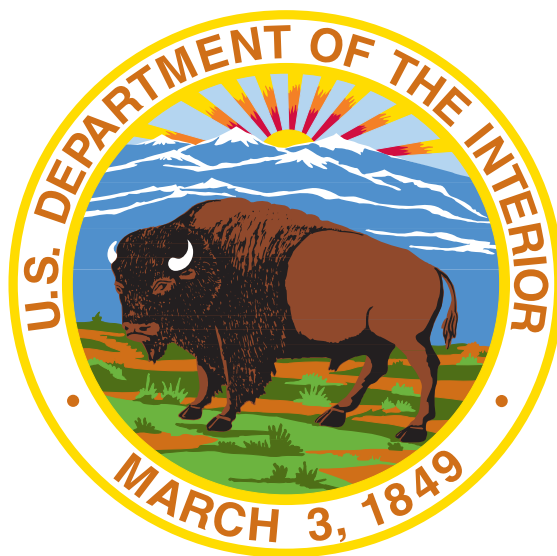


U.S. DEPARTMENT OF THE INTERIOR



FISCAL YEAR 2008

ANNUAL PERFORMANCE AND ACCOUNTABILITY REPORT

November 15, 2008

Table of Contents

INTRODUCTION	1
Message From the Secretary	1
About this Report	7
How This Report is Organized	9
PART 1: MANAGEMENT'S DISCUSSION AND ANALYSIS	11
DOI's Mission and Organization	13
Mission, Vision, Values	13
History	13
Defining Interior's Goals	15
Achieving Our Goals	16
DOI Bureaus	17
Assessing Our Performance	19
Mission Area One: Resource Protection	21
Summary of Resource Use Performance Targets	22
Representative Performance Measures	
Stream/shoreline Miles in Desired Condition	23
Acres in Desired Condition	25
Acres Reclaimed from Past Coal Mining	27
Migratory Birds at Healthy and Sustainable Levels	29
Threatened or Endangered Species Stabilized or Improved	31
Acres Infested with Invasive Plants that Are Controlled	33
Historic Structures in Good Condition	35
Science Products Used for Decisionmaking	37
Mission Area Two: Resource Use	39
Summary of Resource Use Performance Targets	40
Representative Performance Measures	
Fluid Mineral Leases with Approved Permits to Drill	41
Acres Under Lease for Coal Development	43
Offshore Lease Sales Held	44
Coal Mining Sites Free of Off-Site Impacts	46
Revenues Disbursed on a Timely Basis	47
Water Infrastructure in Fair to Good Condition	49
Grazing Permits and Leases Processed as Planned	51
Allowable Sale Quantity Timber Offered for Sale	52
Science Products Used for Decisionmaking	53
Mission Area Three: Recreation	55
Summary of Recreation Performance Targets	56
Representative Performance Measure	
Visitor Satisfaction	57

Table of Contents

Mission Area Four: Serving Communities	59
Summary of Serving Communities Performance Targets	60
Representative Performance Measures	
Wildfires Controlled During Initial Attack	61
Acres Which Achieve Fire Management Objectives	62
DOI Science Used for Hazard Mitigation	64
Trust Beneficiary Information Accurately Processed.....	66
Probate Estates Closed	68
Indian Schools Achieving Adequate Yearly Progress.....	69
Violent Crime Incidents Per 100,000 Indian Country Inhabitants	71
Management Excellence (including President's Management Agenda).....	73
Summary of Management Excellence Performance Targets.....	74
Compliance with Legal and Regulatory Requirements.....	77
FY 2008 Assurance Statement	78
Federal Managers' Financial Integrity Act.....	78
FMFIA Material Weaknesses and Accounting System Nonconformances	79
Federal Financial Management Improvement Act	81
Inspector General Act Amendments (Audit Followup)	81
Audited Financial Statement Results	82
Major Management Challenges Confronting Interior	83
Federal Information Security Management Act	83
Compliance with Other Key Legal and Regulatory Requirements.....	86
Financial Management Improvement Initiatives	87
Financial Management Systems.....	87
Financial Management Human Capital.....	94
Financial Data Stewardship	95
Analysis of Financial Statements.....	97
Overview of Financial Position.....	97
PART 2: PERFORMANCE DATA AND ANALYSIS	101
Department of Interior Performance	103
What Counts, and How We Count It.....	104
Reading the Numbers for Yourself.....	107
Data Validation and Verification	107
Data Sources	108
Performance and Data Analysis Charts and Tables.....	108
Performance and Data Analysis	110
Resource Protection Performance.....	110
Resource Use Performance	122
Recreation Performance	133
Serving Communities Performance	136
Management Excellence Performance	145
Program Evaluations	152
Program Evaluations	153
Summary of PARTs and Ratings (FY 2002 - 2008)	160

PART 3: FINANCIAL SECTION	163
Message from the Chief Financial Officer	165
Principal Financial Statements	167
Balance Sheet	168
Statement of Net Cost	169
Statement of Changes in Net Position	170
Statement of Budgetary Resources	171
Statement of Custodial Activity	172
Notes to Principal Financial Statements	173
Required Supplementary Information	243
Combined Statement of Budgetary Resources	244
Deferred Maintenance	248
MMS/MRM Compliance Assessments and Pre-assessment Work in Process ..	250
Condition of Stewardship Lands	251
Condition of Heritage Assets	251
Required Supplementary Stewardship Information	253
Investment in Research and Development	253
Investment in Human Capital	257
Investment in Non-Federal Physical Property	258
Other Supplementary Information	261
Consolidated Balance Sheet	262
Consolidated Statement of Changes in Net Position	266
Office of Inspector General Transmittal	274
Independent Auditors' Report	276
Management Response to Independent Auditors' Report	289
PART 4: OTHER ACCOMPANYING INFORMATION	293
OIG Summary of DOI's Major Management and Performance Challenges and DOI's Response	295
Improper Payments Information Act of 2002 Reporting Details	313
DOI Organization Chart	315
Glossary of Acronyms	316
WE'D LIKE TO HEAR FROM YOU	C3

*An electronic version of this document is available on the Internet at www.doi.gov/pfm.
The Department of the Interior's strategic plan is also available at www.doi.gov.*

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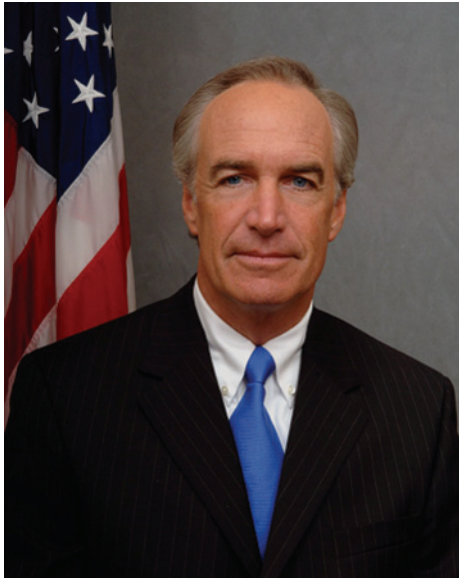
A handwritten signature in black ink, reading "John H. Hummel".

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

A handwritten signature in black ink, reading "Reimond P. Van Daniker".

Reimond P. Van Daniker, DBA, CPA
Executive Director, AGA

Message from the Secretary



I am proud to submit the Department of the Interior's Performance and Accountability Report—a recap of our stewardship efforts for FY 2008. This Report has a dual purpose: it summarizes our performance in delivering the mission of the Department, and it demonstrates our financial integrity through accounting statements and a clean audit.

Interior's core values statement—***"Stewardship for America with Integrity and Excellence"***—reflects the Department's mission of conserving, managing, and building knowledge of our Country's unique heritage of natural, cultural, and historic resources.

Our 70,000 employees work in the Department's nine bureaus and offices. Together, they manage one in every five acres in the United States. The lands and waters they manage generate one-third of the Nation's domestic energy production. They conserve and provide opportunities to enjoy America's natural and cultural resources, and they serve communities, including those of American Indians, Alaska Natives, and affiliated island communities, in fulfillment of our trust responsibilities.

In 2008, with its land and resource management responsibilities, the Interior Department was at the forefront of enhancing the Nation's energy security as soaring prices and constrained supplies captured the public's attention. Our Minerals Management Service leases acres in the Outer Continental Shelf for oil and gas exploration. The Bureau of Land Management fulfills the same role on land for onshore minerals.

Nationally, the effects of a changing climate are also increasingly dominating public discussions. Interior, as manager of 507 million acres of public lands, must better understand those effects. The United States Geological Survey is studying the effects of climate change on species, precipitation, vegetation, and, ultimately, on this Nation's communities. Endangered species, monitored by the Fish and Wildlife Service, are part of the shifting panorama, as is the land managed by the National Park Service and BLM. The Department plays an integral part in managing a changing landscape.

Interior is America's principal conservation agency. The Department recorded numerous accomplishments in 2008 that helped improve our land and the quality of life for Americans. Our major accomplishments are summarized below by Interior's four Mission Areas.

Accomplishments

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

RESOURCE PROTECTION

- ◆ Approximately 53,000 more stream/shoreline miles achieved the desired conditions over our 2007 performance, bringing the total miles to almost 250,000 for FY 2008.
- ◆ Recovery plans are in place for 80 percent of the species currently on the Endangered Species List, a significant step toward Interior's goal of Sustaining Biological Communities.

- ◆ We proposed the removal of the brown pelican from Endangered Species status. The brown pelican had nearly disappeared and its recovery is due in large measure to the Federal ban on the general use of DDT, inspired by former FWS biologist, Rachel Carson, in Silent Spring. FWS estimates the global population of brown pelicans is at 650,000 due to the extraordinary efforts of State wildlife agencies partnering with FWS.
- ◆ Interior announced that the USGS 35-year Landsat satellite image archive will be available for free over the Internet. Scientists, government officials, and land managers will be able to see the changes in the Earth's landscape at any point in the past three and a half decades.

The **Centennial Initiative**, launched last year to celebrate the 100th anniversary of the National Park Service in 2016, got under way in 2008 with proposals for 110 national park improvement projects and programs. The **Centennial Initiative** is a 10-year effort to prepare national parks for another century of conservation, preservation, and enjoyment. The Initiative proposes a Federal Centennial Challenge fund to match philanthropic contributions for the benefit of our national parks.

Interior adopted the new 2008–2012 National Invasive Species Management Plan, developed collaboratively by 13 Federal departments, agencies, and their partners. It will be the primary roadmap for Federal efforts to control invasive species. Invasive species damage the Nation's environment, economy, and human health—harming fisheries, forests, croplands and natural areas; impairing recreation; and endangering public health through threats like the West Nile virus. More than 40 percent of threatened and endangered species are listed primarily because of the impacts of invasive species.

We inaugurated the **Birds Forever Initiative**, a joint effort of the FWS and the USGS. Last year, annual surveys conducted by the Audubon Society documented the alarming decline in populations of common birds, which have plummeted 70 percent on average since 1967. I am reminded again of Rachel Carson and her warning of "...a spring without voices." We must ensure that we will never have a silent spring without the songs of wild birds. The initiative will expand and improve the health of wild bird habitat, strengthen educational outreach programs, and support partnerships with States, local communities, conservation organizations, and others to reverse the precipitous decline in wild bird populations and improve the status of five bird species over the next 5 years.

RESOURCE USE

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

- ◆ Minerals Management Service held the first Chukchi Sea lease sale since 1991 off the Northern shore of Alaska. Approximately 2.8 million acres were leased, generating more than \$2.6 billion. Overall, 11.7 million acres were leased in the Outer Continental Shelf as a result of the five FY 2008 lease sales, contributing to America's energy security goals and bringing \$9.5 billion to the Treasury.
- ◆ Onshore, the BLM processed an additional 7,846 Applications for Permits to Drill (APDs) on already existing oil and gas leases, up from 3,636 in 2001.
- ◆ Reclamation's 58 hydroelectric power plants generated 40 million megawatt hours of hydroelectricity, enough to meet the needs of over 5 million households. Reclamation continues to be a reliable and low-cost hydropower producer. Its hydroelectric generating units were available 91 percent of the time to the interconnected Western electrical system during daily peak summer demand periods, comparing favorably to private-sector performance.

Since the Nation's energy situation changed dramatically in the past year, I jump-started the development of a new oil and natural gas leasing program for the U.S. Outer Continental Shelf 2 years ahead of schedule. When our current program was launched in July 2007, oil was selling for \$64 a barrel. This past summer, that cost skyrocketed to over \$140 per barrel. We have begun the initial steps to develop a new 5-year program. This initiative could offer the Nation energy development options it would not otherwise have had until 2012 or beyond.

RECREATION

- ◆ Over 460 million visitors took part in recreational opportunities provided through Bureau of Land Management, Bureau of Reclamation, Fish & Wildlife Service, and National Park Service, with over 90 percent reporting satisfaction with their experience on Interior-managed lands and waters.
- ◆ The National Trails System added more than 1,100 miles of National Recreation Trails—24 trails in 16 States—to mark its 40th Anniversary.

SERVING COMMUNITIES

- ◆ Interior distributed \$26.7 million to individual Indian trust account holders who were previously on the “Whereabouts Unknown” list.
- ◆ The Office of Wildland Fire Coordination reports that the Bureau of Indian Affairs, BLM, FWS, and NPS treated 614,000 acres to directly reduce wildfire threats in wildland-urban interface areas that face risks to property and life from catastrophic wildland fire.

Management Challenges

As the Nation's largest land manager, the Department touches the lives of every American. We help secure energy that powers our Nation's productivity and provides the foundation for a dynamic economy. We help Indian children fulfill their potential through the management of schools in Indian Country. The science we generate helps reduce risks from natural hazards and guides our land stewardship.

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

We know that climate change has implications for the vast land and water resources managed across the Department. Federal land and water resources are vulnerable to a wide range of impacts, some of which are already occurring. Last year, I created a 100-person task force to identify strategies for managing land and waters and protecting wildlife, as well as devising new management responses for adapting to changing landscapes. This task force, that includes scientists, park superintendents, BLM field managers, Reclamation engineers, and refuge managers from across the country, developed reports in three areas: land and water management, law and policy, and science. These reports will help Interior plan long-term adaptations that must be integrated with our day-to-day management of lands, habitats, and wildlife resources.

Another significant challenge is ensuring a balance among conservation, recreation, and resource use goals. As we seek greater energy security, we must also conserve wildlife—a balance that requires new ways of planning and resource management, continued inspections of oil and gas extraction facilities on land and in our coastal oceans, and reclamation of surface mines. Through our **Healthy Lands Initiative**, we allocated funds for science, planning, resource protection, and restoration in six geographic areas. Our initiative is laying the groundwork for a holistic, landscape-level management approach so that we can achieve environmental, economic, recreation, and other social goals through partnerships with States, the private sector, and nonprofit organizations.

I am concerned about the performance of students in our Bureau of Indian Education schools. We launched our **Improving Indian Education Initiative** in 2008 to increase Indian student academic achievement by supporting quality education environments and effective learning strategies. These efforts will take time to achieve their results. However, intensive educational assistance went to those schools that have yet to achieve their performance goals. We are providing additional funding for student transportation, education program management, and information technology.

Interior has outstanding employees. They are our greatest asset. We must assure their health and safety. Yet the sheer magnitude of the lands we manage presents challenges as we strive to provide security and protection for public lands visitors and employees. We manage the third-largest Federal law enforcement force to provide security across a wide expanse of public lands and ensure the health and safety of our 70,000 employees, almost 280,000 volunteers, 1 million daily visitors, and 1.2 million tribal members in Indian Country.

I am particularly concerned about the methamphetamine epidemic brought to Indian Country by violent drug cartels. We launched the **Safe Indian Communities Initiative** in 2008 to combat this threat. Additionally, Operation Dakota Peacekeeper was implemented at the Standing Rock Indian Reservation in South Dakota. The key objectives were to reduce crime, target illegal drug activities, and provide investigative support to prosecute domestic violence offenses and crimes against children. We have seen positive results in reducing the crime rate that affects the well-being of this Indian community.

Interior also has homeland security responsibilities for our priority dams, icons, and monuments. We manage 40 percent of the lands along the southwest border. Once pristine landscapes on the U.S. Southwest border have become dangerous corridors for drug smuggling operations and other illegal activities that threaten Indian communities, public land stewards, and recreational visitors, as well as cause significant environmental damage. The **Southwest Border Initiative** has enabled Interior to place more officers along the border, improve border communications, and remediate the environmental impacts of these illegal activities.

Each year, I receive reports regarding management challenges from the Inspector General, the Government Accountability Office, and other sources. I value these inputs and look for opportunities to respond to their recommendations. In the area of Financial Management, the Department has dramatically reduced the number of material weaknesses since 2001, and we continue to improve. We had 17 material weaknesses in 2001; now we have 7. We are also replacing our business systems. In 2001, the Department operated with dozens of antiquated business systems that lacked integration or common standards. We are pioneering a new era—a 21st century system that will provide a single, fully integrated Financial and Business Management System. Though a complex and comprehensive undertaking involving all of the bureaus and offices in Interior, the system will yield significant long-term benefits.

Information Technology continues to challenge the Department as threats become more pervasive and serious. We have steadily hardened our hardware systems. Interior implemented the Cyber Security Assessment Management tool for tracking Plans of Actions and Milestones and standardizing documentation throughout the Department. Interior now has ready access to all system security weaknesses and is better equipped to assist bureaus and offices in managing corrective actions.

Other identified management challenges include: Health, Safety, and Emergency Management; Maintenance of Facilities; Responsibility to Indians and Insular Areas; Resource Protection and Restoration; Revenue Collections; and Procurement, Contracts, and Grants. We describe how we are addressing many of these challenges elsewhere in this document. As I review and consider management recommendations, I take into account other priorities, mandates, and the merits of the recommendations before I determine how to proceed with implementing them. We are also implementing a number of information security improvements, such as the Government-wide encryption software, in order to furnish even greater protection.

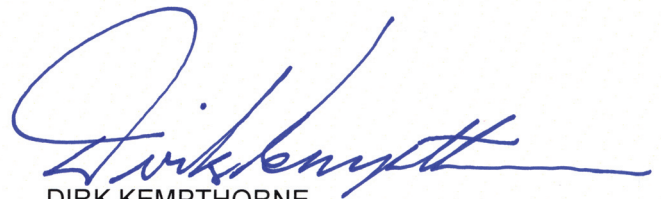
A More Robust Approach to Reporting on Performance

Last year, we introduced a more integrated presentation of key performance and related costs, including performance trends, to better link performance with the amount of funding spent to achieve those results. This year we again offer this integrated presentation of 25 representative performance measures from Interior's Strategic Plan to highlight the collective performance of our bureaus. Our aim is to uphold Interior's core values and assure "integrity and excellence."

The representative performance measures focus on the measurable results of activities that contribute toward achieving the End Outcome Goals under each Mission Area. Because they are broad in scope, these representative performance measures give us a comprehensive perspective of the Department's performance from year to year. Costs for each key pursuit are included so we can assess the relationship of funding to our performance.

The financial and performance data we present in this report is fundamentally complete and reliable as required by the Office of Management and Budget guidance. This report provides the status of Interior's compliance with certain legal and regulatory requirements. The annual assurance statement required by the Federal Managers' Financial Integrity Act concludes that the Department can provide reasonable assurance that its systems of management, accounting, and administrative controls, taken as a whole, meet the objectives specified in Section 2 of the FMFIA.

The Department of the Interior employees and a cadre of partners work with dedication to conserve and safeguard our Nation's inheritance. This group includes State and local governments, nonprofit organizations, Congress, and dedicated volunteers throughout the Country, all of whom share in our core values: Stewardship for America with Integrity and Excellence. As Secretary, I appreciate Interior's great mission.



DIRK KEMPTHORNE
Secretary of the Interior
November 15, 2008

About This Report

The Department of the Interior's Performance and Accountability Report for Fiscal Year 2008 provides performance and financial information that enables Congress, the President, and the public to assess the performance of the Department relative to its mission and stewardship of the resources entrusted to it. This Report satisfies the reporting requirements of the following major legislation.

- ◆ Chief Financial Officers Act of 1990
- ◆ Government Performance and Results Act of 1993
- ◆ Government Management Reform Act of 1994
- ◆ Reports Consolidation Act of 2000

Under the Reports Consolidation Act of 2000, agencies are permitted to submit combined reports in implementing statutory requirements for financial and performance management reporting to improve the efficiency of executive branch performance.

These requirements are combined in this Performance and Accountability Report, which consists of the Annual Performance Report—required by the Government Performance and Results Act of 1993—with annual financial statements—required under the Chief Financial Officers Act, as amended by the Government Management Reform Act of 1994—and other reports, such as management assurances on internal controls and Inspector General assessments of the Department's management challenges.

You may view this report online at www.doi.gov/pfm. The report is available on compact disc and can be obtained by writing a request to:

U.S. Department of the Interior
Office of Financial Management
Mail Stop 2557
1849 C Street NW
Washington, DC 20240

How This Report is Organized

Part 1: Management's Discussion and Analysis (MD&A)

The MD&A section provides a summary of Interior's annual performance. It includes an overview of the Department; the status with related costs of 25 representative Strategic Plan performance measures organized by Mission Area; a brief description of systems, controls, and legal compliance; information on Interior's progress in implementing the President's Management Agenda; and a summary analysis of the financial performance.

Part 2: Performance Data and Analysis

The Performance Data Analysis section reports the results achieved against each program performance measure. The measures are tracked annually for progress against the goals in the Department's Strategic Plan, as required by the Government Performance and Results Act and as specified in OMB Circular No. A-11, *Preparation, Submission and Execution of the Budget*.

Part 3: Financial Section

The Financial Report section contains the Department's financial statements, notes, required supplementary information, required supplementary stewardship information, and other supplementary information.

Part 4: Other Accompanying Information

This section contains:

- ▶ OIG Summary of DOI's Major Management and Performance Challenges
- ▶ DOI's Response to the OIG Summary of the Major Management Challenges
- ▶ Improper Payment Information Act
- ▶ Organization Chart
- ▶ Glossary of Acronyms