;
- ◆ Completed system configuration, business process procedures, and test scripts for acquisition functionality;
- ◆ Developed and tested conversion and interface programs, including external interfaces;
- ◆ Developed final FBMS cut-over plan for acquisitions from Interior Department Electronic Acquisition System to Prism;
- ◆ Conducted ongoing operation and maintenance of Deployments 1 and 2 (financial assistance, core financials, and enterprise management information system for OSM and MMS);
- ◆ Planned for the fall 2008 deployment of core financials, financial assistance, acquisition, property, and enterprise management information for the Bureau of Land Management and property for MMS and OSM.

FY 2008 Planned Activities

Other necessary activities are planned to be accomplished to ensure successful FBMS Phase 4 deployment in the fall of 2008. Activities will include:

- ◆ Completing all system configuration, business process procedures and test scripts for core financials, financial assistance, acquisition,

personal property/fleet, and enterprise management information for BLM, and personal property/fleet for MMS and OSM;

- ◆ Developing and testing conversion and interface programs for BLM, MMS and OSM;
- ◆ Conducting integration and user acceptance testing;
- ◆ Conducting end-user training; and
- ◆ Developing the final FBMS cut-over plan for Deployment 4.

Critical Programmatic Systems

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

MMS Minerals Revenue Management System

The Minerals Revenue Management program is responsible for ensuring that all mineral revenues from Federal and Indian lands are efficiently, effectively, and accurately collected, accounted for, verified, and disbursed to recipients in a timely manner. These revenues have averaged more than \$9 billion annually over the last five years. To ensure revenues are properly collected and disbursed, MMS utilizes a broad range of financial services and pursues a comprehensive compliance strategy that includes an automated compliance verification program to validate the accuracy and timeliness of revenues paid. MRM also administers a robust Royalty-In-Kind program, which utilizes an asset management approach to ensure the receipt of optimal value for mineral resources.

FY 2007 Accomplishments

- ◆ MMS continues to explore opportunities for program application for the RIK program. As a result, the natural gas RIK business unit was expanded in the Gulf of Mexico and Wyoming. The crude oil business unit remained relatively static in size. In April 2007, MMS completed an analysis that examined the performance of

the RIK program during FY 2006.

A revenue gain of \$26.2 million related to both the natural gas and crude oil business units was among the highlights of the report. Combined with an additional revenue gain of \$2.6 million in additional interest earned on RIK revenues received 5 to 10 days earlier than under the royalty in value program and \$2.3 million in cost avoidance by collecting offshore oil and gas in kind instead of in value, a total revenue gain of \$31.1 million was measured for the MMS RIK program in FY 2006.

- ◆ The FY 2006 RIK Annual Report responded to Section 342(e)(2) of the Energy Policy Act of 2005, requiring the Secretary of the Interior to submit a report to Congress for each of fiscal years 2006 – 2015 that describes the performance, benefits, and savings associated with the MMS RIK program. In FY 2006, while volumes taken in kind decreased due to effects of Hurricane Katrina, total revenues to the U.S. Treasury increased when compared to the previous year. A total of 72,279,559 barrels of oil equivalent were taken in kind and sold by MMS in FY 2006. This volume is approximately 90% of the volumes taken in kind for FY 2005. The value of RIK oil and gas in FY 2006 was \$4,087,885,440, a 10% year-on-year increase in value—the increase reflecting the effect of markedly higher energy commodity prices during FY 2006. As of the end of FY 2006, MMS took in kind approximately 72% and 45% of the crude oil and natural gas royalty volumes, respectively, produced daily in the Gulf of Mexico. In April 2006, MMS, in consultation with the State of Wyoming, began taking natural gas in kind for Federal gas production in Wyoming at the rate of 30,000 Million British Thermal Units per day.
- ◆ In July 2007, MMS began deliveries of royalty oil to the Department of Energy at a rate of approximately 50,000 barrels per day for the Strategic Petroleum Reserve.
- ◆ In response to the final OIG report dated December 5, 2006, MMS formally submitted an “Action Plan to Strengthen Minerals Management Service Compliance Program operations” (Action Plan) to document the improvement actions taken and planned. The Action Plan sets forth specific actions to:
 - (i) provide reliable data for managing and reporting on Compliance and Asset Management program operations;
 - (ii) strengthen the compliance review process; and
 - (iii) improve performance measures to better reflect CAM program operations.
- ◆ MMS has completed processing the backlog of interest billings related to oil and gas leases on Federal and American Indian lands. MMS billed more than \$66 million of interest on late royalty payments and is now regularly billing lessees for late payments on a monthly basis.
- ◆ Working in partnership with the BLM, IA, the Office of the Special Trustee for American Indians, and the U.S. Geological Survey, the MMS is leading an effort to expand the number of Indian outreach sessions provided by developing Indian oil and gas training that covers all aspects of trust management including land ownership, leasing, drilling, production verification, lease inspection, royalty reporting, compliance, royalty disbursement, and financial trust accounts. The new training is tailored for tribes and Individual Indian Mineral Owners in the various regions where outreach is conducted as well as for Department of the Interior employees who are involved in Indian oil and gas activities. The additional outreach sessions and the joint agency training program will provide Indian communities and Interior employees with opportunities to gain more knowledge of the full spectrum of Indian mineral resources.
- ◆ As a result of provisions of the EPAct governing the payment of royalty on geothermal resources produced from

Federal leases and the payment of direct-use fees in lieu of royalties, the MMS published a final rule on Geothermal Valuation in May 2007. The EAct provisions amended the Geothermal Steam Act of 1970. The final rule amends the current MMS geothermal royalty valuation regulations and simplifies the royalty and direct-use fee calculations for geothermal resources for leases issued under the EAct and leases whose terms are modified under the EAct.

FY 2008 Planned Activities

- ◆ Implement an effective risk metrics program to quantitatively identify exposures and inform commercial decision-making within the RIK Program.
- ◆ Expand RIK portfolio through diversification, after enhancing internal controls, risk policy frameworks, and human resource skill sets.
- ◆ Establish a new risk-based compliance strategy.
- ◆ Continue to implement the Strategic Business Plan.
- ◆ Publish a proposed *Takes versus Entitlements* Rule.
- ◆ Publish a proposed rule for Prepayment of Royalties on Marginal Properties.
- ◆ Publish final rules on Indian Oil Valuation and Reporting Amendments
- ◆ Publish proposed rules on Coal Valuation and Debt Collection.

American Indian Trust Fund Systems

The American Indian Trust Fund Management Reform Act of 1994 identified some of the Secretary’s core responsibilities for trust fund management and established the Office of Special Trustee for American Indians. The Act identified actions required for the Secretary’s proper discharge of trust responsibilities, including providing adequate systems for accounting for and reporting trust fund

balances; providing adequate controls over receipts and disbursements; providing periodic, timely account reconciliations; determining accurate cash balances; and preparing periodic statements of account performance and balances. The Act also addressed the need for developing systems for accounting and investing funds, for reporting to account holders, and for maintaining accurate data on ownership and leasing of Indian lands.

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

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

The CTMP identifies three primary business lines: (1) beneficiary trust representation, (2) trust financial management and stewardship,

and, (3) management of land and natural resources. Each business line represents a distinct group of products or services for comprehensive trust management and encompasses related processes, products, and services within its scope. Strategic goals and specific related objectives fit within these business lines.

In June 2007, the Department released the 2007 Historical Accounting Plan for Individual Indian Money accounts. The 2007 plan reflects what has been learned in 4 years of historical accounting. The Department's plan includes the provision of historical accountings for about 371,000 IIM accounts open on or after October 25, 1994, that had balances. Implementation of the plan is estimated to cost \$335 million.

FY 2007 Accomplishments

Through the Office of the Special Trustee for American Indians, the Department of the Interior is in its third year of implementing the Fiduciary Trust Model. The FTM is designed to enhance beneficiary services for tribes and individuals, with better information about ownership, land and natural resource assets, trust fund assets, Indian self-governance and self-determination, and administrative services. When fully implemented, the FTM will transform current trust processes into more efficient, integrated, and fiscally-responsible business processes that better meet the needs of beneficiaries and employees.

Transitioning from the approximately 56 non-integrated Trust-related information systems to an integrated trust data environment is the cornerstone of the FTM. By the close of FY 2007, OST and IA achieved a milestone in trust management reform through conversion to a new leasing system which is integrated with the land title system and interfaces with the Trust Funds Accounting System. With the Exception of Compact/Contract Tribe encumbrance data, this conversion provides a single repository of ownership for DOI-processes Indian Trust land conveyance and encumbrance data. As of September 30, 2007, all locations were successfully converted to the new leasing system. As IA locations converted to the new

leasing system, Indian trust beneficiaries began receiving quarterly statements that include more detailed information on trust assets and trust income. Other selected accomplishments include:

- ◆ Continued implementation of the FTM, including the migration of automated systems that are integrated in order to support the FTM trust business processes and fulfill beneficiary needs and fiduciary requirements.
- ◆ Utilized information from the MRM, an MMS program for collecting, accounting for, and distributing mineral revenues from both Federal and Indian mineral leases, to disburse lease revenues to individual Indian beneficiaries at the converted agencies.
- ◆ Distributed \$21.8 million to individual Indian trust account holders who were previously on the "Whereabouts Unknown" list through collaborative efforts between OST, IA, and tribal governments.
- ◆ Safeguarded millions of Indian trust records at the American Indian Records Repository, in Lenexa, Kansas. So far, more than 162,321 boxes containing almost 406 million pages of Indian records have been electronically indexed and stored at the state-of-the-art storage facility.
- ◆ Provided records management training for 697 IA and OST records contacts and 295 tribal employees.
- ◆ Increased direct deposit by 3,508 IIM account holders, thus avoiding lost checks and providing timely delivery of funds.
- ◆ Worked with 43 tribes that performed or sought to perform OST programs and functions on behalf of their members, and worked to ensure that 75% of those tribes had program standards for the OST functions in place.

Compliance with Legal and Regulatory Requirements

- ◆ Published informational brochures and other material for Indian trust beneficiaries to help educate and inform them about their trust accounts and assets.
- ◆ Held outreach events and attended Indian country community events, such as pow-wows and meetings, across the country to help inform Indian trust beneficiaries about their accounts and assets.
- ◆ Conducted assessments of business process workflows, integrated system support, and workforce plans at field locations.
- ◆ Incorporated regulatory initiatives into operating procedures, manuals, and handbooks.
- ◆ Revised and enhanced training curriculum for the FTM standardized processes.
- ◆ Provided quarterly trust-related training including: Trust fundamentals, orientation programs for OST Fiduciary Trust Officers and Deputy Superintendents as well as new hires, Trust Fund Accounting System, lockbox operations, and other related trust systems.
- ◆ Certified 73 Interior employees as Certified Indian Fiduciary Trust Analysts and/or Specialists.
- ◆ Aligned the Risk Management program with OMB Circulars No. A-123 and No. A-130 for all OST locations and completed a comprehensive risk management plan that identifies the schedule of internal control reviews for all OST programs over the next 3 fiscal years.
- ◆ Distributed an aligned risk management assessment tool that provides automated assessment and corrective action plan development and maintenance.
- ◆ Enhanced the lockbox operations for additional funds processing.
- ◆ Revised, implemented, and conducted training on standardized IA Handbooks and OST Desk Operating Procedures in compliance with new regulations.
- ◆ Completed analysis of probate information across all trust systems and implemented reconciliation recommendations.
- ◆ Moved decision-making on selected transactions to the local level.
- ◆ Completed Data Quality and Integrity project tasks for 50 IA agencies.
- ◆ Implemented post-quality assurance review processes at 2 IA LTRO's.
- ◆ Conducted 45 trust examinations and 42 records management assessments.
- ◆ Enhanced IT security through improvements to the vulnerability scanning process and the re-certification and accreditation of systems. OST's General Support Systems was re-accredited in FY 2007.
- ◆ Redesigned and updated the OST external Web site <<http://www.doi.gov/ost>> to be interactive and informational for Indian Trust account holders.
- ◆ Worked with a contractor to communicate with Indian trust beneficiaries about the services and products available to them and how Indian trust management reforms affect them.
- ◆ Developed and implemented Cannon Financial Institute's Certified Indian Trust Examiner certification program.
- ◆ Completed a Workforce and Diversity Plan that contributes to the achievement of program objectives by providing a basis for justifying budget allocation and workload staffing levels.

Compliance with Legal and Regulatory Requirements

- ◆ Partnered with the Gallup Organization to conduct a Q-12 Employee Opinion Survey to gather information to create a more constructive and productive workplace.
- ◆ Created a Workforce Improvement Team comprising approximately 40 program office representatives to address areas identified in the 2006 Federal Human Capital Survey.

FY 2008 Planned Activities

- ◆ Certify additional Interior employees as Certified Indian Fiduciary Trust Analysts and/or Specialists.
- ◆ Develop and provide job-specific training to Interior and tribal employees in FTM business processes (e.g., lockbox; tribal self-governance and self-determination; and trust accounting).
- ◆ Respond to 90 percent of inquiries to the Trust Beneficiary Call Center within 2 business days and the balance of inquiries within 30 days.
- ◆ Use the Indian Trust Appraisal Request Tracking System to accurately track and project Office of Appraisal Services cost and performance data.
- ◆ Strengthen the risk management program by: (1) increasing the frequency of self-assessment cycles; (2) improving OST staff expertise through additional risk management training; (3) expanding the Risk Management Assessment Tool to include a section that addresses risks and associated internal controls at the senior management level; and, (4) aligning RM-PLUS with regulatory and legislative requirements, in particular OMB Circular No. A-123.
- ◆ Continue to work with other Interior bureaus and offices on regulatory initiatives.
- ◆ Obtain appraisal backlog information from compacted and contracted tribes and ensure that reporting requirements are incorporated into annual Memoranda of Understanding.
- ◆ Assist compact/contract tribes that are seeking access to the Department's TrustNet.
- ◆ Align Activity-Based Cost/Management System activity codes and outputs with projected budgetary funding levels.
- ◆ Expand the scope of trust examinations to all Department offices performing trust functions, including the MMS and the BLM.
- ◆ Complete 45 record management assessments and 38 trust examinations.
- ◆ Collect and index 10,000 boxes of inactive records and continue to maintain the Box Index Search System (BISS) that allows for record retrieval on an as-needed basis for over 200,000 boxes of inactive records.
- ◆ Assist the National Indian Programs Training Center in designing curriculum, hosting, and presenting courses for Indian and tribal staff.
- ◆ Resolve 25 percent of "Whereabouts Unknown" accounts.
- ◆ Conduct post quality assurance review on the encoding of Trust Asset Accounting Management System leasing module data to ensure accuracy as well as timely interface with TFAS and the TAAMS title module.
- ◆ Use Re-engineering Continuous Improvement Teams to identify the need for revised business processes, enhanced data systems, standard operating procedures, handbooks, validating metrics, desk operating manuals, and new skills training.
- ◆ Interact with at least 300 tribal, individual Indian and Alaska Native beneficiaries through local community outreach

programs regarding asset management and trust reform initiatives.

- ◆ Actively engage tribal and individual Indian beneficiaries in the management of trust assets.
- ◆ Advocate the importance of estate planning for individual Indian beneficiaries to reduce the impact on fractionation of trust land holdings.

Interior Enterprise Architecture Program

For the last three years, Interior's Enterprise Architecture program exceeded established maturity thresholds and therefore, achieved a rating of *green* from OMB. In 2007, the IEA program was recognized as one of the top five enterprise architecture programs across all Federal agencies. Agencies were evaluated on three factors of their EA Program: completeness, use, and results.

At the end of FY 2006, Interior achieved the highest rating from GAO in an assessment of 28 Federal agencies against the GAO Enterprise Architecture Management Maturity Framework. This rating indicated the IEA had fully achieved more of the evaluation criteria, (i.e., 97%) than any of the other agencies assessed.

The IEA program has proven that its approach is indeed a valid one by demonstrating tangible results from the program. In fact, in 2006, the President's Management Agenda Initiative Recreation One Stop, took a major step forward with the implementation and deployment of the National Recreation Reservation Service. The NRRS is featured at the all new *Recreation.gov* and provides one-stop shopping for the citizen's recreation needs. This is a direct result of implementing Interior's Recreation Modernization Blueprint.

Interior has completed two new modernization blueprints — one for Human Resources Management and another for the cross-cutting mission function of Land Management Planning and National Environmental Policy Act. Both modernization blueprints were approved by the Interior Investment Review Board in accordance with the IEA Governance Plan. In addition to recommendations to improve DOI's business

processes and information sharing, blueprints identify gaps and redundancies in Interior's existing IT portfolio that hamper successful achievement of strategic and programmatic goals.

IEA also issued a policy on data resource management which defines roles and responsibilities for data standardization and stewardship. IEA issued an associated procedures document for data standardization, which provides a consistent methodology for defining data standards to meet the broadest organizational needs.

In efforts to further formalize data standardization, IEA has implemented performance measures for data quality for the Departmental Enterprise Architecture Repository. These measures will be used to conduct quarterly evaluations of all bureau enterprise architecture programs.

The Deputy Secretary of the Interior approved an EA Governance Plan that describes the decision-making processes used during the development of segment architectures for Interior's business areas. The Deputy Secretary also approved the annually-updated Interior Enterprise Transition Strategy. The ETS defines the sequencing for all modernization efforts across Interior. It also consolidates and coordinates the changes proposed in modernization blueprints.

The Methodology for Business Transformation has been revised and updated to MBT 1.5. MBT provides guidance on the approach Interior uses for conducting segment architecture analyses and developing modernization blueprints. The new MBT 1.5 has been enhanced to include specific guidance integrating capital planners and appropriate EA governance bodies in the process of creating the proposed investments for modernization blueprints.

In addition to OMB scores and internal recognitions, the IEA program was also noted externally by:

- ◆ 4th Annual E-Gov Institute as winner for the 2006 Excellence in Enterprise Architecture for Leadership in EA;
- ◆ Cited by the OMB Federal Enterprise Architecture Program Management Office as a best practice for other Federal agencies to leverage in developing segment architectures;

- ◆ By request, the DOI Chief Architect and members of the staff regularly speak about DOI's EA program at the Federal Enterprise Architecture Certification Institute National Defense University's CIO and EA certification courses and the U.S. Department of Agriculture Graduate School; and
- ◆ Outreach and information sharing sessions with over 25 Federal, state, and local government agencies, as well as five foreign governments, for sharing best practices and helping the EA community.

FY 2007 Accomplishments

- ◆ Interior achieved the highest rating from the GAO in an assessment of 28 Federal agencies against the GAO Enterprise Architecture Management Maturity Framework. This rating indicated the IEA program had fully achieved more of the evaluation criteria than any of the other agencies assessed.
- ◆ Two IEA blueprints, Human Resources and Management Planning NEPA were approved by the IRB in June 2007.
- ◆ Interior's EA Program generated international interest. The IEA program has provided information sharing sessions on its methods and achievements to representatives from Singapore and South Korea. Interior's Chief Architect has also been the keynote speaker at EA conferences sponsored by government agencies.
- ◆ MBT and DEAR Training - Training sessions in the Denver, Colorado, and Washington, DC, metro areas were held to train architects and other stakeholders on using MBT and DEAR.
- ◆ Improved EA Governance and Management oversight by instituting semi-annual reporting of Bureau EA Maturity Assessments.

FY 2008 Planned Activities

The main focus for the IEA in 2008 is on developing an IT infrastructure modernization blueprint. The goal is to optimize Interior's IT infrastructure assets and improve overall management, operations, and

security. The Department currently spends about \$500 million on IT infrastructure investments per year. Interior will take a two-pronged planning approach that will result in a tactical roadmap and a strategic IT infrastructure modernization blueprint. At the same time, Interior will be aligning its planning initiatives to comply with the OMB lead IT infrastructure Line of Business. The ITI LoB will establish benchmarks for cost and performance that all Federal agencies are expected to meet. Some of the areas that will be reviewed are end-user computing, desktop and support services, data centers, networks and telecommunications. Security concerns for all of these areas will also be addressed along with asset management.

As with all blueprints, the IEA program will work closely with the appropriate business and IT representatives across Interior in the development and eventual implementation of the IT infrastructure roadmap and blueprint.

Financial Management Human Capital

The Department of the Interior's financial management community continues to face major workforce challenges. The decade of the 1990s brought significant legislation and increased responsibilities for the entire Federal financial management community. The need to expand knowledge and expertise by the financial community continued with the requirements of the PMA, and, more recently, OMB's revised Circular No. A-123, Appendix A. In addition to the Governmentwide initiatives, Interior is also engaged in a Departmentwide effort to implement a fully integrated FBMS.

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

A financial management workforce plan was completed and published at the end of 2004. Interior's Chief Financial Officer Council approved the plan's major recommendations and established a Workforce Steering Committee in early 2005. The workforce plan's four major recommendations are:

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

Interior established the R. Schuyler Leshner Financial Management Career Intern Program in 2002 to recruit and train entry-level professionals in accounting and financial analysis for the Department and the bureaus. Each year Interior's financial management community partners with DOI University to recruit a new class of high potential entry-level accountants and financial analysts to participate in this career development program.

FY 2007 Accomplishments for the Intern Program

- ◆ Recruited 6 new interns for the Class of 2007;
- ◆ Completed the first year of training and development for the 2006 FMCIP Intern class (five interns);
- ◆ Graduated the FMCIP Class of 2005 (four members);
- ◆ Conducted outreach activities at geographically dispersed colleges and universities with diverse student populations. Recruited at career fairs in the South (Texas), the West (Colorado), the Southeast (Florida), Mid-Atlantic (DC and Virginia), the Northeast (New Jersey);

- ◆ Executed a Fall 2006/Spring 2007 recruitment strategy;
- ◆ Participated in Office of Personnel Management forum on best practices in recruitment; and
- ◆ Led panel on acquisition intern programs at the Federal Acquisition Conference and Exposition.

The 2005 intern classes completed the following courses:

- ◆ Auditing Fundamentals
- ◆ Critical Thinking Problem Solving
- ◆ Internal Control
- ◆ Essentials of Analysis
- ◆ Congressional Operations Seminar
- ◆ Leading and Managing Change
- ◆ Leadership Skills & Techniques
- ◆ Briefing & Presentation Skills

The 2006 intern classes completed the following courses:

- ◆ Dollars and Sense
- ◆ Government Budget & Accounting
- ◆ Multi-generational Workforce
- ◆ Mentoring
- ◆ Budget Analyst's Guide for Formulation
- ◆ Auditing Fundamentals
- ◆ Basic USSGL
- ◆ Appropriations Law
- ◆ Briefing & Presentation Skills
- ◆ Government Environment

FY 2008 Planned Actions for the Intern Program

- ◆ Increase the number of participating Interior bureaus in the FMCIP Class of 2008
- ◆ Recruit a new class of interns; and
- ◆ Continue providing training opportunities for the class of 2007 and 2006.

Sponsoring Comprehensive Training and Career Development Programs in Financial Management

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

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

Due to budget constraints the Business Management Conference was not held in FY 2007. This conference allows the financial community to discuss issues that cross bureau lines and meet face-to-face with those individuals that they normally only hear as a voice on a conference call. The Conference is planned to be held in FY 2008 which will afford financial management staff with an opportunity to network, attend sessions on subjects of common interest, and discuss common issues among themselves.

Many of the individuals active in the implementation of the Financial Management Workforce Plan are from the "baby boomer" era and several retired during FY 2007. New individuals have been named to assist in the effort to implement the Plan.

FY 2007 Accomplishments

- ◆ Completed a Departmentwide financial management skills gap analysis based on the Financial Management Competency Model.
- ◆ Department of the Interior University sponsored the following finance-related courses:
 - Basic Standard General Ledger Accounting;
 - Federal Appropriations Law;
 - Intermediate Standard General Ledger;
 - Internal Controls; and
 - Understanding Budget Formulation and Execution.

FY 2008 Planned Actions

- ◆ Conduct a Financial Management needs assessment
- ◆ Begin to design the Financial Management Career Paths curriculum

Financial Data Stewardship

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

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

PFM participates in Government-wide financial data standard setting activities and coordinates with the Standard Accounting Classification Advisory Team on setting standards for financial data for use throughout Interior. PFM monitors the Departmentwide data definition process, monitors data creation and compliance processes, ensures data usage relies on information derived from data consistent with the intended definition, and ensures adjustments are made to data definitions when it is inadequate to meet user needs. In addition, PFM participates in the development and implementation of the FBMS and Activity Based Costing/Management. This function also coordinates Departmental financial data definitions with the three key Government-wide financial data standard setting groups—the Financial Management Service's USSGL Board, the Federal Accounting Standards Advisory Board, and OMB.

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

In addition to the SACAT, Interior has developed a Financial Statement Guidance Team. The FSGT is comprised of the various bureaus of the Department and deals with issues and concerns related to the preparation of the performance and accountability report and implementation of OMB Circular No. A-136, *Financial Reporting Requirements*.

FY 2007 Accomplishments

- ◆ Established project team to review bureau revenue source codes, standardize codes, and create a handbook for transition to FBMS.
- ◆ Reviewed existing Budget Object Class designations and User Product Codes to prepare for revision of Handbook in 2008.
- ◆ Revised the Inter/Intra Agency Handbook to reflect the changes in Treasury business rules.
- ◆ Provided support to BLM and NBC in reviews of their internal processes to identify areas of opportunity for strengthened financial management.
- ◆ Published multiple issue papers to facilitate the issuance of new or improved financial management and accounting policies for intra-governmental activity.
- ◆ Published issue paper to facilitate Parent/Child reporting due to the changes in OMB Circular No. A-136.
- ◆ Prepared Department responses to Federal Accounting Standards Advisory Board issues related to Oil and Gas reporting, National Aeronautics and Space Administration Research and Development Reporting, Inter-Entity Costs, and Heritage Asset and Stewardship Land Reporting,
- ◆ Established Condition Assessment Guidelines for U.S. Department of the Interior Library Collections.
- ◆ Participated in FASAB's Inter-Entity Cost Task Force to develop a draft technical release in support of Statements of Federal Financial Accounting Standards #4, *Managerial Cost Accounting Concepts and Standards*, and SFFAS #30, *Inter-Entity Cost Implementation*.
- ◆ Continued to analyze and enhance the reporting process to support performance reporting under the GPRA and the timely preparation of the Annual Performance and Accountability Report.

Compliance with Legal and Regulatory Requirements

- ◆ Coordinated the reconciliation of intra-Interior financial balances and the reconciliation of Interior transaction balances with other Federal agencies to ensure compliance with new Intragovernmental Business Rules.
- ◆ Worked closely with the FBMS Executive Steering Committee to monitor implementation progress; address and resolve accounting and reporting issues; and ensure appropriate internal controls are planned, implemented, and functioning as intended.
- ◆ Worked with Department of Homeland Security in conjunction with the United States Coast Guard, and U.S. Army Corps of Engineers to resolve reporting issues related to the Sport Fish Restoration Boating Trust Fund to ensure compliance with OMB Circular No. A-136.
- ◆ Continued to communicate with several agencies on elimination issues (Department of Energy, Agency for International Development, Department of Defense, Department of Labor, Department of Commerce, The Smithsonian Institution, and National Aeronautics and Space Administration).

FY 2008 Planned Activities

- ◆ Continue to analyze and enhance the reporting process to support performance reporting under GPRA and the timely preparation of the Annual Performance and Accountability Report.
- ◆ Continue to coordinate and prepare Department responses to draft FASAB, OMB, and Treasury financial reporting guidance.
- ◆ Continue to coordinate the reconciliation of intra-Interior financial balances and the reconciliation of Interior transaction balances with other Federal agencies.
- ◆ Continue to work closely with the FBMS Executive Steering Committee to monitor implementation progress; address and resolve accounting and reporting issues; and ensure appropriate internal controls are planned, implemented, and functioning as intended.
- ◆ Continue to work with bureaus to fully implement ABC/M throughout the Department.

Analysis of Financial Statements

Interior received, for the 11th consecutive year, an unqualified audit opinion on its financial statements. The statements were audited by the independent accounting firm of KPMG LLP. Preparing the financial statements is part of Interior's goal to improve financial management and to provide accurate and reliable information that is useful for assessing financial performance and allocating resources. Interior management is responsible for the integrity and objectivity of the financial information presented in the financial statements.

The financial statements and financial data presented in this Report have been prepared from Interior's accounting records in conformity with generally accepted accounting principles. GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board.

Information provided in the financial statements, the opinion presented as a result of the independent audit, and other disclosures and information provided in this Report provide assurance to the public that the information is accurate, reliable, and useful for decisionmaking.

The Department expects that balances of line items will fluctuate in the normal course of business. Therefore, while Interior notes these variances, any fluctuations of 10 percent or less are considered normal and will not be detailed specifically in this analysis.

Overview of Financial Position

Assets

At the end of FY 2007, Interior's assets totaled \$66,984 million. This is an increase of \$1,551 million or 2 percent over the previous year's assets, which totaled \$65,433 million. Interior's assets reflected in the Balance Sheet are summarized in Figure 1- 75.

Interior's assets are primarily composed of the Fund Balance with Treasury and General Property, Plant, and Equipment. The Fund Balance with Treasury is money that Interior is authorized to pay liabilities resulting from operational activity and consists of funds received from direct appropriations, transfers, offsetting receipts, recoveries, and funds held in budget clearing accounts.

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

The Department seeks to explain any variances exceeding 10 percent of the previous year's line item total. From FY 2006 to FY 2007, the Accounts and Interest Receivable line item had a significant variation, increasing by \$450 million (15 percent) due to changes in FWS and MMS. FWS has an increase of approximately \$1 billion in FY 2007 resulting from the implementation of OMB Guidance, which changed the reporting responsibilities for Treasury Managed Trust Funds with multiple component entities. In FY 2006, the FWS was only required to present the SFRA portion of the SFRBTF. The FY 2007 statements reflect a receivable of \$1 billion from the U.S. Coast Guard, representing funds due to FWS for its portion of the SFRBTF. This increase is partially offset by a \$500 million reduction in MMS accounts receivable due to the maturation of long-term coal lease deferred bonuses and an increase in allowances, which reduce accounts receivable, for aging Deepwater Royalty Relief receivables.

Liabilities

In FY 2007, Interior's liabilities totaled \$10,979 million. This is a decrease of \$959 million or 8 percent from the previous year's liabilities of \$11,938 million. Interior's liabilities reflected in the Balance Sheet are summarized in Figure 1- 76.

FIGURE 1-75

(dollars in thousands)	FY 2007	FY 2006
Fund Balance with Treasury	\$ 34,776,671	\$ 33,409,382
Investments, Net	7,485,899	8,282,933
General Property, Plant, and Equipment, Net	17,930,798	17,491,901
Accounts and Interest Receivable, Net	3,368,896	2,918,547
Cash and Other Assets	3,421,256	3,330,224
Total Assets	\$ 66,983,520	\$ 65,432,987

FIGURE 1-76

(dollars in thousands)	FY 2007	FY 2006
Accounts Payable	\$ 1,667,800	\$ 1,154,601
Debt	858,007	1,056,572
Loan Guarantee Liability	41,434	92,380
Federal Employee and Veteran Benefits	1,363,633	1,387,423
Environmental and Disposal Liabilities	147,514	153,466
Other Liabilities	6,900,526	8,093,533
Total Liabilities	\$ 10,978,914	\$ 11,937,975

FIGURE 1- 77

(dollars in thousands)	FY 2007	FY 2006
Resource Protection	\$ 3,666,109	\$ 2,810,075
Resource Use	2,144,299	2,615,472
Recreation	2,255,035	1,410,049
Serving Communities	4,636,522	5,614,166
Reimbursable Activity and Other	936,721	954,780
Net Cost of Operations	\$ 13,638,686	\$ 13,404,542

Interior's liabilities are primarily composed of Accounts Payable, Debt, Federal Employee and Veteran Benefits, and Other Liabilities. Other Liabilities is primarily composed of Resources Payable to Treasury, and Custodial Liabilities.

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

In FY 2007, the Department had several liability line items with variances meeting the threshold for analysis. Accounts Payable showed a change of approximately \$513 million (44 percent) due, in most part, to FWS changing reporting to follow SFFAS 27. The FY 2007 statements reflect the portion of the SFRBTF due for distribution to the U.S. Coast Guard and U.S. Corps of Engineers as a payable. FY 2006 does not reflect the payable, as the OMB requirements were not in effect until FY 2007.

Total debt decreased for the year by \$199 million (19 percent) due to repayments to BPD by IA, BOR, Departmental Offices and BLM. The bulk of the change was due to the BLM annual repayment of \$150 million of Helium related debt.

The decrease of \$51 million in Loan Guarantee liability is attributable to IA. In FY 2007, IA implemented the Balances Approach Reestimate Calculator spreadsheet tool to calculate the subsidy

reestimate based on OMB's recommendation. IA booked changes to estimates in the Loan Guarantee liability account, at the end of the year.

The Other Liabilities line item, as presented in this summary statement, is a composite of all remaining liabilities in the Department not chosen for emphasis here. The large change (decrease) of \$1.2 billion (15 percent) is, therefore, a result of many smaller changes to liability accounts in the fund. The most significant component causing the change is a decrease in the Departmental Offices' Advances and Deferred Revenue line of \$500 million due to a new cap on DOD contracts and the subsequent return of funds from the Department's Interior Franchise Fund to DOD. MMS also contributed to the decrease in the overall other liabilities. MMS Contingent Liabilities decreased by \$216 million due to a change in the estimate of loss. MMS Custodial Liabilities also decreased by \$382 million due to the maturation of long-term coal lease deferred bonuses, a reduction in the number of new coal leases awarded, and an ongoing effort to match and liquidate royalty related receivables.

Net Position

Interior's Net Position at the end of 2007, disclosed in the Balance Sheet and the Statement of Changes in Net Position, was \$56,005 million, an increase of about \$2,510 million or 5 percent from the previous year.

Interior's Net Position consists of the sum of Unexpended Appropriations of \$4,110 million and Cumulative Results of Operations of \$51,895 million.

Results of Operations

Interior's net cost of operations for FY 2007 was \$13,639 million. This is an increase of \$234 million or 2 percent from the previous year's net cost of

\$13,405 million. Interior's net cost of operations as reflected in the Statement of Net Cost is summarized in Figure 1- 77.

Most costs incurred by Interior are directly related to providing services to the public. The Consolidated Statement of Net Cost is divided into the following five major program segments: Resource Protection; Resource Use; Recreation; Serving Communities; and Reimbursable Activity and Other. Serving Communities represents 34 percent of the Department's net cost of operations.

Revenue

During FY 2007, Interior earned approximately \$2,035 million in revenue from the public and approximately \$2,536 million in revenue from other Federal entities, for a total of \$4,571 million. This is a decrease of about \$1,509 million from September 30, 2006. In FY 2006, approximately \$2,911 million was earned in revenue from the public and approximately \$3,169 million was earned in revenue from other Federal entities, for a total of \$6,080 million.

Interior classifies revenue as exchange or non-exchange revenue. Exchange revenues are those that derive from transactions in which the Government and the other party receive value, including park and wildlife refuge entrance fees, map sales, and other products and services that are directly related to Departmental operations. Revenue collected from other Federal agencies consists of reimbursable activities such as construction, engineering, and other technical services. Most of the revenue received from Federal agencies is received from Interior Franchise Fund and National Business Center operations that provide shared administrative services. Interior also collects mineral lease revenues on behalf of the Federal government. These are presented in the Statement of Custodial Activity rather than the Statement of Net Cost.

Interior collects various non-exchange revenues. Examples of non-exchange revenue are taxes, fines and penalties that the Federal government collects as a result of its sovereign powers rather than as a result of providing goods or services for a fee.

Overall Department revenues decreased for the year by \$1.5 billion. The bulk of the decrease was in the BLM. The BLM had a decrease of \$760 million due to fewer SNPLMA land sales in 2007. The remainder of the decrease was due to the change in several bureaus, significantly in IA, of parent/child reporting. IA had revenue in FY 2006 related to accounts where IA was the child of another agency; revenues for those accounts are not reported by DOI as revenue in FY 2007. The balance of the decrease is due to this reduced business activity in several FWS and IA funds.

Budgetary Resources

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

The Statement of Budgetary Resources provides information on how budgetary resources and nonbudgetary credit program financing were made available to Interior for the year and their status at fiscal year-end. Obligations of \$20,963 million and \$21,447 million were incurred as of September 30, 2007, and 2006, respectively on total budgetary resources in FY 2007 of \$26,799 million, and in FY 2006, of \$27,741.

Custodial Activity

In accordance with Federal accounting standards, receipts from mineral leasing revenue are presented in Interior's Statement of Custodial Activity, since the collections are considered to be revenue of the Federal Government as a whole rather than Interior. Mineral leasing revenue was \$10,984 million and \$11,867 million as of September 30, 2007, and 2006, respectively, and include Outer Continental Shelf and onshore oil, gas, and mineral sales and royalties.

Interior collects a portion of revenue as royalties in kind for transfer to the Strategic Petroleum Reserve. The current Strategic Petroleum Reserve initiative began in July 2007. The current estimated value of this initiative is \$306 million which was reported as custodial revenue.

Stewardship Assets and Investments

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

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

Stewardship land and investments are summarized in the following tables: Figures 1- 78 and 1- 79.

In FY 2007, Interior made a change in accounting principle resulting in a decrease in FY 2007 stewardship investments in the Investment in Human Capital and the Non-Federal Physical Property lines. Job Corps and Highway/Road programs are no longer reported by Interior due to OMB Circular No. A-136 revisions which require parent agencies to report all activity for the funds they administer. Interior is a child to the Department of Labor and the Department of Transportation which administer these programs.

Interior’s reported values for Property, Plant, and Equipment exclude stewardship assets because they are considered priceless and do not have an

FIGURE 1- 78

STEWARDSHIP LAND (FEDERAL UNITS)				
	Beginning Units	Additions	Withdrawals	Ending Units
BLM	126	0	0	126
NPS	390	1	0	391
FWS	670	2	0	672
BOR	145	0	0	145
BIA	221	0	3	218
Other	1	0	0	1
Total	1,553	3	3	1,553

FIGURE 1- 79

STEWARDSHIP INVESTMENTS (IN MILLIONS)				
	FY 2007	FY 2006	Change	% Change
Non-Federal Physical Property	\$559.7	\$664.5	\$104.8	19%
Research and Development	866.0	857.0	9.0	1%
Human Capital	\$565.1	\$605.0	\$39.9	7%

identifiable value. Therefore, monetary amounts cannot be assigned. An in-depth discussion of these assets is presented in the Notes to the Financial Statements Section and the Required Supplementary Information section of the Performance and Accountability Report.

Limitations of Financial Statements

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

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

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