

PART 1

**Management's
Discussion
and Analysis**

**(Unaudited,
See Accompanying
Auditors' Report)**

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 479 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 energy 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

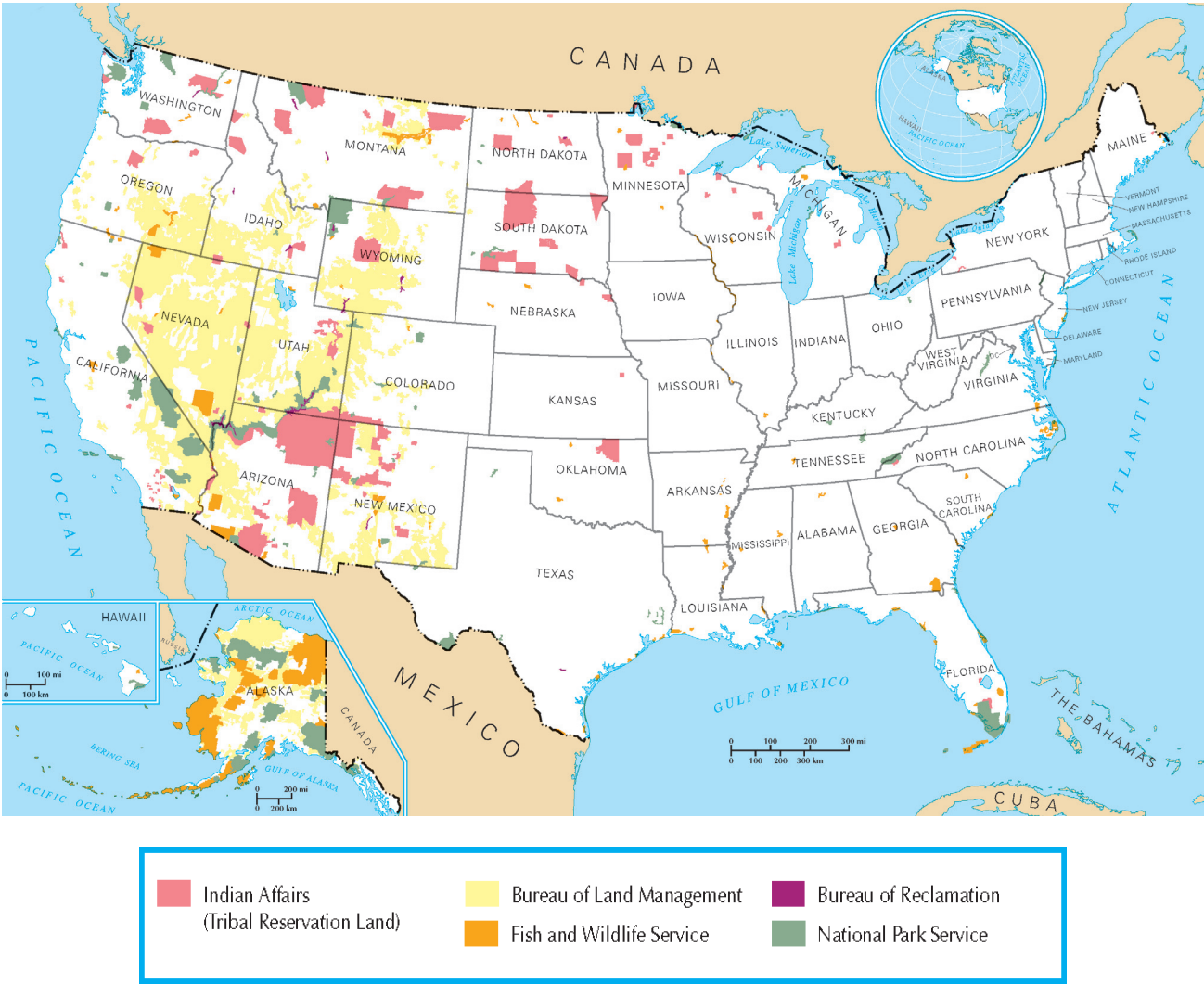
In 1848, Walker stated in his annual report that several Federal offices were placed in Departments with which they had little in common: General Land Office in the Department of the Treasury, the Indian Affairs Office residing in the Department of War, and the Patent Office in the State Department. 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 was adopted by the Senate after just over 2 weeks. 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 Departmental Offices and nine Bureaus with a broad range of responsibilities.

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



Defining Interior's Goals

The Department's Strategic Plan for Fiscal Year (FY) 2007–2012 provides the framework for activities in 9 bureaus and multiple offices. 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.

RESOURCE PROTECTION

Protect the Nation's natural, cultural and heritage resources

- ◆ Improve the 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 law 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

RESOURCE USE

Manage natural resources to promote responsible use and sustain a dynamic economy

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

SERVING COMMUNITITES

Safeguard lives, property, and assets, advance scientific knowledge, and improve the quality of life for communities we serve

- ◆ 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

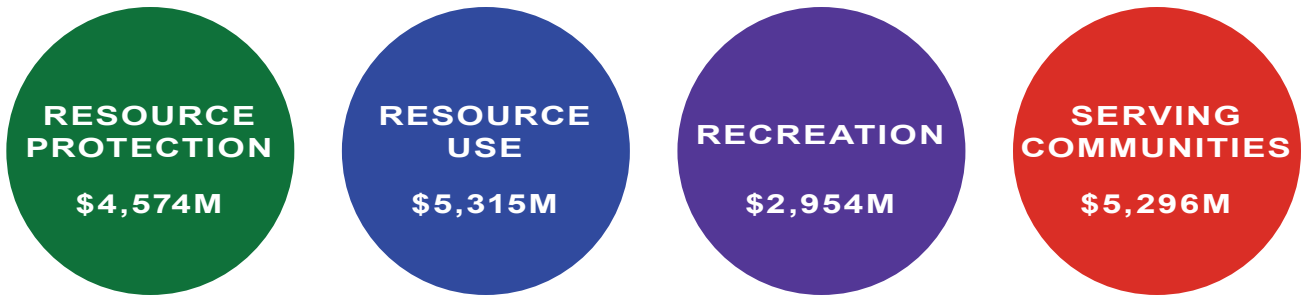
RECREATION

Improve recreational opportunities for America

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

The costs for each Mission Area are depicted below.

FIGURE 1-2



The combined Mission Areas contain 14 End Outcome Goals that the Department, through its offices and bureaus, works to accomplish.

Interior has selected Representative Performance Measures (RPMs) under each of the End Outcome Goals that are key indicators of our performance across the Department.

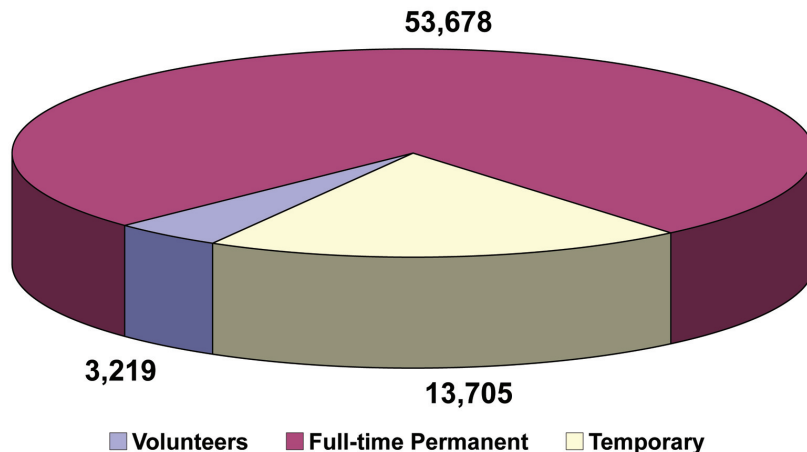
Achieving Our Goals

About 70,000 people across the country are employed by DOI. Along with our permanent employees, we are fortunate to have almost 280,000 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 group of workers who staff seasonal positions that occur regularly throughout the year. Peak demand periods, such as the wildland fire season or the summer visitor season in our national parks, are met by our temporary workforce. Our employees and volunteers contribute their expertise and experience toward accomplishing the Outcome Goals in the Strategic Plan.

FIGURE 1-3

Interior's 2008 Workforce (in Full-time Equivalents)



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 256 million acres of public land, including the following:
 - Energy and 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 energy resources of the Outer Continental Shelf (OCS) to help meet our country's energy needs
- ◆ Administers over 8,300 active mineral leases on approximately 44 million OCS acres
- ◆ Oversees 15 percent of the natural gas and 27 percent of oil produced domestically
- ◆ Collects, accounts for, substantiates, and disburses revenues, which totaled approximately \$26 billion in FY 2008, with an additional estimated \$1.6 billion worth of oil taken in kind and delivered to the Strategic Petroleum Reserve
- ◆ Oversees offshore renewable energy permitting



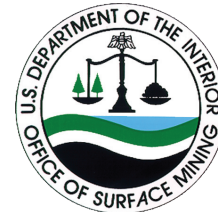
National Park Service

- ◆ Maintains a network of 391 natural, cultural, and recreational sites for the benefit and enjoyment of the American people
- ◆ Provides technical and financial 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 479 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
Improvements to the FY 2008 Report

<p><i>Concise Performance Assessment</i></p>	<p>Performance for each measure is summarized beneath 4 headings:</p> <ul style="list-style-type: none"> ▶ Snapshot – an assessment of the current situation ▶ Bottom Line – a concise evaluation of performance trends ▶ Status – How are we doing? ▶ Public Benefit – what the public gains from our efforts
<p><i>Targets Met or Exceeded by Mission Area, End Outcome Goals, Intermediate Outcome Goals and Representative Performance Measures</i></p>	<p>The introduction to each Mission Area includes a chart for the End Outcome and Intermediate Outcome Goals associated with the Mission Area. Not only is it possible to see the structure of Interior's Strategic Plan, but also how each activity area is performing according to the color code and target report.</p>
<p><i>Each RPM Includes Target Data</i></p>	<p>Each table includes annual target data for the past five years (where available) to provide the reader with a fuller context of progress. A separate symbol designation with the status of this year's target is featured.</p>

Assessing Our Performance

This year we are continuing to use Representative Performance Measures to provide a more structured approach to our performance assessment overview.

These 25 select performance measures were chosen based on their relatively broad scope, compared to other more narrowly defined performance measures, for use as key indicators of the Department's overall performance and to track our yearly progress more readily. We will also use them to identify strategies for future performance improvement and allow executive level oversight of Department-wide efforts.

Based on analyzing the trends in performance with funding over time, each RPM's current status is categorized.

- ◆ Positive Performance—performance achieved at a higher rate relative to the change in funding
- ◆ Sustained Performance—changes in performance and funding are generally similar
- ◆ Challenged Performance—additional analysis is applied to investigate the potential for improving performance

Activity-Based Costing

Activity-Based Costing and Management (ABC/M) is a tool that links the level of funding with the level of performance by employing a collection of work activities. ABC/M provides an accurate picture of what is being achieved in relation to what is being spent. 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 funding applied to the effort and evaluate where changes might be needed. There are approximately 300 ABC/M work activities that align to the Strategic Plan End Outcome Goals for executing the Department's mission in resource protection, resource use, recreation, and serving communities.

ABC Work Activities and corresponding funding are used to assess performance across all bureaus and offices. The presentation of funding 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

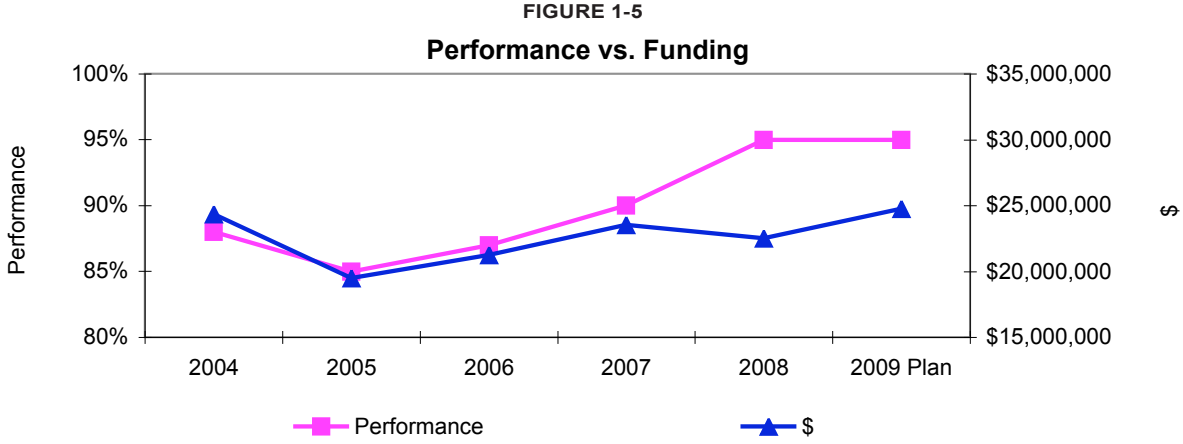


FIGURE 1-6

	2004	2005	2006	2007	2008	2009 Plan
Representative Strategic Plan Measure	Performance Target or Result (%)					
	Amount Achieved					
	Scope					
\$						

Each representative Strategic Plan performance measure is plotted through 2008 with a projection into the next fiscal year. Each measure is also 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 estimated funding levels for 2009.

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.

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.

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. Funding is estimated for 2009.

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.

Interior ensures that its performance information is sufficiently accurate, reliable, and sound through a data validation and verification process described in Part Two, Reading the Numbers for Yourself..

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

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 is the Nation's principal conservation agency. We manage over 500 million acres of public lands and 56 million 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 land use practices. 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 on-going today across our bureaus, based on collaborations with other Federal, State, and local agencies, public and private organizations, and private landowners. Interior can offer landowners, land-user groups, environmental organizations, communities, tribes, and companies the resources and technical support needed 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 (ESA). The forests, mountains, and deserts house biological diversity that is critical to nature's survival and potentially impacts our own.

Interior also conserves the cultural and heritage sites that we have inherited that reflect a past as rich and diverse as our Country. The expanse of these assets includes tens of thousands of archeological sites, historical structures, and cultural and museum asset collections.

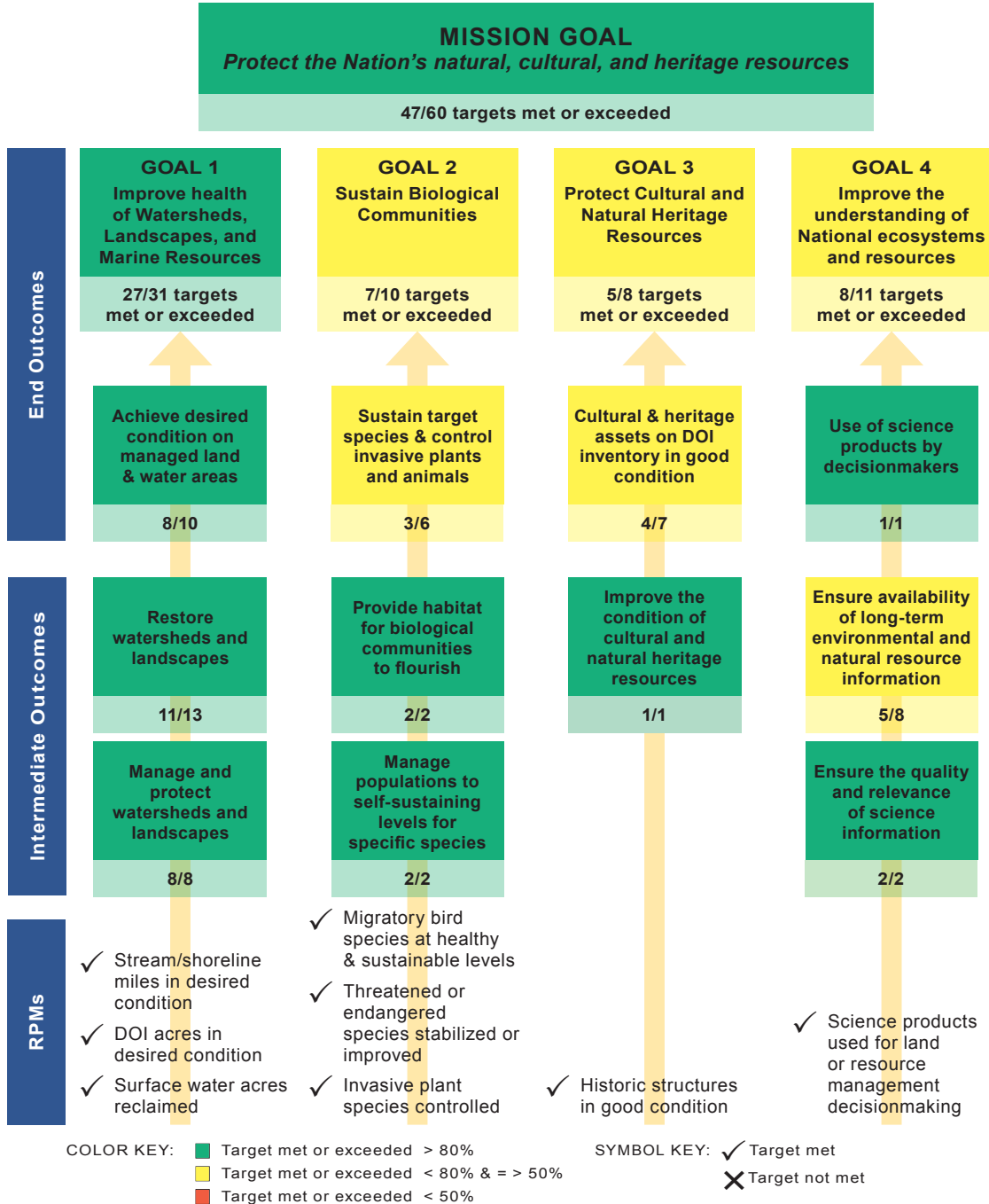
The Department is supported in the Resource Protection Mission Area by U.S. Geological Survey (USGS), the Department's principal science agency. USGS data contributes to sound land and resource decisionmaking through data collection and integration, as well as understanding, modeling, and predicting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

Mission Area One: Resource Protection

FIGURE 1-8

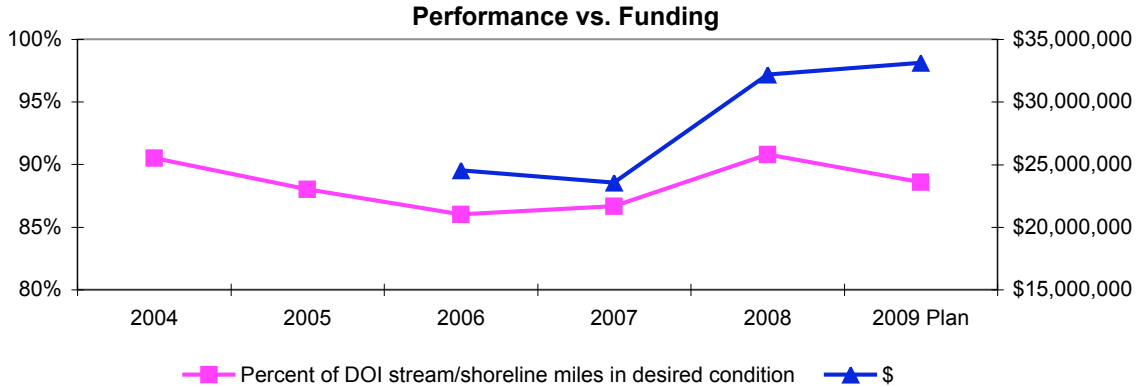
RESOURCE PROTECTION

Resource Protection embodies a portion of Interior’s stewardship pact with the American people: to protect our natural resources—land and wildlife—as well as our inheritance of cultural and heritage assets. We preserve the past and protect the present with the goal of maintaining both for the future.



Percent of stream/shoreline miles that have achieved desired condition where condition is known and as specified in management plans

FIGURE 1-9



ID #1614	2004	2005	2006	2007	2008	2009 Plan
Target				88%	89%	89%
Performance	91%	88%	86%	87%	91%	
Miles in desired condition	126,821	131,200	137,173	193,147	247,937	241,982
Miles with known condition	140,096	149,167	159,411	222,830	273,093	273,093
\$	Not Available		24,523,638	23,550,163	32,166,294	33,124,376

Snapshot: Performance increased this year, as did the denominator—the number of stream/shoreline miles where the condition is known. Funding has increased over time.

Bottom Line: The number of streams/shoreline miles whose condition has been assessed is rising due to improved ability to inventory shoreline condition. Current performance hovers around 90 percent of assessed stream/shoreline miles in desired condition. Recent funding increases should produce further improvement.

Status: Challenged Performance, due to the fact that performance has remained relatively flat over time as more miles are assessed and funding is on the rise. Although estimated FY 2009 funding for land condition is assumed to be greater than FY 2008, the target is lower because maintenance expenses are expected to increase more with time than the funding.

Public Benefit: Maintaining or improving the condition of stream and shoreline miles benefits fish populations, enhances wildlife habitat, and contributes to the balanced ecology of an area. The well-being of our Nation’s waterways is critical to the health of our land and ourselves.

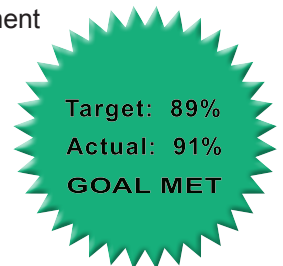
There are three bureaus managing our streams and shorelines: Bureau of Land Management (BLM), National Park Service (NPS) and Fish and Wildlife Service (FWS). Overall progress is gradually inching upward, now at 91 percent. Change from a nonfunctioning riparian area to a fully functioning one takes anywhere from 5 to 20 years, so success is judged based on evidence that corrective actions taken are likely to succeed.

These bureaus are working to assess, record, and treat more and more streams and shoreline, as seen in the increasing number of miles reported in the table. The largest portion belongs to BLM with a little more than 143,000 miles. For BLM specifically, performance was flat while costs increased due to drought and the impact wild horses and burros have had on riparian areas.

FWS tracks about 67,300 miles and it showed the greatest performance improvement this past year. NPS established a new baseline in 2007, almost 63,000 miles, and it showed slight progress in improving stream/shoreline condition.

Programs Supporting This Measure

- BLM Resources Management
- BLM Wildlife Habitat Restoration
- NPS Natural Resource Stewardship
- FWS National Wildlife Refuge System



Knotty Weeds

Japanese knotweed (*Polygonum cuspidatum*) is native to eastern Asia. It was first introduced as an ornamental into Europe in the early 1800s and spread to the United States by the late 1800s. Knotweed is found in over 40 states, including Alaska. It is challenging to control because it easily resprouts from even the smallest remnants of stems and roots. Knotweed is often found in moist and streamside locations forming dense stands. It can reach over ten feet in height, overshadowing and replacing native plants.

The Dickey River is located in northwest Washington flowing through Olympic National Park. Knotweed had become the dominant streamside vegetation along most of the river, including the tidal estuary flowing into the Pacific. In some locations, the knotweed mats were so dense that they altered the natural hydrology of the river system. The NPS and Quileute Tribe have joined forces to restore the river. Over the past three years, the entire length of the river has been treated, including six miles within Olympic National Park. Native vegetation of conifers, willows and carexes are beginning to come back and the river is returning to its natural course.



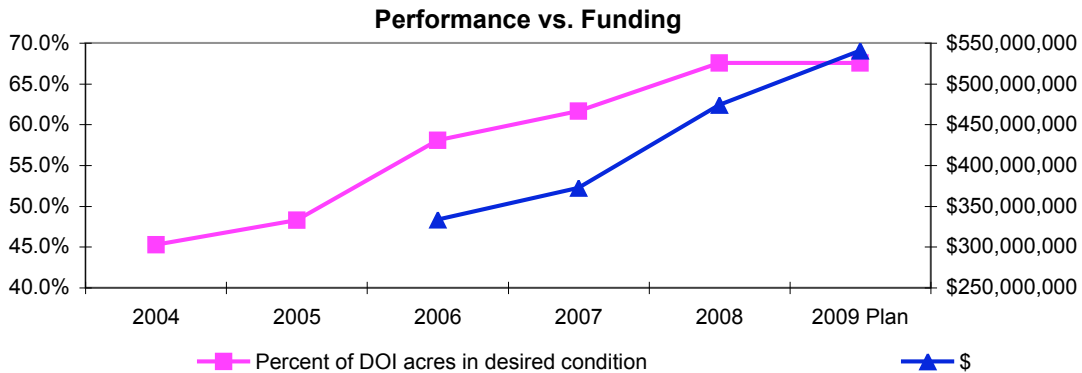
Before



After

Percent of DOI acres that have achieved desired condition where condition is known and as specified in management plans

FIGURE 1-10



ID #1465	2004	2005	2006	2007	2008	2009 Plan
Target				60.6%	66.5%	67.6%
Performance	45.3%	48.3%	58.1%	61.6%	67.6%	
Acres in desired condition	118,862,916	127,055,258	200,715,412	212,179,054	260,195,301	260,140,604
Acres with known condition	262,659,257	263,115,511	345,580,083	344,308,411	385,005,230	385,005,230
\$	Not Available		333,382,810	372,177,563	474,239,250	540,842,916

Snapshot: Almost 48 million more acres were determined to be in desired condition. Each year the percent of acres in desired condition has climbed.

Bottom Line: The 6 percent increase over FY 2007 shows an upward trend that is expected to continue in the long term, especially as more funding is applied. BLM, the bureau that manages the most acreage and portions the most funds to this activity, is expected to receive support from the Healthy Lands Initiative in FY 2009. While increasing maintenance expenses challenge performance for 2009, improvements are expected in subsequent years.

Status: Challenged Performance, due to the total amount of acreage Interior manages, 500 million acres, compared to the 385 million acres that have been assessed. Also, Interior bureaus continue to assess more acreage annually to determine the known condition—41 million more acres from 2007 to 2008. Increased maintenance expenses also challenge performance.

Public Benefit: Interior—the Nation’s principal conservation agency— manages over 500 million acres of public lands and 56 million surface acres of Indian trust lands. Land in desired condition is valued for its environmental resources, recreational and scenic merits, and vast open spaces, which contribute to public enjoyment and health.

Three bureaus contribute to DOI lands achieving desired condition: BLM, FWS and NPS. BLM manages, by far, the most acreage—256 million acres primarily in the 12 western States, including Alaska. Interior launched the Healthy Lands Initiative (HLI), a multiyear program, in 2007. The purpose of the HLI is to accelerate large-scale,

focused habitat restoration, increase productivity, preserve diversity, and respond to a multitude of pressures on public lands, one of which is the rising demand for access to energy resources. Using HLI funding, the BLM treated over 55,000 acres in FY 2008; however, all acres treated do not reach desired condition in the first year. Currently BLM has 57 percent, or over 145 million acres, in desired condition through both HLI and other funding.

FWS manages the 96 million-acre National Wildlife Refuge

Programs Supporting This Measure

- BLM Resources Management
- BLM Wildlife Habitat Restoration
- NPS Natural Resource Stewardship
- FWS National Wildlife Refuge System



Wetland Restoration Work

Upper Halstead Meadow, Sequoia National Park

Halstead Meadow is a 25-acre wet meadow—a rare and highly visible wetland habitat that developed severe erosion gullies 12–15 feet deep. The gullies caused a lowered water table, drying of wetland soils, dieback of wetland vegetation, and sent tremendous amounts of sediment downstream.

NPS and partners developed a pilot restoration design for upper Halstead Meadow in 2006, and earthmoving began in Fall 2007. Contractors placed and compacted 8,000 cubic yards of fill into the gullies to restore the original topography and remove the drainage impacts. Taking a hint from nearby undisturbed meadows, NPS had the contractors drop large trees across the site, perpendicular to flow, to spread surface water and minimize channelization.

In May 2008, international volunteers from American Conservation Experience helped repair some erosional features and prepare the ground for planting. In June 2008, more than 53,000 native wetland plants were installed by contractors, volunteers, and park staff. Monitoring in 2008–2009 will help NPS evaluate pilot project methods and plan restoration of lower Halstead Meadow.



Before



After

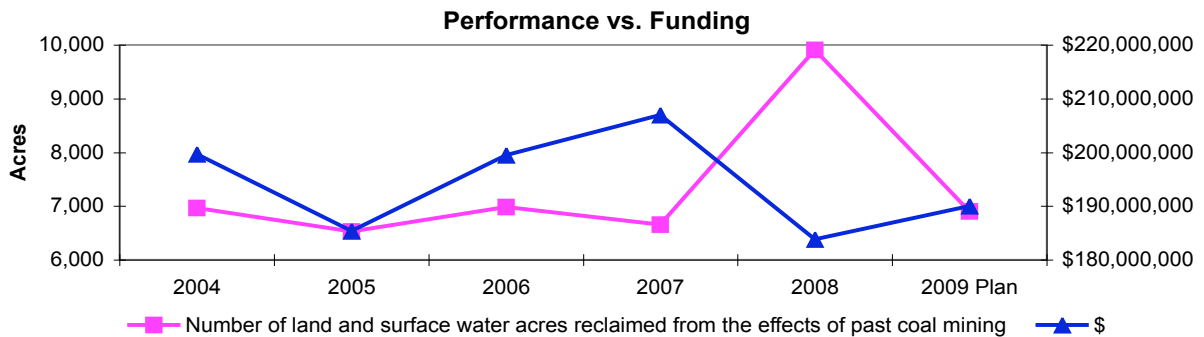
System. In FY 2008, 10 million more acres reached desired condition, for a total of more than 87 million acres or 92 percent.

NPS established a baseline last year of over 20 million acres which increased to nearly

34 million acres in FY 2008 as more parks conducted assessments of the land they manage. Eighty-two percent of Park Service acres are in desired condition.

Number of land and surface water acres reclaimed or mitigated from the effects of natural resource degradation from past coal mining

FIGURE 1-11



ID #1468	2004	2005	2006	2007	2008	2009 Plan
Target				6,900	6,900	6,900
Performance	6,965	6,533	6,983	6,658	9,909	
\$	199,722,508	185,335,814	199,514,683	206,985,032	183,813,000	190,000,000

Snapshot: Performance spiked in 2008 as a particular State finished an existing backlog of water line replacements. Funding declined due to reallocation of funds to other OSM activities in 2008 but is expected to rebound in future years per the SMCRA Amendments of 2006.

Bottom Line: Due to the time it takes to implement reclamation or mitigation actions, changes in performance are generally realized at least a year after a change in funding. Consequently, the projected FY 2009 target will remain constant.

Status: Sustained Performance.

Public Benefit: Restoring acreage to its former state benefits the communities near such sites. Reclaimed land is free of health and safety hazards to the local population and is returned to productive use.

The total magnitude of the abandoned mine problem is difficult to assess, but the Office of Surface Mining (OSM) has developed a national inventory that contains information on over 19,000 problem areas associated with abandoned mine lands, mostly coal. Coal mining disturbed more than one million acres of land prior to 1977. Environmental problems include water pollution, open portals and pits, land stripped of natural vegetation, and refuse piles. Through reclamation, our land and water resources are improved for beneficial uses such as agriculture, wildlife habitat, or development. Mine site cleanups not only improve our environment but also safeguard people and property. OSM administers the

Abandoned Mine Land Fund by collecting fees on each ton of coal produced.

OSM, through its State partners, is making steady progress in reclaiming degraded land and exceeded this year's reclamation target of 6,900 acres. The target for next year will remain 6,900 because of the anomaly in 2008 results due to a particular State's focus on water line replacements that will not continue. However, long-term performance is expected to increase dramatically to reflect the increase in mandatory funding provided to States by law under the 2006 SMCRA Amendments.

Programs Supporting This Measure

OSM State Managed Abandoned Coal Mine Reclamation





Reforestation of Mined Lands

Most of the land mined for coal within the eastern United States and Pacific Northwest was once forested. The coal fields of the eastern United States lie within the largest and oldest deciduous forests on Earth. Increases in surface coal mining have led to substantial forest fragmentation, loss of wildlife habitat, and increased flooding due to higher peak runoff from reclaimed areas. OSM, in cooperation with several States, initiated the Appalachian Regional Reforestation Initiative (ARRI). ARRI is a team of State, Federal, and university employees that have partnered together to plant more high-value hardwood trees on reclaimed coal mined lands in Appalachia. Land reclamation over the past 30 years has emphasized creating smoothly graded slopes with heavy ground cover to protect against erosion. Reestablishing trees had little success. Through ARRI, OSM promotes reforestation of mined land using the scientific 5-step Forestry Reclamation Approach.

Sixteen Arbor Day events were held in 2008 and 28,000 trees were planted by 750 students. The benefits of reforestation are substantial: trees minimize soil erosion, remove carbon dioxide from the air, provide wildlife habitat and diverse plant species, and help conserve water resources.



Before

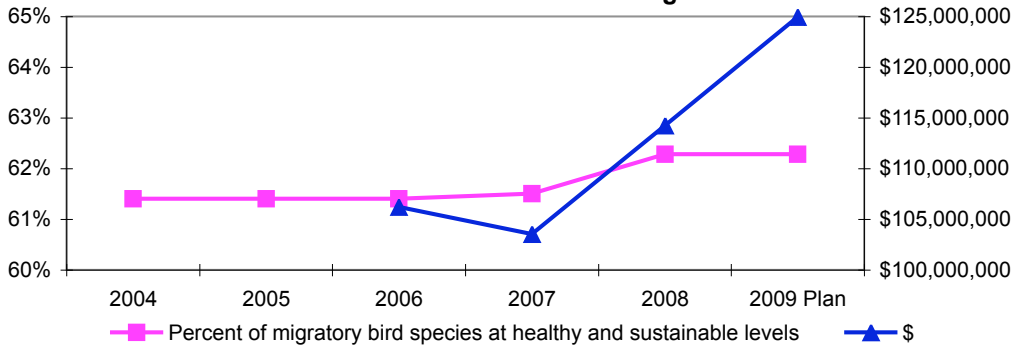


After

Before and after planting 1,000 backcross American chestnut seedlings and 1,000 American chestnut seeds in Ohio.

Percent of all migratory bird species that are at healthy and sustainable levels

FIGURE 1-12
Performance vs. Funding



ID #1491	2004	2005	2006	2007	2008	2009 Plan
Target				62%	62%	62%
Performance	61%	61%	61%	62%	62%	
Number at healthy and sustainable levels	561	561	561	561	568	568
Number of species	913	913	913	912	912	912
\$	Not Available		106,199,619	103,520,674	114,226,169	124,936,776

Snapshot: Performance improved with seven more species brought to healthy and sustainable levels in FY 2008.

Bottom Line: Performance is steady at 62 percent while funding is rising. The potentially beneficial effects of increased funding will not be realized for several years.

Status: Challenged Performance, due to uncertainties about the effects that increased funding will have on program performance, as large, unanticipated changes to the natural environment can play a significant role in achieving success.

Public Benefit: Long-term conservation of migrating birds allows the public to study, use, and continue to enjoy them. Birds are also a valuable part of a healthy environment, which benefits everyone.

The Fish and Wildlife Service is the lead Federal agency for migratory bird conservation. In FY 2008, about 568 species out of 912 were at healthy and sustainable levels. Vital for understanding and addressing species conservation needs are reliable information on population size, distribution during breeding and nonbreeding periods, habitat requirements, survival rates and reproductive success. As with the DOI Threatened and Endangered Species measure, many years are required to make a measurable difference in population levels, which is why achieving success

on seven species in 2008 is considered a substantial accomplishment.

The Migratory Bird Management Program aims to remove or reduce harmful threats to birds and to also develop focused management action plans that will accomplish the Service’s conservation mission. Between 2006 and 2008, conservation action plans were completed on eight focal species. The plans identify threats to a species, high priority conservations needs, limiting factors, partners, and projected implementation costs.

Support for this program also comes in the form of the 96-million acre network that makes up the National Wildlife Refuge System—providing



Programs Supporting This Measure

FWS	Migratory Bird Management
FWS	National Wildlife Refuge System
FWS	Habitat Conservation

Tracking Timberdoodles

Woodcock management relies on reliable annual population estimates, but woodcock are tough to find and count because of their coloration, small size, and preference for areas with dense vegetation. However, they're easy to hear. The American Woodcock Singing Ground Survey (SGS), initiated in 1968, was developed to track these reclusive birds.

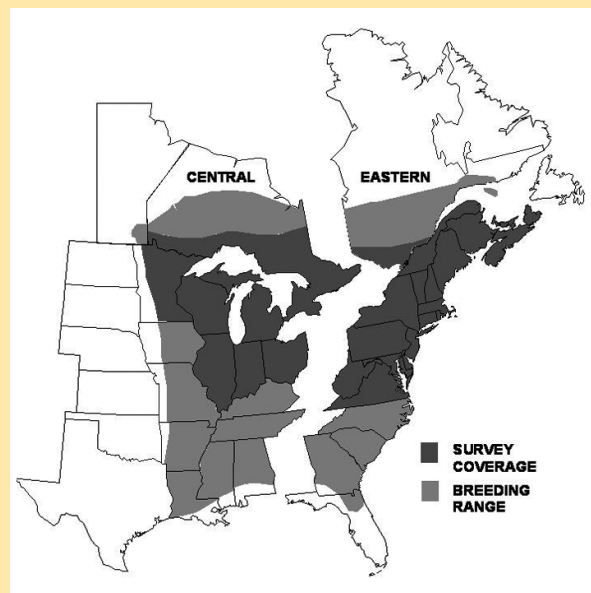
Woodcock, also called timberdoodles, mud-suckers and mud bats, are best known for their spectacular spring courtship flights at dusk. Sitting in his territory—his singing ground—the male sings a nasal “peent” every five seconds. After about 20 peents, he bursts into flight, spiraling high into the sky. He sings to waiting females, returning to the same spot after each flight, and repeats this several times.

In late April and early May, during mating season, observers drive along randomly chosen roadside routes in the central and northern portion of the breeding range and record the number of woodcocks heard peenting. The SGS consists of about 1,500 routes, each with 10 designated listening points, along 4 miles.

Woodcock populations have been in decline over the past 40 years. Most experts attribute the decline to habitat loss. Historical population levels, as derived from the SGS, form the basis of the American Woodcock Conservation Plan. The conservation plan goals are to halt woodcock decline by 2012 and achieve positive population growth by 2022. Woodcock populations have generally stabilized in most areas over the past 10 years, which coincides with the implementation of more conservative hunting seasons. The woodcock is an example of how long it takes to reverse a species in decline.



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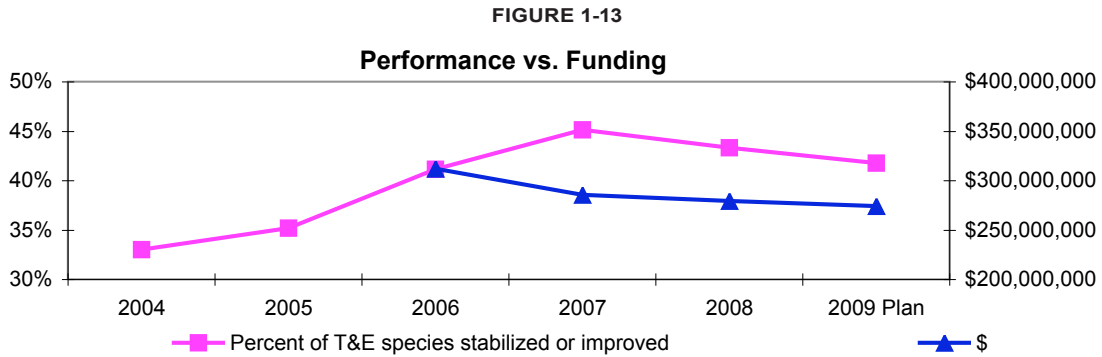


critical habitat for migratory birds. The System's wetland habitats are essential to the survival of waterfowl and other migratory bird populations.

Looking ahead to 2009, the Service will continue to implement the President's Migratory Bird Initiative.

The program has targeted almost 30 additional focal species for which it intends to complete action plans by the end of FY 2009. The refuge system will restore about 200,000 acres to benefit migratory birds and other species.

Percent of threatened or endangered species that are stabilized or improved



ID #1695	2004	2005	2006	2007	2008	2009 Plan
Target				47%	42%	42%
Performance	33%	35%	41%	45%	43%	
Species stabilized/improved	413	442	522	573	549	529
Number of species	1,252	1,256	1,269	1,269	1,267	1,267
\$	Not Available		312,030,262	285,255,306	279,195,713	274,056,314

Snapshot: Performance has been increasing generally with a peak in 2007, while funding being spent decreased.

Bottom Line: Restoring a species to the point that it is removed from the threatened and/or endangered list takes time, as typically a species is found throughout a large portion of the country. Successes are considered significant, such as the bald eagle in FY 2007 and the brown pelican this year. The application of people and effort is only part of the solution, while the availability of habitat, natural conditions, and time to reestablish a breeding population through several generations are essential elements not directly under the control of the program.

Status: Challenged Performance, due to the time it takes for corrective actions to be implemented and take effect.

Public Benefit: The Department is charged with protecting thousands of native plant and animal species, including more than 1,000 with special status under the ESA 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.

Reducing the number of plants and animals on the Endangered Species list to a point where they are secure, self-sustaining components of their ecosystem is a challenging task. Reversing declines, stabilizing populations, and achieving recovery goals requires coordinated actions from many partners over a lengthy period. While the funding presented covers only the FWS program, ultimate success for a species involves the efforts of many beyond the FWS and the other DOI bureaus. Of the species that are listed, FWS has

recovery plans for 80 percent of them, a significant step toward Interior’s goal of Sustaining Biological Communities.

FY 2008 performance was slightly better than predicted primarily because of recent relief from the drought in the southeastern United States. For that reason, the current target for FY 2009 will be reevaluated to determine whether it should be revised.

Following delisting of the bald eagle and Idaho spring snail in 2007, this year Interior delisted the brown pelican, a species that underwent a remarkable



Programs Supporting This Measure

- FWS Endangered Species
- FWS National Wildlife Refuge System
- FWS Habitat Conservation



A Wonderful Bird is the Pelican...

Initially, efforts to protect the brown pelican led to the birth of the National Wildlife Refuge System more than a century ago in central Florida, when a German immigrant, Paul Kroegel, was appalled by the indiscriminate slaughter of pelicans for their feathers for use in women's fashion, especially hats. He convinced President Theodore Roosevelt to sign an Executive Order protecting the birds on Pelican Island in 1903—the first unit of what eventually became the National Wildlife Refuge System.

The pelican's recovery is due in large measure to the Federal ban on the general use of the pesticide DDT in 1971, after former FWS biologist Rachel Carson published *Silent Spring*. When pelicans ate fish

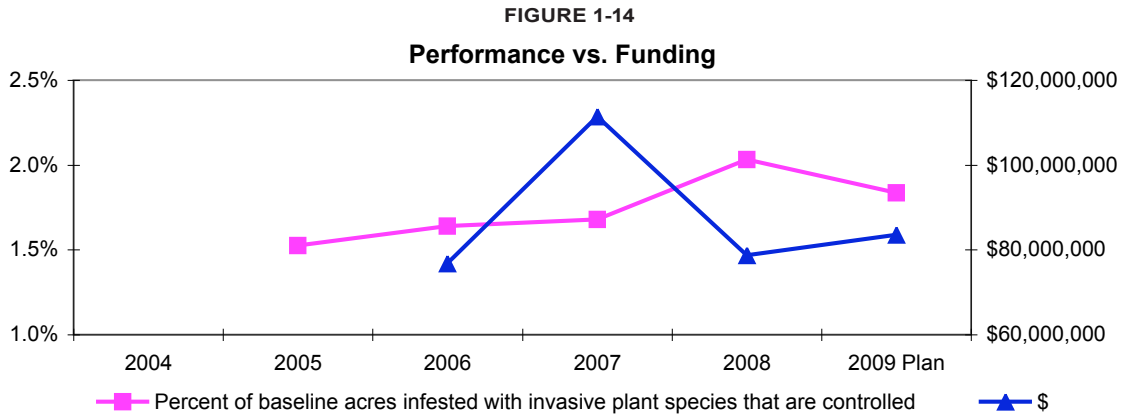
contaminated with DDT, the eggs they laid had shells so thin that they broke during incubation. The population plummeted due to lack of breeding success.

Louisiana, long known as the Pelican State, has been a key partner with FWS in efforts to recover the pelican in the Gulf Coast region. A restoration project was started in 1968 when 1,276 young pelicans were captured at sites in Florida and released at three sites in Louisiana during the 13 years of the project. The extraordinary efforts of State wildlife agencies in Florida, Texas, and Louisiana, partnering with FWS, accelerated the pace of recovery by protecting nest sites during the breeding season. FWS now estimates the global population at 650,000 brown pelicans.

recovery from the brink of extinction. FWS prepared a draft Endangered Species Strategic Plan that is scheduled for implementation in FY 2009. The Plan is a pivotal management tool for recovering and conserving imperiled species. This new plan

provides for partnering with private landowners, States, and tribes to expand collaborative conservation efforts, that reach beyond the borders of DOI lands and ask for more citizen action to meet the increased need for help.

Percent of baseline acres infested with invasive plant species that are controlled



ID #444	2004	2005	2006	2007	2008	2009 Plan
Target				1.53%	1.57%	1.83%
Performance		1.53%	1.64%	1.68%	2.03%	
Acres controlled	No Report	615,991	667,640	633,208	791,667	714,510
Baseline acres infested		40,364,819	40,725,678	37,717,610	38,943,435	38,942,918
\$		Not Available	76,723,551	111,398,575	78,705,926	83,577,859

Snapshot: Performance increased by almost 160,000 acres under control. It is not clear that added funding is the solution to the seriousness of the problem.

Bottom Line: While 160,000 acres is a sizeable area, it is only a tiny fraction of the almost 40 million infested acres. The robust nature of invasives and their ability to spread rapidly present a challenging situation, especially with a constant level of people working to combat this threat. This is an area that needs serious strategic reconsideration.

Status: Positive Performance.

Public Benefit: Invasive plants can spread into and dominate native plant systems and disrupt the ability of the system to function normally. They choke waterways, modify soil chemistry, degrade wildlife habitats, and invade grazing lands. Controlling infested acreage is critical to land and water productivity and health.

Invasives introduced into the United States from around the globe are affecting plant and animal communities on our farms, ranches, and coasts; and in our parks, waters, forests, and backyards. Human activity such as trade, travel, and tourism have all increased substantially, increasing the speed and volume of species movement to unprecedented levels. Eradication of widespread

invasive plants may not be feasible according to the National Invasive Species Council (NISC).

In FY 2008, a rundown of bureau efforts shows BLM, with by far the largest amount of land infested at 35 million acres, brought 1.25 percent, or 436,698 acres under control. The FWS refuge system controlled 341,467 infested acres out of a total 2.3 million acres, or about 15 percent. Reclamation, with about 6,700 infested acres, has a total of 95.5 percent of total acreage under control. NPS performance brought approximately 7,000 acres out of 1.6 million under control. Each bureau spends different amounts for

Programs Supporting This Measure

- BLM Wildlife Habitat Restoration
- BLM Resource Management
- NPS Natural Resource Stewardship
- FWS National Wildlife Refuge System
- BOR Water Management & Environmental Mitigation



Dunes Restored

Humboldt Bay National Wildlife Refuge in California is in the midst of a 5-year, \$600,000 restoration of the Ma-le'l Dunes Unit. The restoration expands work already carried out at the adjacent Lanphere Dunes Unit—recognized as the most pristine dune ecosystem in the Pacific Northwest.

The key ingredients needed to build a dune system include a source of sand, a shoreline perpendicular to the prevailing winds and a low landscape over which dunes can migrate. In addition, plant species that are adapted to survive the drying winds and shifting sands are needed to help shape and build the dunes. Stretching along a thin 34-mile section of coast, this unique and vulnerable area encompasses a variety of wildlife habitats and is home to two endangered plant species, the Humboldt Bay wallflower and the beach layia.

The work is funded by a FWS Challenge Cost Share grants with the California Department of Corrections. At Ma-le'l Dunes, refuge staff has manually removed invasive European beachgrass, iceplant and yellow bush lupine. The invasives inhibit sand movement and upset the ecological balance. The California Department of Forestry and Fire Protection



Before



After

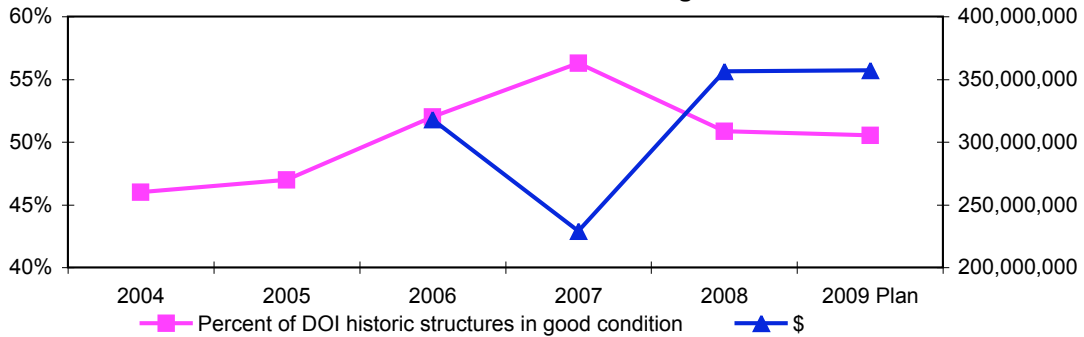
prison crews, California Conservation Corps, and volunteers are providing labor. Restoring these acres to desired condition better preserves the dunes, as well as the two endangered plant species, and the habitat of a small shorebird listed as threatened—the snowy plover.

treatment depending on where the land is located, its condition, and what species are impacted by treatments. Land located in one of our national parks might require alternative treatments and cost more per acre compared to the open spaces of BLM-managed land.

Strategies for Interior's treatment of invasive plants could change with the efforts coordinated through NISC's new 2008–2012 National Invasive Species Management Plan. Under this Plan, control and management efforts will be evaluated. At this point, the added attention to evaluation is needed to determine treatment success.

Percent of all historic structures on DOI inventory in good condition

FIGURE 1-15
Performance vs. Funding



ID #1496	2004	2005	2006	2007	2008	2009 Plan
Target				46%	50%	51%
Performance	46%	47%	52%	56%	51%	
Structures in good condition	12,102	12,660	13,788	15,043	15,555	15,463
Structures on DOI inventory	26,585	26,879	26,630	26,731	30,586	30,604
\$	Not Available		318,018,235	229,169,045	356,208,109	357,230,747

Snapshot: Performance was lower in FY 2008 than in FY 2007. While funding had decreased through 2007, additional funding was provided to NPS for historic structures in 2008.

Bottom Line: While the number of structures in good condition has increased, the overall percentage has decreased as more structures continue to be assessed and added to the inventory. Performance is expected to start increasing once the inventories at BLM and IA are completed.

Status: Challenged Performance, due to lack of a complete inventory of structure conditions and competing bureau priorities.

Public Benefit: Interior conserves the Nation’s cultural and heritage sites that reflect a past as rich and diverse as our country. DOI safeguards our heritage for the generations that follow, to better understand our country and learn from our past.

Interior maintains over 30,000 historic structures among four bureaus—NPS, BLM, FWS and BIA. Overall aggregate performance has decreased from last year. Deterioration over time lowers the status of these sites. The drop in performance in 2008 is due to adding about 4,000 units to the inventory while less than 300 of those were rated in good condition. Good condition means that a site is intact, structurally sound, stable, and maintains its character and material. Each site must be assessed before its condition can be documented.

The largest proportion of sites is found in our national parks, where, in FY 2008, 15,176 of the 27,865 historic structures were in good condition. The National Park Service Centennial Challenge Initiative, begun in FY 2008, will continue to fund preparation for the 100th anniversary of NPS in 2016.

BLM has begun to compile a database of historic structures. The FY 2008 compilation of 362 structures shows 182 in good condition, a slight increase over 2007. The rate of performance can be attributed to the amount of work necessary to restore recent additions to the list—more time and effort is required for the structures in poorer condition.

Programs Supporting This Measure

- NPS Cultural Resource Stewardship
- FWS National Wildlife Refuge System
- BLM Resource Management
- BIA Trust-Real Estate Services



Restoration of Old State House

The Old State House was the center of Boston's civic life in the 18th century and the scene of some of the most dramatic chapters leading up to the American Revolution. Within these walls, Samuel Adams, James Otis, John Hancock, and John Adams debated the future of the British colonies. Just outside the building, five men were among the first casualties of the battle for independence, in what would later be known as the Boston Massacre. The Declaration of Independence was proclaimed from the balcony to the citizens of Boston in 1776. After the American Revolution, the building served as the first statehouse for the newly formed Commonwealth of Massachusetts.

During the initial restoration phase, the wood tower was completely rebuilt and restored, and the dome and weathervane were regilded, restoring them to their 18th-century splendor. More funds have been awarded in Centennial Initiative funding to begin an additional project to repair windows and finish sealing the building against water penetration, correct the humidity problem with a redesigned heating, ventilating, and air conditioning (HVAC) system, and complete handicap accessibility.



Old State House, Boston, Massachusetts

History was made here, and preserving this landmark is part of the Department's mission to preserve our cultural heritage.

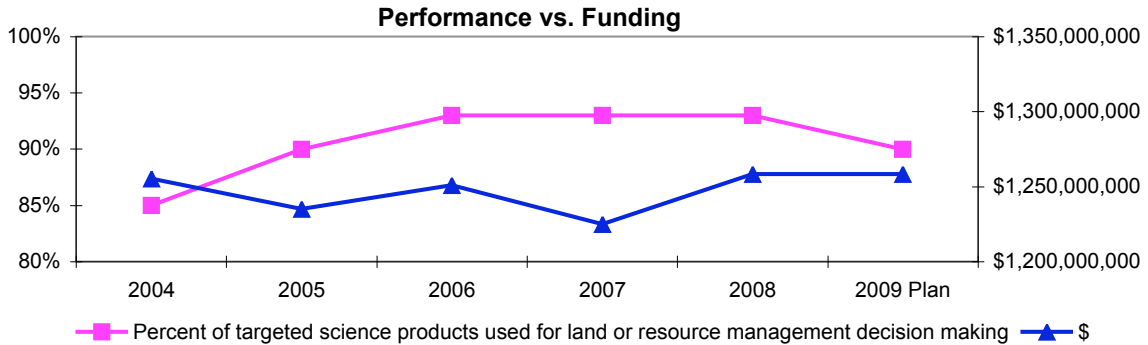
FWS reports 2,219 historical structures are located on refuges. Performance was minimal, with 134 structures in good condition, in that FWS' first priority is always directed toward conserving fish and wildlife.

IA remains unable to report the condition of most of its historic structures at this time. Contracts, however, are underway in 3 of its 12 administrative regions to identify and evaluate which of its

approximately 1,000 candidate structures are considered historic. Fifty years or older is the mark for consideration according to the National Historic Preservation Act. A similar contract for a fourth region, with approximately 340 potentially historic structures, is expected to begin in FY 2009. In-house personnel are working on identifying which of 255 potentially historic structures distributed among the remaining eight regions qualify as historic.

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

FIGURE 1-16



ID #1508	2004	2005	2006	2007	2008	2009 Plan
Target				90%	90%	90%
Performance	85%	90%	93%	93%	93%	
\$	1,255,351,787	1,235,042,130	1,251,015,129	1,224,776,955	1,258,289,675	1,258,289,675

Snapshot: Performance continues to be in the 90th percentile. Total costs are dependent on the number and scope of the studies undertaken by USGS in any given year.

Bottom Line: Performance is consistently high and is tracked by surveys of customers and partners. Funding remains at a fairly constant level with a recent increase in 2008-2009. Efficiencies have been incorporated through recent advances in research and computer technology, and through streamlining analyses.

Status: Sustained Performance.

Public Benefit: USGS data contributes to sound land and resource decisionmaking, as well as understanding, modeling, and predicting how multiple forces affect natural systems. USGS expertise is instrumental to ensure the sustainability of wildlife and habitats in energy development areas.

USGS provides its findings to other DOI and Government agencies to help in their natural resource planning and decisionmaking. Most recently USGS has increased its focus on the HLI to address the challenge of conserving the Nation's most at-risk natural resources in light of explosive population growth and significant increases in energy development on public land in the West.

Starting in 2007, USGS redirected funding to support the Initiative with a focus on Green River Basin in Wyoming, one of the areas with the largest onshore natural gas reserves in the country. USGS, BLM, and FWS, joined forces to tackle the issues at this complex wildlife-energy interface using a science-driven approach.

USGS brought its portfolio of science expertise to help decisionmakers build and implement adaptive management solutions. New funds received in 2008 accelerated completion of two new systematic analyses to evaluate treatment for sage habitats and develop options for the benefit of the sage grouse. Completion of ecological assessment in future years will provide the information and knowledge to ensure the

Programs Supporting This Measure

- USGS Geographic Research & Remote Sensing
- USGS Water Information Collection & Dissemination
- USGS Biological Information
- USGS Water Resource Research
- USGS Coastal & Marine Geology
- USGS National Cooperative Mapping Program
- USGS Biological Research & Monitoring



Polar Bear Survival

With changes in sea ice recently observed in Alaska, many are concerned that U.S. polar bear populations will be adversely affected. USGS scientists have already documented one change in polar bear behavior—a shift in maternal dens from pack ice to land.

The USGS assembled an international team of scientists who produced nine technical reports within six months to help inform the Secretary’s decision as to whether to list the polar bear as a threatened or endangered species. The USGS is continuing its long-term studies of polar bears to evaluate and test the models it developed in the nine reports. This work is critical as seasonal sea ice continues to recede at unprecedented rates in the Arctic. Polar bears are now listed as threatened based on the best available science, which shows that loss of sea ice threatens, and will likely continue to threaten, polar bear habitat.

The studies project a decline in polar bear populations throughout their range during the 21st century; however,



the severity of the decline will depend on local sea ice conditions. In areas like Alaska, where sea ice recedes far north of the continental shelf each summer and fall, survival will be particularly challenging. Polar bears are predicted to prosper better in areas of northern Canada and Greenland where sea ice is expected to be more stable.

long-term viability and sustainability of wildlife and habitats in energy development areas.

In FY 2008, USGS inventoried species and habitats, monitored and assessed water resources, integrated

energy resources and habitat data, and provided a robust data inventory and models to inform land-use decisions for southwest Wyoming, which can then be transferred to other HLI areas in FY 2009.

Mission Area Two

Resource Use

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 nonenergy mineral deposits.

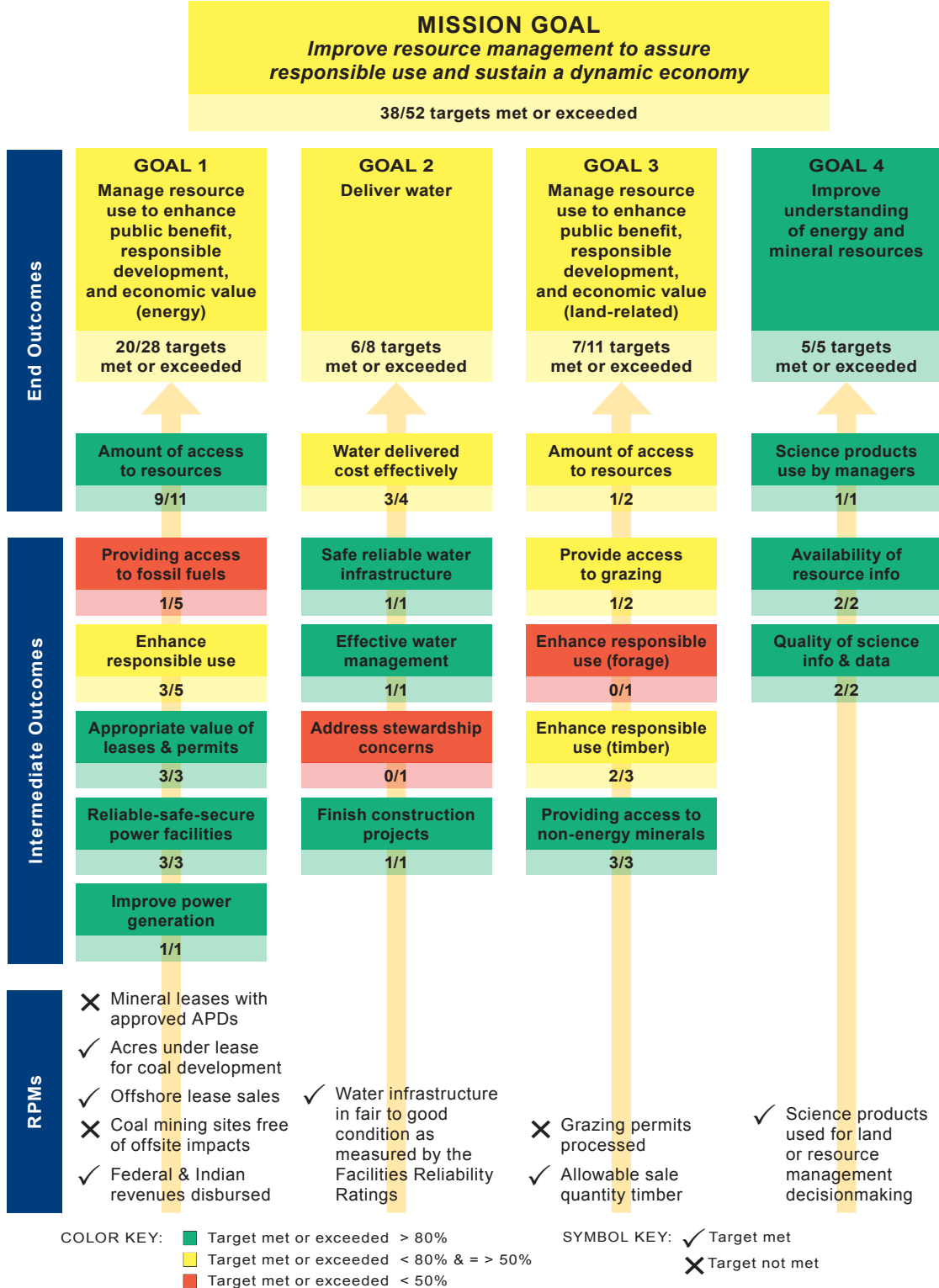
The quality of life that Americans enjoy today depends largely upon a stable and abundant supply of affordable energy. Energy heats and cools our homes. It fuels our ambulances, fire trucks, ships, and airplanes. It powers the companies that create jobs and the agricultural economy that feed our Nation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

The Minerals Management Service (MMS) issues offshore leases to oil and gas companies for prospective development. The Bureau of Land Management (BLM) leases land that potentially holds coal, oil or gas onshore. Interior manages land and water that produces 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 (BOR), 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 million megawatt hours of hydroelectricity, enough to meet the needs of over 5 million households. Reclamation is also the largest wholesaler of water in the country. BOR brings water to more than 31 million people and provides 1 out of 5 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.

FIGURE 1-17

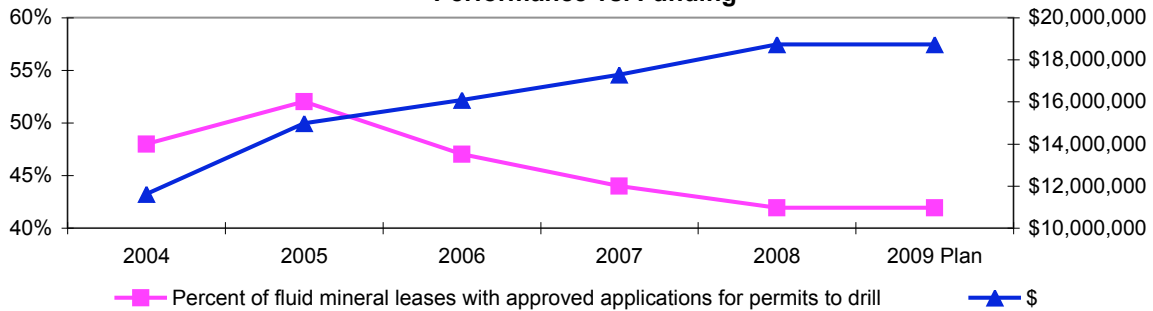
RESOURCE USE

How we manage our natural resources now directly affects the availability of those resources in the future. Interior manages America's natural resources through promoting responsible development and use of energy, grazing land, forest products, and nonenergy mineral deposits.



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

FIGURE 1-18
Performance vs. Funding



ID #1509	2004	2005	2006	2007	2008	2009 Plan
Target				47%	44%	42%
Performance	48%	52%	47%	44%	42%	
Leases in producing status	21,889	23,511	22,859	21,612	23,289	23,289
Leases in effect	45,836	45,479	48,423	49,152	55,546	55,546
\$	11,613,771	14,965,737	16,084,959	17,275,476	18,737,261	18,737,261

APDs	2004	2005	2006	2007	2008	2009 Plan
APDs submitted	6,979	8,351	10,492	8,370	7,884	7,785
APDs processed*	7,351	7,736	8,854	8,964	7,846	8,319

* Includes pending APDs

Snapshot: Though the number of fluid mineral leases with approved Permits to Drill increased by 1,677 from 2007, overall performance declined to 42 percent due to a rise in the denominator with a higher than anticipated number of leases. Funding spent for the APD process increased slightly over FY 2007.

Bottom Line: The BLM delayed processing a large group of APD’s while conducting a large-scale development impact analysis on sage grouse and elk habitats. Also, industry submitted fewer applications in 2008 and was slower to submit information required to process APDs, thus slowing down the approval process. The application process is customer driven.

Status: Challenged Performance, due to rising funding and declining performance.

Public Benefit: Responsible access to fluid mineral resources on Federal lands helps to provide energy independence through long-term availability of the resource, while minimizing environmental impact.

The Department of the Interior’s (DOI) role in the United States energy arena is not oil or gas production, but providing access to these energy resources located on Federal land. The oil and gas industry nominates onshore mineral estate acreage to be leased in blocks for a period of 10 years. The BLM offers these parcels competitively for oil and gas leasing. Once a parcel is leased, an approved

APD is required to drill a well. The ultimate exercise of the APD is dependent on the oil/gas company’s decision to drill, primarily based on economic feasibility.

The table above shows the total number of leases in effect for FY 2008 has increased from 2007 by 6,394 leases and those leases in producing status have also increased by 1,677 from last year. A single lease may have one to 1,000 APDs approved, but is counted only once. BLM processed 7,846 APDs in FY 2008.



Programs Supporting This Measure

BLM	Energy & Minerals Management
BLM	Realty & Ownership Management
BLM	Land Use Planning

Environmentally-Friendly Wooden Roads

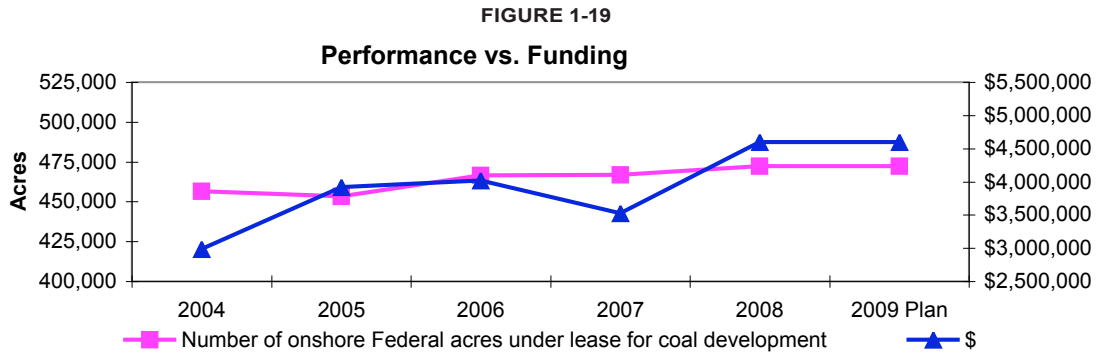
In the Jonah Field of Wyoming, operators lay down temporary wooden oak mats on well sites and access routes instead of stripping off native vegetation and topsoil to build permanent roads and well pads. This practice protects the ground, reduces erosion, and reduces the loss of wildlife habitat. The native vegetation root systems remain intact and recover much quicker compared to conventional methods of revegetation. In some cases, pretreatment takes place before laying the mats. Fertilizer, water, seed, or aeration may be used to augment vegetation after the mats are removed.

A typical 2.5-acre well pad requires about 1,000 mats. The mats are 8x14 feet and weigh 2,500 pounds each. The cost of protecting the environment is not cheap. Each mat costs about \$500; however, they can be reused.



Oak mats providing access in winter

Number of onshore Federal acres under lease for coal development



ID #1510	2004	2005	2006	2007	2008	2009 Plan
Target				464,500	467,234	472,337
Performance	456,578	453,442	466,652	466,943	472,337	
\$	2,982,176	3,921,020	4,019,503	3,522,116	4,595,031	4,595,031

Snapshot: Performance has increased slightly, in conjunction with an increase in funding.

Bottom Line: Performance increased by 1 percent, resulting in an additional 5,394 acres under lease for coal development. The leasing program is implemented in a manner that ensures responsible use.

Status: Sustained Performance.

Public Benefit: Public lands produce 42 percent of our Nation’s coal. Interior contributes to U.S. energy independence by managing dependable, affordable, and environmentally sound commercial energy development.

The BLM’s Coal Management Program issues authorizations which allow lessees to extract coal from Federal lands while meeting environmental and safety standards.

BLM has implemented new Lease by Application processing procedures, which should speed up lease processing in the Powder River Basin, located

in Montana and Wyoming, where nearly 88 percent of Federal coal is produced. BLM is also developing a process to approve multiple leases at the same time. The new process will be ready to implement in 2012. Over the last 14 fiscal years, there has been an increasing share of the Nation’s coal production from Federal leases.

Programs Supporting This Measure

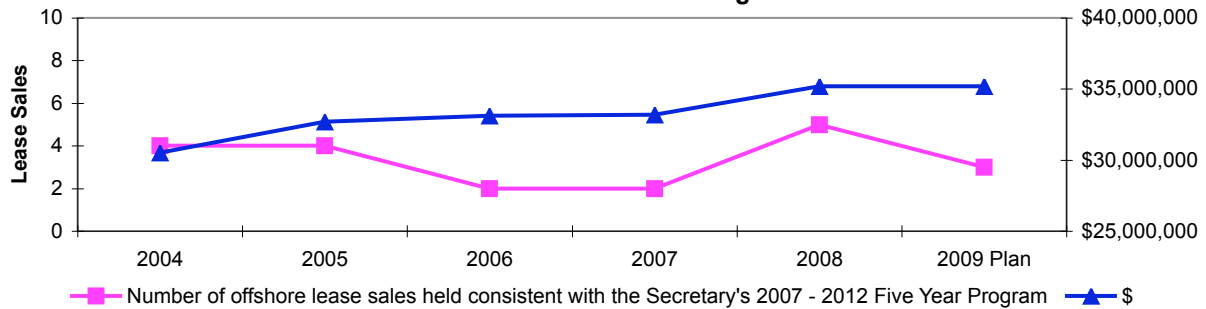
- BLM Energy & Minerals Management
- BLM Realty & Ownership Management
- BLM Land Use Planning



Number of offshore lease sales held consistent with the Secretary's 2007–2012 Five-Year Program

FIGURE 1-20

Performance vs. Funding



ID #1588	2004	2005	2006	2007	2008	2009 Plan
Target				2	5	3
Performance	4	4	2	2	5	
\$	30,500,000	32,700,000	33,100,000	33,200,000	35,200,000	35,200,000

Snapshot: Performance is progressing as planned in the Secretary's 5-Year Offshore Oil and Gas Leasing Program. Funding rose the past few years to support the environmental studies and analyses, resource assessments and leasing consultations necessary to provide access to frontier leasing areas.

Bottom Line: The annual lease sales will proceed as planned to meet national energy needs through 2012. As new areas in the Outer Continental Shelf (OCS) are opened up for leasing consideration, increased funding is required to conduct analyses, some in areas where no concerted oil and gas related data gathering has occurred in over 15–20 years.

Status: Found demonstrated process efficiencies.

Public Benefit: Lease sales provide access to oil and natural gas in an environmentally responsible way and contribute to America's goal of energy security.

As required by law, MMS provides an orderly and predictable schedule of lease sales by competitive bid through the 5-Year Offshore Leasing Program. The program makes promising offshore areas available to industry for leasing, exploration and potential development. It is estimated that the OCS contains about 60 percent of the oil and 40 percent of the natural gas that could potentially be produced in the U.S.

The current program, from 2007 to 2012, provides access to about 181 million acres of the 1.76 billion acres that make up the OCS. Leasing as a result of these sales could result in production of 10 billion barrels of oil and 45 trillion cubic feet of natural gas over 40 years. Offshore leases are issued with 5 to 10 year terms to allow adequate time for the extensive permitting, geological



and geophysical exploration and analysis, arranging for financing, exploratory drilling, and construction of infrastructure necessary to begin production. Production could take another five years or more after a discovery. The five sales held in 2008 resulted in the leasing of approximately 11.7 million acres.

The costs associated with holding lease sales are incurred over multiple years. Planning activities span multiple years, and requirements can vary, based on many factors, particularly the leasing maturity of the sale location. Between FY 2006 and FY 2008, the number of sales actively being

Programs Supporting This Measure

- MMS Outer Continental Shelf Minerals Evaluation & Leasing
- MMS OCS Environmental Studies

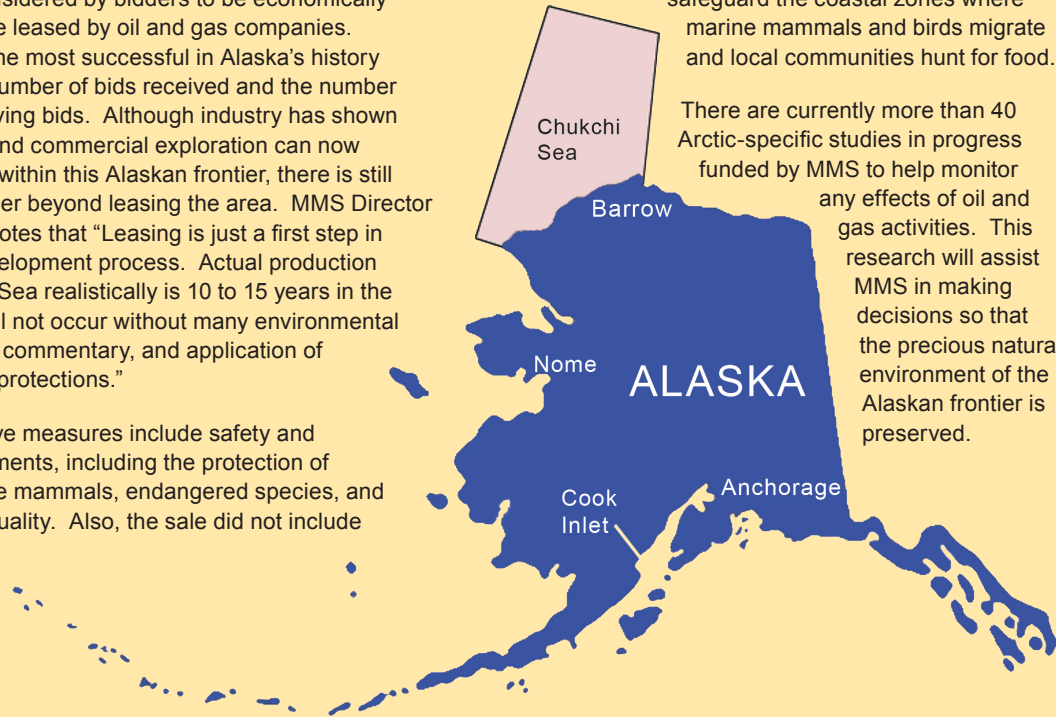
Uncovering Possibilities in the Chukchi Sea

The Chukchi sale, held in February 2008, offered 29.4 million acres for lease, of which approximately 2.8 million acres were considered by bidders to be economically viable and were leased by oil and gas companies. The sale was the most successful in Alaska's history based on the number of bids received and the number of blocks receiving bids. Although industry has shown great interest and commercial exploration can now officially begin within this Alaskan frontier, there is still much to consider beyond leasing the area. MMS Director Randall Luthi notes that "Leasing is just a first step in the energy development process. Actual production in the Chukchi Sea realistically is 10 to 15 years in the future—and will not occur without many environmental reviews, public commentary, and application of environmental protections."

Those protective measures include safety and drilling requirements, including the protection of Alaska's marine mammals, endangered species, and air and water quality. Also, the sale did not include

nearshore coastal waters, and leased areas ranged from 25 to 50 miles from the coast. Excluding those areas will safeguard the coastal zones where marine mammals and birds migrate and local communities hunt for food.

There are currently more than 40 Arctic-specific studies in progress funded by MMS to help monitor any effects of oil and gas activities. This research will assist MMS in making decisions so that the precious natural environment of the Alaskan frontier is preserved.



A version of this map first appeared in MMS Ocean Science, Volume 5 Issue 1, and is reprinted with permission of the U.S. Department of the Interior's Minerals Management Service.

planned increased from 5 to 8 sales and the number of leases issued nearly doubled with no growth in the Offshore Program staff. MMS efficiently prioritized its work to accommodate the additional workload. In addition, MMS was able to reduce the average annual cost of pre-sale analysis (excluding environmental studies) and conduct-of-sale activities by 25 percent, freeing up funding for the additional workload.

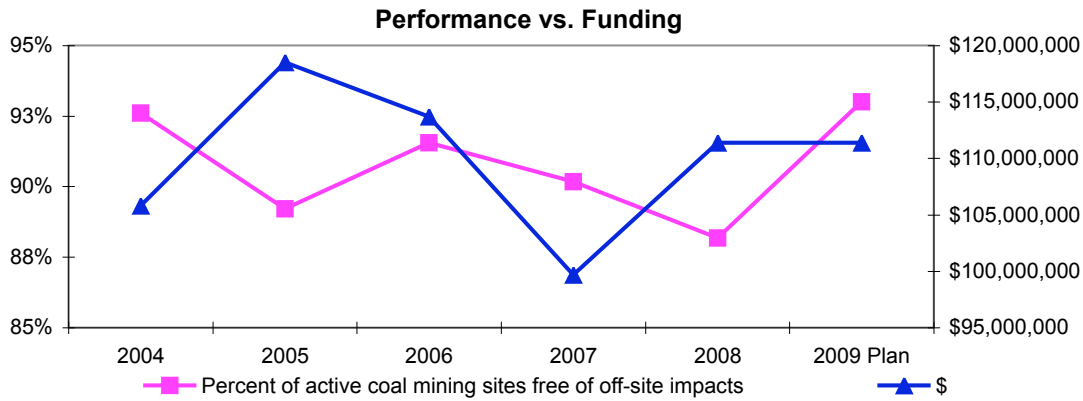
Secretary Kempthorne, in response to the President removing the executive withdrawal and the dramatic change in the Nation's energy situation, initiated development of a new leasing program 2 years

ahead of schedule to give the next administration additional options for expanding energy production.

The new 5-year plan will consider areas that are now open for development that were previously unavailable due to congressional moratoria and Presidential withdrawal. On July 14, 2008, the President removed the executive withdrawal, and on July 28, 2008, the President transmitted a budget amendment removing OCS areas previously withdrawn from oil and gas exploration. However, some areas of the Eastern Gulf of Mexico are off limits to development pursuant to the Gulf of Mexico Energy Security Act of 2006.

Percent of active coal mining sites that are free of off-site impacts

FIGURE 1-21



ID #455	2004	2005	2006	2007	2008	2009 Plan
Target				93%	93%	93%
Performance	93%	89%	92%	90%	88%	
Sites free of off-site impacts	6,364	7,436	7,454	7,103	6,864	7,239
Total number of mining sites	6,872	8,335	8,142	7,877	7,784	7,784
\$	105,813,000	118,487,000	113,684,000	99,688,551	111,388,487	111,388,487

Snapshot: Performance shows a slight decrease to 88 percent from last year's 90 percent of sites free of off-site impacts. Funding started to increase in 2008 as more funds became available to support State regulatory grants and increases in operations.

Bottom Line: FY 2008 performance at 88 percent translates to 6,864 sites out of 7,784 that are free of off-site impacts. The sustained performance is due to improved identification of off-site impact violations through the use of technology to verify permit boundaries, and better documentation of impacts. The above graph shows an approximate 1-year lag between funding and performance.

Status: Sustained Performance.

Public Benefit: Controlling off-site impacts protects both people and the environment.

Off-site impacts are negative effects resulting from surface coal mining activities, such as blasting, water runoff or land stability that affects people, land, water or structures outside the permitted area of mining operations.

OSM oversees implementation of the 1977 SMCRA. There has been a shift in OSM's role from direct enforcement to oversight. OSM works closely with the States and Tribes in administering and maintaining their approved regulatory and reclamation programs. Under this approach, performance agreements are worked out by consensus with each State, and unique State-specific evaluation plans are developed. Current coal mining operations include over

4.4 million acres in 26 States and on the lands of 4 Indian Tribes.

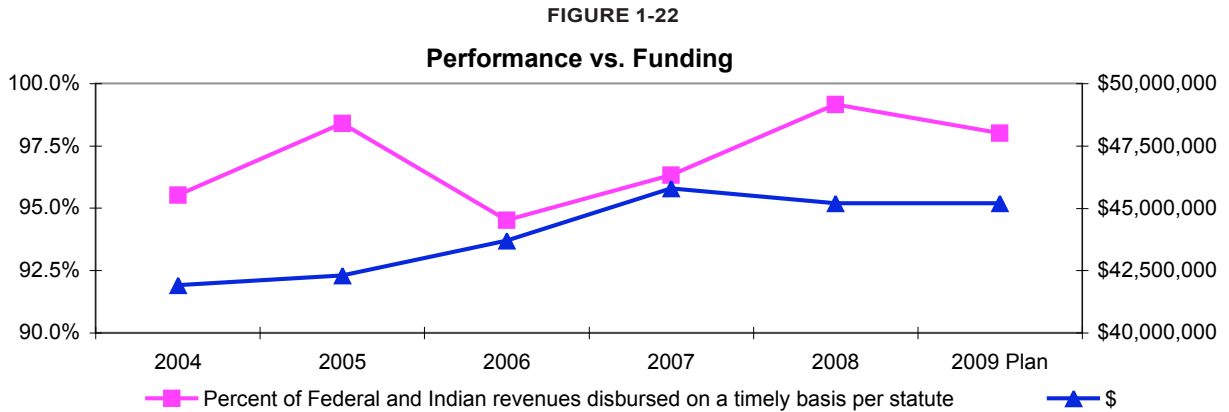
The target for FY09 remains at 93 percent, as increases in partnering between OSM and State agencies, as well as meetings with operators to discuss the nature of violations and actions needed, will reduce the number of off-site impacts in the future. Additionally, OSM anticipates a broader implementation of a pilot program to use Geographic Information System technology to verify permit boundaries and conduct automated field inspections that could result in increased efficiency and may reduce the cost in future years.

Programs Supporting This Measure

- OSM State Regulation of Surface Coal Mining
- OSM Federal Regulation of Surface Coal Mining & Abandoned Mine Reclamation



Percent of Federal and Indian revenues disbursed on a timely basis per statute



ID #493	2004	2005	2006	2007	2008	2009 Plan
Target				97.0%	98.0%	98.0%
Performance	95.5%	98.4%	94.5%	96.3%	99.2%	
Value disbursed on a timely basis	1,344,102,272	1,977,000,000	2,505,305,626	2,250,620,140	2,961,880,300	2,352,000,000
Total value of revenues disbursed	1,407,075,930	2,011,000,000	2,650,350,794	2,336,377,325	2,987,020,560	2,400,000,000
\$	41,900,000	42,300,000	43,700,000	45,800,000	45,200,000	45,200,000

Snapshot: Performance has increased over past years to reach 99 percent in FY 2008. Funding had been increasing, due to a rise in the number of disbursements, but now has leveled out.

Bottom Line: Performance remains in the upper 90th percentile, and is expected to stay at this level due to planned system enhancements.

Status: Sustained Performance.

Public Benefit: Timely distributions of revenue from mineral resources on Federal and Indian lands to the Land and Water Conservation Fund, the Historic Preservation Fund, and the Reclamation Fund help ensure America’s natural resources, landscapes, and rich history are enjoyed by current and future generations. State distributions are used to fund large capital projects, such as schools, roads, and public buildings. Revenues collected from mineral leases on Indian lands work directly to benefit members of the American Indian community.

MMS is in charge of collecting, accounting for, substantiating, and disbursing revenues from mineral production on Federal and Indian lands. The Federal Oil and Gas Royalty Management Act of 1982 requires monthly distribution and disbursement of payments to States and Indian Tribes for their share of mineral leasing revenues. When disbursements are not timely, the MMS must pay late-disbursement interest. This measure includes only the funds that are subject to late disbursement interest.

In FY 2006, Minerals Revenue Management focused on reducing accounts receivable and unapplied payments. Once those payments were cleared, timely disbursements increased in 2007. In FY 2008, MMS began implementation of a 2-year initiative for interactive payment and billing, which allows a more effective matching of payments of the appropriate receivables.

Programs Supporting This Measure

MMS Minerals Revenue Management



Mineral Revenues for Recreation

One of the recipients of revenues received by MMS from oil and gas companies drilling offshore is the Land and Water Conservation Fund (LWCF). MMS transfers nearly \$900 million annually to LWCF, enacted in 1964 to create and maintain a nationwide legacy of high quality recreation areas for the benefit and use of all. The Fund provides opportunities for millions of American families to reconnect with the outdoors by funding Federal land acquisition, State grants and other conservation programs with funds made available through appropriations.

MMS has disbursed \$23.5 billion to the LWCF since 1982. This past year a partial list of the areas managed by Interior's National Park Service that received funding for Federal acquisition includes:

Golden Gate National Recreation Area
California

Mesa Verde National Park
Colorado

Indiana Dunes National Lakeshore
Indiana

Cumberland Gap National Historic Park
Kentucky

Flight 93 National Memorial
Pennsylvania

Chickamauga-Chattanooga National Military Park
Tennessee

Big Thicket National Preserve
Texas

LWCF also provides a funding source for matching grants to help States and local governments acquire, develop, and improve public outdoor recreation areas and facilities. Communities receive funds for projects both large and small.



Mesa Verde NP, CO

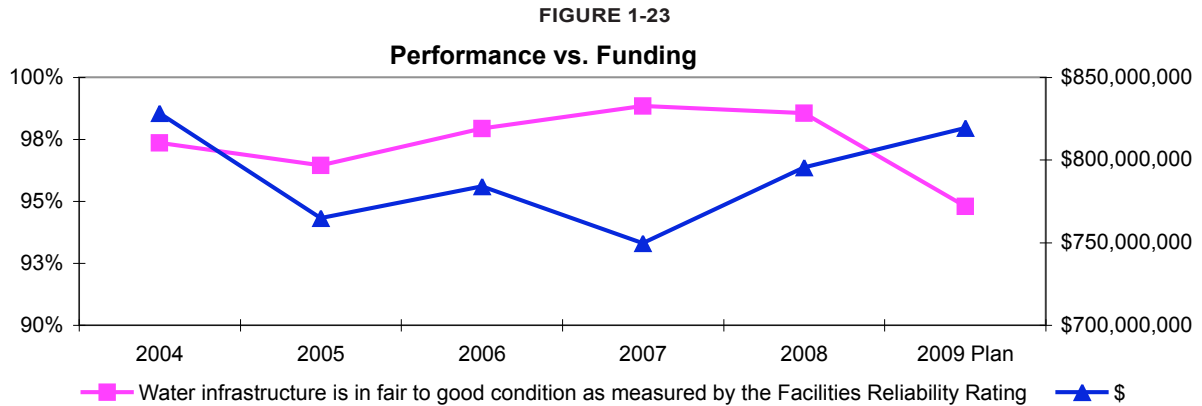


Golden Gate NRA, CA



Big Thicket NP, TX

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



ID #909	2004	2005	2006	2007	2008	2009 Plan
Target		94%	93%	91%	92%	95%
Performance	97%	96%	98%	99%	99%	
Infrastructure in good condition	331	326	333	341	341	328
Total number of dams and facilities	340	338	340	345	346	346
\$	828,165,354	764,708,017	783,874,681	749,680,635	795,417,595	819,280,122

Snapshot: Performance remained constant, while funding increased to help with maintaining the aging infrastructure.

Bottom Line: Performance remains at 99 percent. Reclamation has implemented efficiencies to mitigate the increasing costs of maintenance and repair of aging structures and facilities, while still maintaining a high level of performance.

Status: Challenged Performance, due to costs increasing coupled with level performance.

Public Benefit: Reclamation delivers water to 1 in every 5 farmers in the West and to over 31 million people.

In 2003, Reclamation established the Facility Reliability Rating (FRR) system to score and provide a general indication of Reclamation’s ability to maintain the reliability of its facilities. This measure gauges the reliability of all high and significant hazard storage dams and buildings associated with the water infrastructure that are routinely reviewed with the dam facilities. The FRR score is not a direct indicator of potential facility failure, but more often the result of a recommendation. Once a recommendation is issued, a restriction may be imposed on a facility until an analysis and any necessary modifications are complete. With the

FRR data, Reclamation is alerted to activities or areas needing attention and can focus on funding priority work.

Since 2005, at least 96 percent of Reclamation’s FRR-related facilities have been rated Fair to Good. In FY 2008, 99 percent of Reclamation’s water infrastructure was in fair to good condition as measured by the FRR. This reflects Reclamation’s successful efforts to extend the design and service lives of aging facilities and avoid expensive breakdowns.

Approximately 50 percent of Reclamation’s high and significant hazard dams were built between 1900 and 1950. The aging infrastructure and increasing cost for repairs

Programs Supporting This Measure

- BOR Water Management Operations & Maintenance
- BOR Dam Safety
- BOR Site Security



High Flow Into the Grand Canyon

On March 5, 2008, Secretary of the Interior Dirk Kempthorne opened the jet bypass tubes at Glen Canyon Dam to release about 41,500 cubic feet per second of Colorado River water into the Grand Canyon. The water for the experiment was released at a rate that would fill the Empire State Building within twenty minutes and transport enough sediment to cover a football field 100 feet deep with silt and sand.

The 60-hour high flow experiment was conducted to take advantage of the highest sediment deposits along the bottom of the river's channel in a decade and push it into

a series of sandbars and beaches along the river to provide habitat for endangered wildlife and campsites for thousands of Grand Canyon National Park tourists. The experiment was also intended to supply sand needed to protect archaeological sites and to create areas of low-velocity flow, or backwaters, used by young native fishes, particularly the endangered humpback chub. The results from the release will be incorporated into the long-term, science-based adaptive management process. Scientists hope to gain a better understanding about whether higher flows created by releasing water from the dam can be used to rebuild eroded beaches downstream.



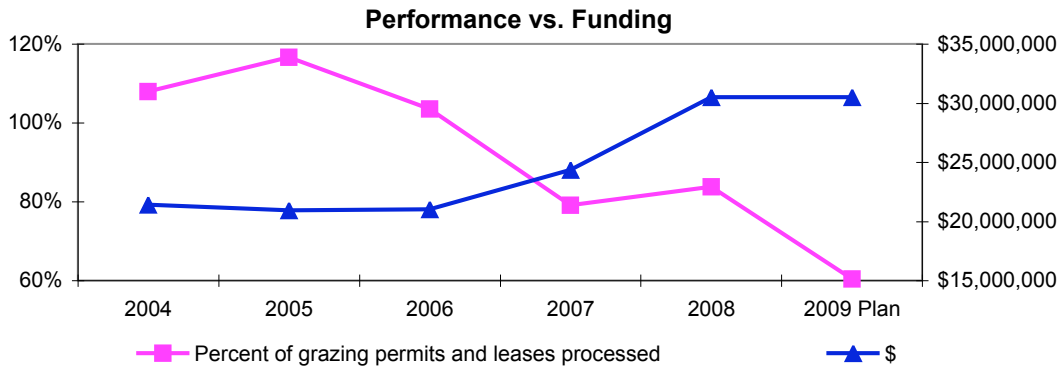
T. Ross Reeve, Reclamation volunteer

and replacements are carefully considered when establishing performance targets and funding requests. Further analysis is under way to determine whether a different metric, such as the

Comprehensive Condition Index, will prove to be a better measure for linking performance/condition of assets to changes in budget resources.

Percent of grazing permits and leases processed as planned consistent with applicable resource management plans

FIGURE 1-24



ID #1519	2004	2005	2006	2007	2008	2009 Plan
Target				100%	85%	60%
Performance	108%	117%	103%	79%	84%	
Permits/leases processed	2,512	2,730	2,565	2,058	2,177	2,177
Permits/leases received	2,329	2,342	2,479	2,600	2,600	3,606
\$	21,405,348	20,917,613	21,019,714	24,352,483	30,510,762	30,510,762

Snapshot: Performance improved by 5 percentage points over 2007, but was slightly below the 2008 target, with funding generally increasing.

Bottom Line: Funding is rising, due to dramatic increases in litigation, along with increasing workloads associated with issuing permits. The target was not met due to the increase in the number of permits being protested during the decision process, and the additional time needed to respond to each protest. There is no indication this trend will change.

Status: Challenged performance, due to increasing costs while performance has decreased.

Public Benefit: Livestock grazing can be used in certain areas to reduce hazardous fuels and minimize impact from catastrophic wildfires. Additionally, it contributes to food production and adds to local economic stability.

The BLM authorizes livestock grazing by issuing 10-year permits and leases which establish the seasons of forage use and number and kind of livestock. About 18,000 permits are issued for grazing on nearly 158 million acres of BLM-managed public land in the West.

Over the past 10 years, the amount of time, effort, and cost devoted to issuing grazing permits has increased at a steady rate. The requirements for issuing a permit have also continued to increase. The baseline quantity for this measure is 2,600 permits, established in 2007. BLM continues to work to eliminate the grazing permit renewal

backlog. There is still a backlog of fully processed grazing permits, due to the need to conduct environmental assessments and a growing workload caused by litigation associated with issuing permits. In FY 2008, a total of 2,177 permits and leases were issued.

In 2009, BLM expects to process the same number of permits as in 2008 (see unchanged numerator in table above). However, a surge in expiring permits is expected to occur in 2009 and 2010, resulting in a significant increase in the 2009 denominator that would cause the overall performance for this measure to decline by 24 percentage points.

Programs Supporting This Measure

- BLM Resource Management
- BLM Land Use Planning

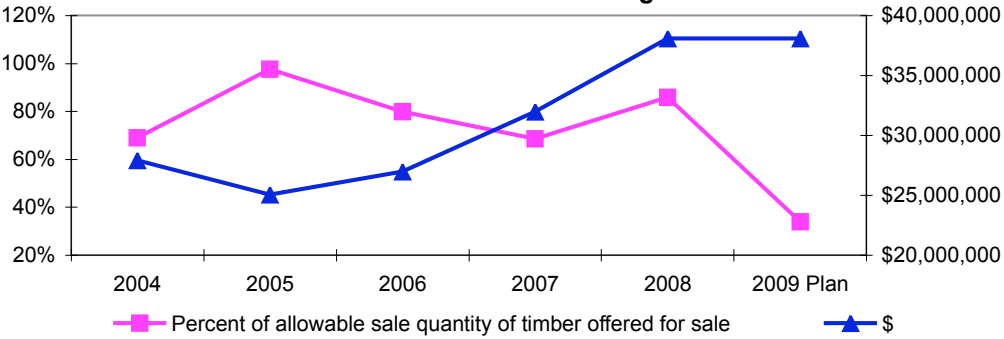


Mission Area Two: Resource Use

Percent of allowable sale quantity timber offered for sale consistent with applicable resource management plans

FIGURE 1-25

Performance vs. Funding



ID #1562	2004	2005	2006	2007	2008	2009 Plan
Target				82%	85%	34%
Performance	69%	98%	80%	68%	86%	
ASQ timber offered (MMBF)	140	198	162	139	174	170
Allowable sale quantity of timber (MMBF)	203	203	203	203	203	502
\$	27,906,311	25,033,019	26,945,719	31,975,747	38,068,812	38,068,812

Snapshot: Performance jumped by 18 percentage points over last year in conjunction with a substantial increase in funding.

Bottom Line: Performance has recovered from FY 2007, when increased litigation and loss of several biological opinions required the BLM to remove about 33 percent of the timber sale plan.

Status: Challenged performance, due to increased costs and declining performance.

Public Benefit: Timber sales contribute to the economic stability of local communities and industry.

Some of the most productive forests in the world are managed by the BLM in western Oregon in compliance with the Northwest Forest Plan (NWFP). The NWFP was intended to preserve the health of forests, wildlife, and waterways while producing a predictable and sustainable level of timber. Continuing to impact performance are legal challenges stemming from both the National Environmental Policy Act and the ESA requirements. These lawsuits resulted in increased costs due to additional survey requirements, less volume offered than anticipated in the specified performance targets, sales needing to be redone, and delays in

contract awards and operations. Performance is rebounding as the legal actions are being cleared, although total and unit costs are increasing due to litigation.

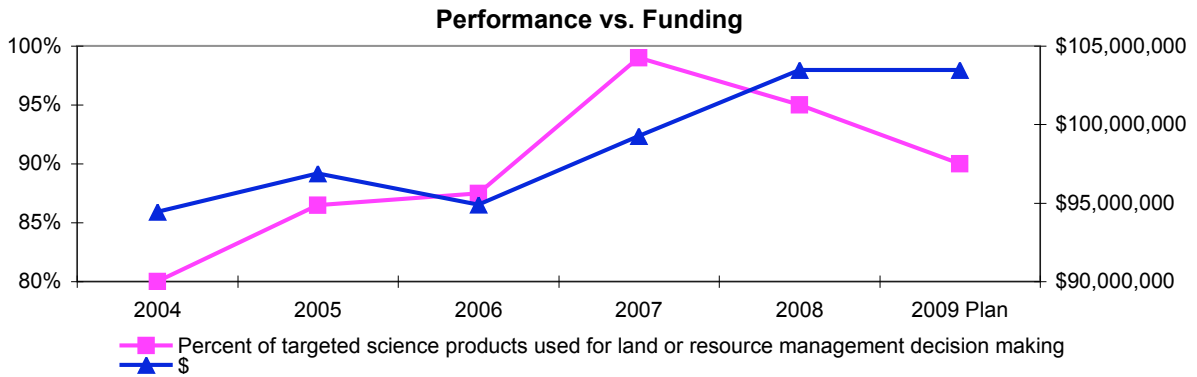
Under the most recently proposed management plan for Oregon & California (O&C), the timber harvest anticipated for 2009, the denominator for this measure, will increase dramatically to 502 million board feet per year. Although BLM will offer nearly the same amount of timber in 2009, the overall percent will decline to 34 because of the denominator increase.



Programs Supporting This Measure	
BLM	Resource Management
BLM	Land Use Planning

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

FIGURE 1-26



ID # 1527	2004	2005	2006	2007	2008	2009 Plan
Target				80%	90%	90%
Performance	80%	87%	88%	99%	95%	
\$	94,429,073	96,883,040	94,898,465	99,256,515	103,482,332	103,482,332

Snapshot: Science products used for decisionmaking continue to experience high rates of use from partners and customers; funding has increased commensurate with the growing focus on energy resource development.

Bottom Line: Performance remains relatively constant in the mid to upper 90 percent range. The Mineral Resources Program component of the target anticipated reduced funding, but the funds were restored by Congress, which also approved increased funding for energy in the areas of gas hydrates and data preservation.

Status: Sustained Performance.

Public Benefit: USGS science products are used to plan for a secure energy future and to allow for the strategic use and evaluation of resources.

Performance on this 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 and the consequences of their development.

The USGS Energy Resources Program conducts national and global energy research dealing with conventional, renewable, and alternative energy sources such as geothermal, gas hydrates, oil shale, oil, gas, coal, uranium, heavy oil, and the like. Scientists are looking at the potential of gas hydrates as a critical new source of energy. Gas hydrates are a naturally occurring, ice-like combination of natural gas and water found under the world's oceans and polar regions. Its natural gas accumulations

are estimated to greatly exceed the volume of all known conventional (commercial) gas resources. Currently, the technical challenges of realizing them as a resource are substantial, but research is being conducted to overcome these challenges.

In the United States, almost all of the gas-hydrate potential lies under Federally managed lands or waters. Future contributions from gas-hydrate to world energy supplies depend on availability, producibility, and cost of extracting methane from the hydrate phase. In 2008, the USGS completed a first-ever assessment of technically recoverable gas-hydrate resources. This work will provide the BLM and the Alaska Department of Natural Resources with the knowledge of where potential gas-hydrate development may take place.

In 2008, the USGS Energy Resources Program completed and released the first national



Programs Supporting This Measure	
USGS	Energy Resource Assessment
USGS	Mineral Resource Assessment

Mission Area Two: Resource Use

geothermal resource assessment in more than 30 years. The USGS evaluated all geothermal resources capable of producing electricity. Geothermal energy is an extremely important, but underutilized resource in the United States.

The USGS Mineral Resources Program conducts national and global research on 100 mineral commodities required to maintain a dynamic economy. Scientists have developed methods for predicting the amounts of these commodities available in the future. In FY 2008 USGS and partners published the first-ever assessment of undiscovered copper in South America—the first in a series of reports that will result in a global

assessment by the end of FY 2010. In FY 2009, USGS will release reports updating the assessment methods and demonstrating their application.

Also in FY 2008, USGS initiated environmental baseline studies in and around the recently discovered Pebble copper-gold deposit in southwest Alaska. This study adds detail to work due to be completed in FY 2009 providing geologic information in support of economic development across rural southwest Alaska. The Pebble study will provide Federal and State land managers with premining background data against which to measure environmental compliance as the mine is developed.

Huge Copper-Gold System Discovered in Alaska

Discoveries of new, significant mineral deposits required to sustain our economy are rare events. Currently, the U.S. is not increasing copper production, but is relying heavily on imports from other countries. The Pebble project is a large copper-gold system located just north of Lake Iliamna, Alaska's largest lake, in an area renowned for its wildlife habitat. USGS has initiated environmental baseline studies so environmental compliance can be measured as the mine is developed.

A type of geochemistry that led to Pebble's discovery was measurements of metals in the sediments that are carried in the streams in the area. The Mineral Resources Program collects stream sediment samples and analyzes them for a suite of metals as a routine part of the geochemical information used to understand the geologic history and mineral deposit potential of an area. These samples and analyses are particularly helpful in remote areas like southwestern Alaska. Any mining company that wants to investigate an area uses these publically available data collected and published by the Mineral Resources Program as part of the basic information they use to decide where to focus their detailed exploration.

Providing these data for public use is a core mission of MRP and supports DOI's goal of managing natural resources to promote responsible use and sustain a dynamic economy.



Mission Area Three Recreation

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; from hunting and fishing to hiking the National Trails System. Outdoor recreation is an enjoyable and easy way for families to spend time together, and for children to have the kinds of experiences one can have only by connecting with the natural world.

Interior's Recreation Mission Area encompasses both recreation and tourism—primary factors in helping local and regional economies sustain themselves. Therefore, the availability of public land and water for recreation purposes is a critical economic factor.

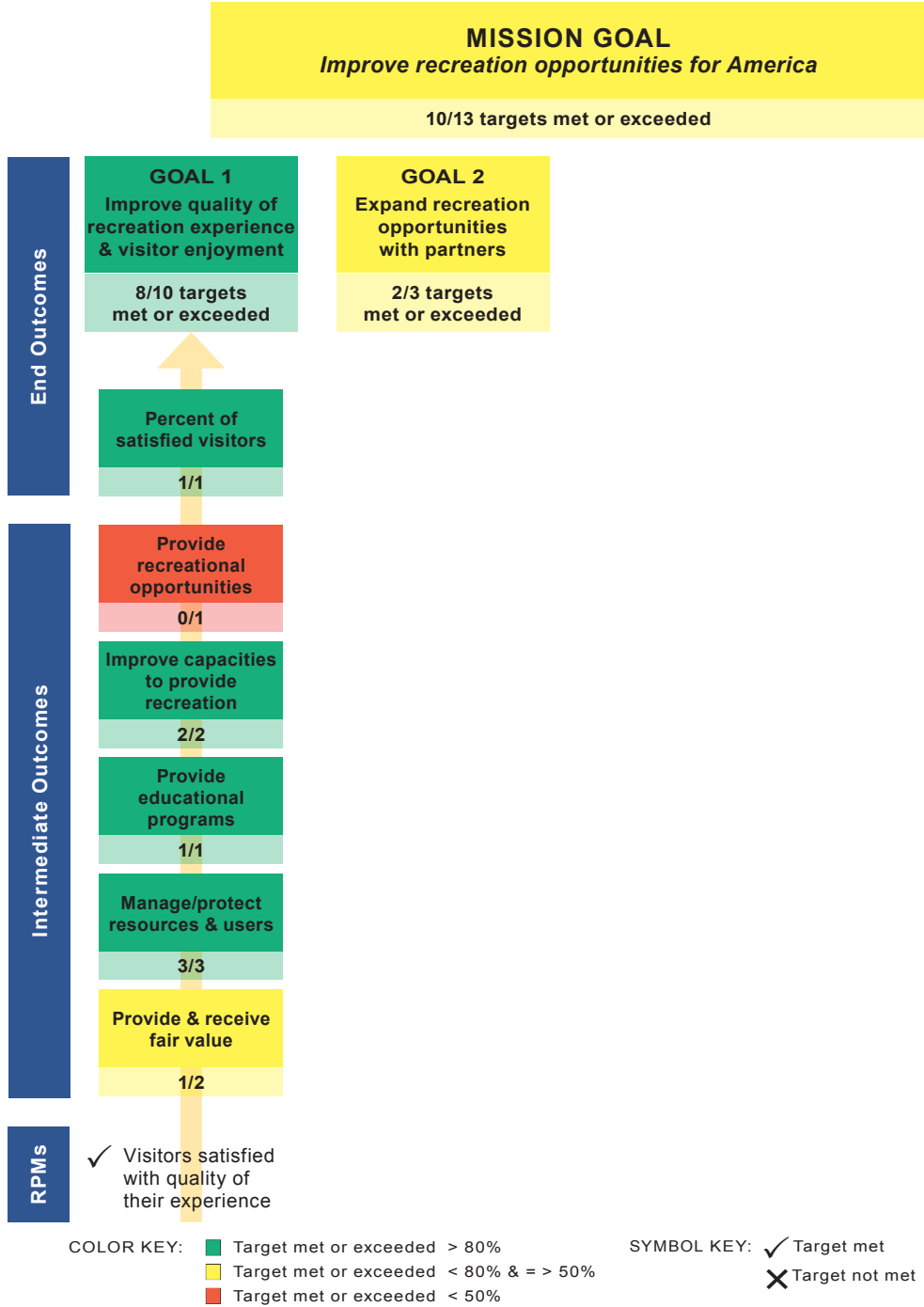
Interior maintains and manages thousands of recreation areas. Over 460 million people from around the world annually spend time in recreational activities on land managed by the Department of the Interior (DOI). To the greatest extent possible, DOI works among its own bureaus and with our partners to provide a seamless and enjoyable experience.

Mission Area Two: Recreation

FIGURE 1-27

RECREATION

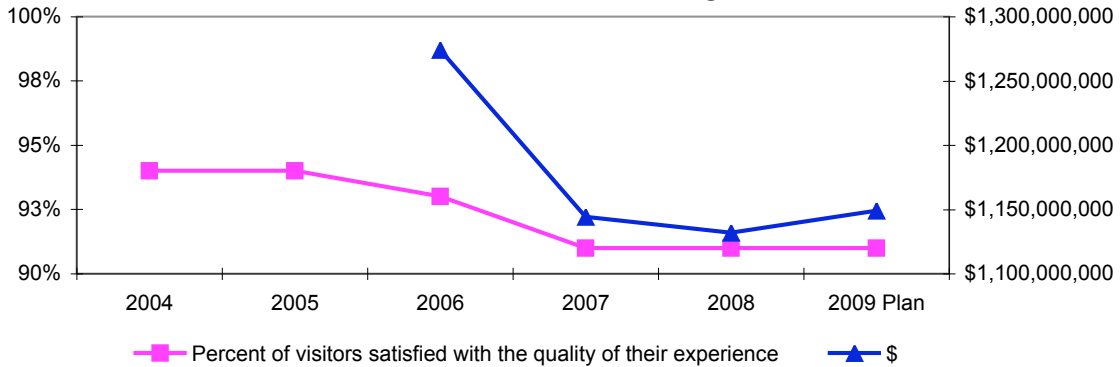
Interior’s stewardship activities devoted to recreation are shared by the National Park Service (NPS), Bureau of Land Management (BLM), Fish and Wildlife Service (FWS) and Bureau of Reclamation (BOR). They oversee our National parks, wildlife refuges, water recreation areas and public land recreation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



Percent of visitors satisfied with the quality of their experience

FIGURE 1-28

Performance vs. Funding



ID #554	2004	2005	2006	2007	2008	2009 Plan
Target	95%	91%	91%	91%	91%	91%
Performance	94%	94%	93%	91%	91%	
\$	Not Available		1,273,925,343	1,144,335,910	1,131,989,792	1,149,046,396

Snapshot: Performance remained at 91 percent for FY 2008, slightly less than in earlier years, with funding slightly declining.

Bottom Line: There is a 2 percent increase in funding planned in FY 2009 in order to maintain current satisfaction levels at 91 percent.

Status: Challenged Performance, due to a reevaluation of how high to try to increase visitor satisfaction above 90 percent.

Public Benefit: Outdoor recreation is integral to a healthy lifestyle for millions of Americans. Over 460 million visitors to Interior’s public lands and waters took advantage of the physical, mental, and social benefits outdoor recreational experiences provide.

Visitor satisfaction is measured through surveys handed out to visitors by three different bureaus with slightly different priorities. At the Department level performance remained at 91 percent.

NPS visitor satisfaction maintains record levels at 95 percent or higher. With the upcoming 2016 centennial of the establishment of the National Park Service, the President has called for the further enhancement of the National parks. With this influx

of Centennial funding, NPS visitor satisfaction is expected to rise to 97 percent by 2012, as opposed to a potential decrease that was otherwise expected.

It is more difficult for BLM to assess visitor satisfaction overall, as surveys are given primarily to those visitors who pay an entrance fee. BLM tries to balance its goals for resource use while still providing for visitors (12 percent of total Interior visits), and expects to maintain visitor satisfaction at 92 percent in 2009. FWS has maintained a constant visitor satisfaction rate of 85 percent from 2005 through 2008, which is considered adequate for refuges in which the primary purpose is to protect wildlife and habitat.

Programs Supporting This Measure

- BLM Recreation Management & Concessions
- NPS Visitor Services
- NPS Concessions Management
- FWS National Wildlife Refuge System
- BOR Recreation & Concessions
- NPS Technical Assistance
- FWS Fisheries



Centennial Initiative

Stewardship

The National Park Centennial Initiative was created to improve our national parks in time to celebrate the 100th birthday of the National Park Service in 2016. The first round of projects approved for FY 2008 were directed at parks nationwide—large and small, urban and rural, natural and historical—to enhance visitors' park experiences.

Padre Island National Seashore is the premier nesting grounds in the United States for the endangered Kemp's ridley sea turtle, considered the smallest marine turtle in the world. This year the park has augmented reestablishment efforts that have been under way since 1978, in cooperation with Texas Parks and Wildlife Department and other partners in the United States and Mexico, to ensure that this species survives through the 21st century.

The park has engaged the public in observing and relocating nests, which will ultimately result in the protection of over 100 nests and the release of thousands of hatchlings at Padre Island National Seashore. Volunteers are recruited to patrol, locate, and protect nesting turtles and nests, and an extensive public outreach program will inform beach users of current issues and regulations. Through these efforts, we may be celebrating an endangered species success story in 2016.



Centennial Initiative

Creating Future Park Stewards through Education

Three national parks—Biscayne, Dry Tortugas and Everglades—and Big Cypress National Preserve, all in Florida, have a program under way to stimulate a lifelong love of nature in underserved students. The South Florida National Parks will expand their ecosystem and curriculum-based education programs at no cost to students by hiring staff, transporting classes to the parks, and purchasing supplies to allow 50,000 local children to connect with their national parks.

The program will develop relationships with local schools and sponsor events, science fairs, classroom visits by rangers, traveling trunks, and interactive demonstrations. Day and overnight camping trips are planned to give the children positive experiences of the natural world



Students participate in the cypress slough study

Mission Area Four

Serving Communities

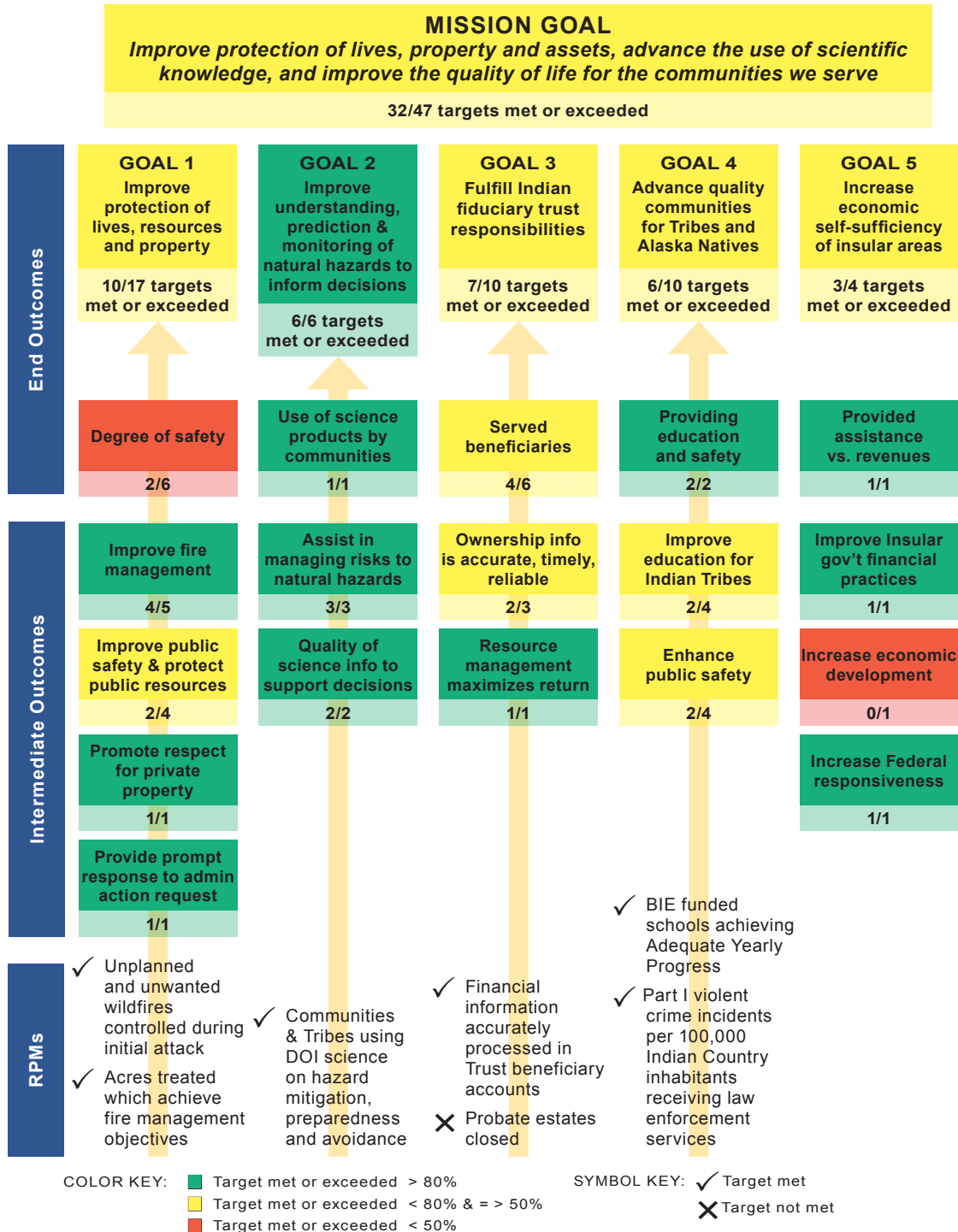
The American public is the direct beneficiary of the Department of the Interior's (DOI's) focus in serving communities.

- ◆ Wildland fire measures deal with the effect of fire and fuel treatments on communities that are located near or adjacent to DOI lands. The Office of Wildland Fire Coordination monitors initial attack effectiveness and how many acres of land can be treated through fuel reduction so catastrophic fires are less likely to occur. These efforts directly increase the safety of residents who live in those areas.
- ◆ 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 localities at risk to develop emergency evacuation procedures, update city emergency plans, and look for ways disasters can be mitigated through advance planning.
- ◆ Indian tribes are benefited by Interior's funding for Indian schools that serve 42,000 American Indian children.
- ◆ Law enforcement on tribal and public lands is important to better ensure the safety of Indian communities and those visiting Interior lands.
- ◆ The Office of the Special Trustee for American Indians has undertaken an update of century-old trust recordkeeping so that Indian beneficiaries have confidence in the accounting and are promptly and accurately paid.

FIGURE 1-29

SERVING COMMUNITIES

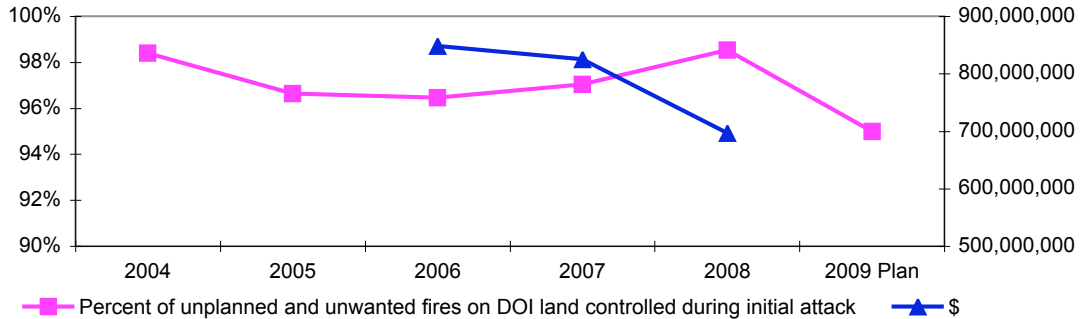
DOI works to improve the quality of life in the communities we serve. The Department conducts different types of activities under this Mission Area, from unplanned wildland fires to Interior’s Indian fiduciary trust responsibilities to reducing the impact of natural hazards on people and property through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



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

FIGURE 1-30

Performance vs. Funding



ID #788	2004	2005	2006	2007	2008	2009 Plan
Target	95%	95%	95%	95%	95%	95%
Performance	98%	97%	96%	97%	99%	
Fires controlled during initial attack	5,852	2,325	9,790	7,968	5,693	9,021
Total fire ignitions	5,947	2,406	10,149	8,212	5,778	9,496
\$	Not Available		847,893,380	825,011,119	696,721,227	TBD

Snapshot: The program achieved its highest level of performance in 2008, and also recorded a lower level of expense.

Bottom Line: The program achieved its highest level of initial attack performance in 2008, and also recorded a lower level of expense. At the same time, the Department achieved 37,706 acres of wildland fire use.

Status: Positive Performance.

Public Benefit: Increased safety for residents who live in communities located near or adjacent to DOI lands, and protection of public forest resources.

Firefighting in the United States is a cooperative and interagency effort. Under the National Fire Plan (NFP), Department of Agriculture Forest Service and DOI work collaboratively to provide seamless wildland fire protection. DOI fire management activities are performed by four bureaus: Bureau of Land Management (BLM), the Fish and Wildlife Service (FWS), National Park Service (NPS) and Bureau of Indian Affairs (BIA). Interior’s Office of Wildland Fire Coordination (OWFC) oversees their efforts.

In 2008, the Department realigned resources to enhance the efficiency of initial attacks. While the performance target was exceeded in 2008, in 2009 the goal is to maintain the necessary resources to balance initial attack success against other goals. OWFC will focus on increasing efficiency, oversight and support. Some adjacent units may share initial response resources, thereby freeing resources to be relocated or eliminated. In addition, management, oversight, and support positions will be shared on a zone basis in some parts of the Country. The lesser severity of the fire season in FY 2008 contributed to lower costs.

Programs Supporting This Measure

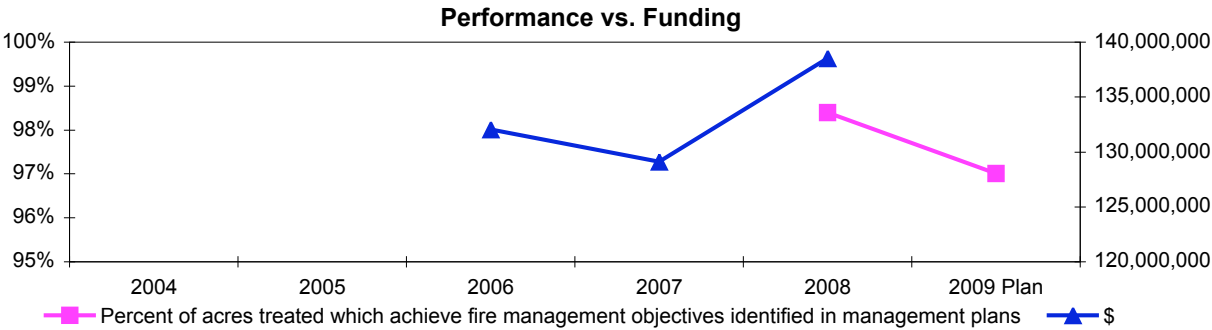
DOI Wildland Fire Management



Mission Area Four: Serving Communities

Percent of acres which achieve fire management objectives as identified in applicable management plans

FIGURE 1-31



ID #1540	2004	2005	2006	2007	2008	2009 Plan
Target				90%	75%	97%
Performance				Baselined	98%	
Treated acres achieving fire management objectives	Baselined in 2007				1,239,740	1,015,000
Total acres treated	Baselined in 2007				1,260,035	1,050,000
\$	Not Available		132,009,662	129,068,455	138,521,208	TBD

Snapshot: Performance planned to be in the upper 90th percent range based on 2007 and 2008 experience.

Bottom Line: Progress continues on treating the highest priority WUI acres, the areas of greatest risk which are closest to populated areas. These acres tend to be more expensive on a cost-per-acre basis, as they require more manual treatment.

Status: Challenged Performance, dues to increasing costs and level performance.

Public Benefit: Treatment of acres in the WUI areas reduce the risks of catastrophic wildland fire to people, communities, and natural resources.

Long-term drought and the expansion of the WUI are heightening danger to populated communities from catastrophic wildland fires, so these acres are being given priority for fuel reduction treatments. 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.

In FY 2008 and 2009, a portion of funds are being allocated based on the Ecosystem Management Decision Support (EMDS) system developed by the U.S. Forest Service. EMDS ensures that the acres at greatest risk are identified and the projects selected provide the highest level of risk mitigation and environmental benefits. The success of this program will be based on the effectiveness of pinpointing the right areas to treat to reduce the fire risk.



Programs Supporting This Measure
 DOI Wildland Fire Management

Rx: Prescribed Burn

National Fire Plan—Fuels Reduction 2008

Giant sequoias are fire adapted and thrive in a natural fire cycle. They have a thick, fire resistant bark. Fire opens the cones and releases the tiny seeds to the nutrient rich ash and mineral soil below, ideal conditions for this tree's germination. Fire thins competing vegetation and trees and opens the canopy for this sun-loving species.

As a restoration burn, fire was reintroduced in Sequoia and Kings Canyon National Parks after more than 100 years of fire exclusion. Scientists measured 100 tons of dead fuel per acre prior to the burn. Postburn measurements showed fuel reduced by 90 percent. This dramatically limits the size and severity of potential wildfires and returns the area to a more natural state.

The dramatic reduction in dead fuels is typical of park-managed fires in this vegetation community over the past 45 years. Carefully managed ignition patterns and rates combined with carefully defined burning conditions result in acceptable smoke transport, significant fuel reduction, and beneficial ecological effects.



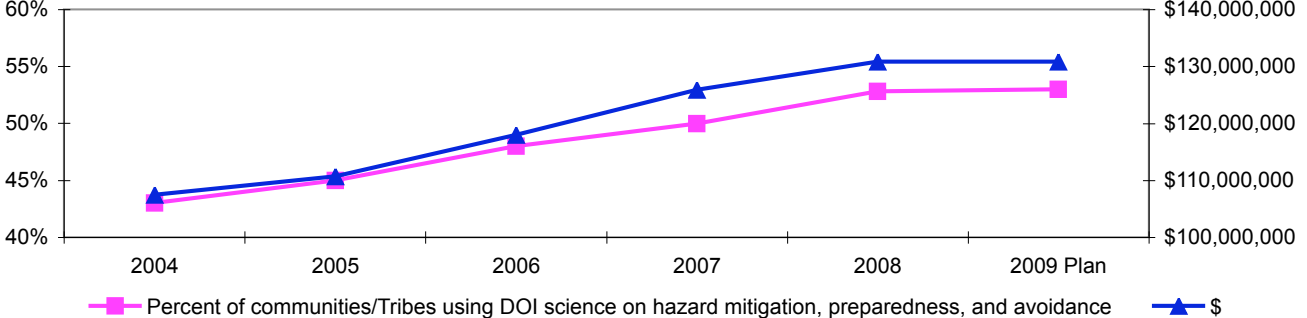
*Sequoia & Kings Canyon
National Parks, California*

Mission Area Four: Serving Communities

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

FIGURE 1-32

Performance vs. Funding



ID #446	2004	2005	2006	2007	2008	2009 Plan
Target	37%	46%	48%	51%	53%	53%
Performance	43%	45%	48%	50%	53%	
\$	107,436,102	110,733,990	118,005,777	125,913,313	130,869,528	130,869,528

Snapshot: Performance is rising along with funding spent. Performance is up 3 percent from last year and projected to remain at 53 percent in FY 2009.

Bottom Line: The U.S. Geological Survey (USGS) continues to provide quality products for the benefit of communities that are vulnerable to natural hazards. Dollars have gone up commensurate with the work USGS undertakes during the year, not only through delivery of studies, but also through expansion of the size and accuracy of modern hazard networks through placement of additional sensors and real-time communications.

Status: Sustained Performance.

Public Benefit: Scientific research and monitoring provides the understanding that local communities need to reduce the impact of potential natural hazards. USGS helps communities develop emergency evacuation plans, update city emergency plans, and look for ways the effects of natural disasters can be mitigated through advance planning.

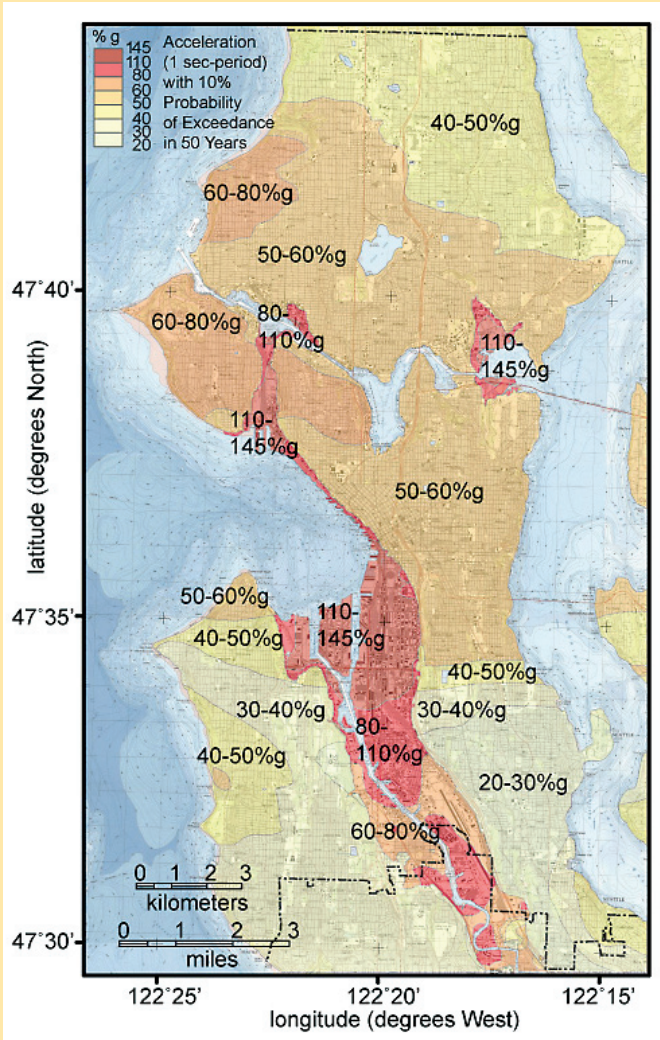
USGS protects communities by providing information that can significantly reduce the vulnerability of millions of people most at risk from natural hazards. Performance is tracked by the average percent of at-risk communities which use USGS science products to mitigate, prepare for, or avoid volcano eruptions, earthquakes, landslide, or geomagnetic storm activity. Communities adopt mitigation strategies—building codes for new construction and retrofitting; land-use plans; design and location of critical infrastructure, such as highways, bridges, subways, water, sewer, gas, electric, and petroleum-distribution networks—based on information supplied by USGS.

Target: 53%
Actual: 53%
GOAL MET

In 2008, the USGS released the next-generation national seismic hazard maps and engineering design maps

for use in construction engineering standards for existing buildings developed by the American Society of Civil Engineers. In 2009, USGS will use these hazard maps to produce a uniform hazard spectra for a broad range of structures and maps that portray the degree of certainty and resolution of seismic hazard estimates nationwide. In May 2008, the USGS Multi-Hazards Demonstration Project released a scenario describing the expected impacts that a magnitude-7.8 earthquake on the Southern San Andreas Fault would have on southern California and the Nation. Information in the scenario is used to reduce lifeline vulnerability, retrofit critical structures, improve monitoring systems, plan emergency response, and educate our citizens. Also, USGS and its partners delivered

Programs Supporting This Measure
 USGS Geologic Hazards Assessment



Earthquake Hazard Maps for Seattle

Seattle sits atop a sedimentary basin that strongly affects the patterns of earthquake ground shaking. The City has completed a study of the unreinforced masonry buildings which failed during the 1949, 1965, and 2001 earthquakes in Puget Sound. The study identified nearly 1,000 unreinforced masonry buildings, including a public high school, that are at very high risk in the next earthquake.

The Seattle Urban Seismic Hazard maps, developed by USGS, are being used to provide the basis for a major local policy decision. Because only about 15 percent of masonry buildings have been seismically retrofitted, the City is using the new study to prioritize the work that needs to be done to ensure public safety.

The maps are *probabilistic*—that is, they portray the ground shaking with a certain probability of occurring—and provide a much higher-resolution view of the potential for strong earthquake shaking than previously available. The maps supply critical information for our cities with high earthquake hazards and risks.

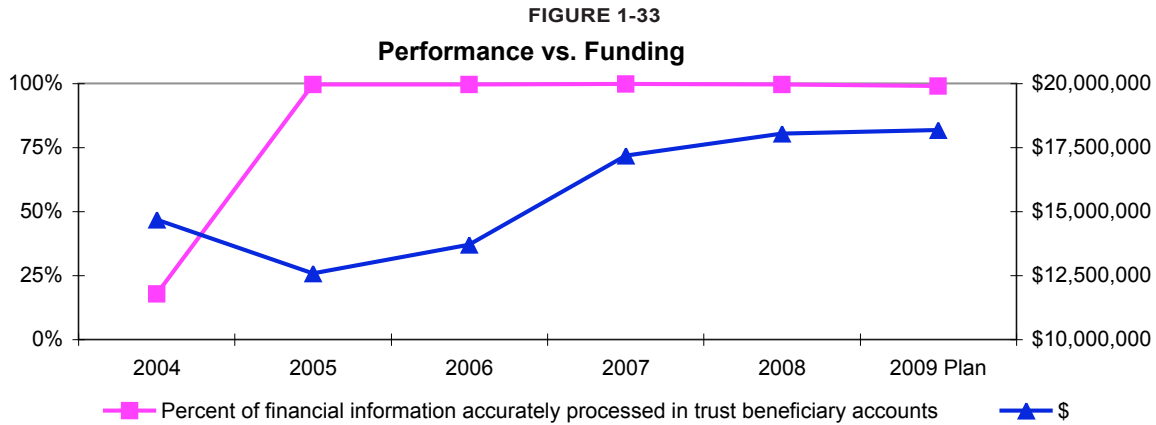
the first Statewide earthquake rupture forecast model for California and installed a cumulative total of 805 Advanced National Seismic System earthquake monitoring stations. In FY 2009, the plan is to install an additional 17 sensors and to operate and maintain the installed system.

The long-term goal for the Volcano Hazards Program (VHP) is to provide hazard assessments for all dangerous volcanoes and to establish community response plans. In 2008, a geologic map of Crater Lake National Park and a hazard assessment of Gareloi Volcano in Alaska was completed. Assessment of Mount Lassen and geologic maps for Mount Hood in Oregon and Glacier Peak in Washington will be completed in

2009. The VHP aims at a total of 75 systematic analyses, including reports, maps, and hazard assessments, delivered to the public in 2009.

The Landslide Hazard Program (LHP) assesses, monitors and disseminates information on the causes and mechanisms of ground failure, deploying near real time monitoring systems at sites in California near Yosemite National Park and in Oregon. With 1,800 at-risk communities, the program prioritizes work in areas where the hazard is the greatest and where the most help can be leveraged from partnerships. In 2008 and continuing through 2009, LHP will provide landslide assessments for areas burned by the extensive rash of California wildfires.

Percent of financial information accurately processed in trust beneficiary accounts



ID #322	2004	2005	2006	2007	2008	2009 Plan
Target	26.67%	97.00%	98.00%	98.00%	98.00%	99.00%
Performance	17.76%	99.69%	99.70%	99.76%	99.54%	
Number of financial transactions accurately processed (manually)	43,438	1,248,600	1,656,841	2,005,251	1,190,517	1,188,000
Total financial transactions processed (manually)	244,559	1,252,488	1,661,781	2,010,103	1,196,003	1,200,000
\$	14,679,497	12,574,349	13,695,762	17,178,852	18,035,325	18,187,529

Snapshot: Performance is at the top of the scale, around 99 percent. Funding levels have been rising, but some reengineering of processes should help to control costs.

Bottom Line: In 2009, more accounts are expected to be transferred to the automated system, leaving the more complicated transactions—probates and more involved special deposit account cleanup—to be handled manually. Contributing to the rise in cost is the impact of actions, such as trust reforms that affect processes, which take additional resources to integrate and stabilize. However, even given these factors, the high sustained performance is expected to continue with a fairly low funding level increase for FY 2009 over FY 2008. An A-76 study is planned for 2009 to determine the feasibility of reducing contracting costs.

Status: Challenged Performance, due to increased funding while performance remains steady.

Public Benefit: Trust income is promptly and accurately paid to Indian beneficiaries, generating local income that supports Indian communities.

Office of the Special Trustee for American Indians (OST) manages approximately \$3.4 billion held in trust for federally recognized Indian tribes, and individual Indian and Alaska Native beneficiaries. Trust income is generated from the sale or rental of Indian-owned land and/or natural resources for timber harvests, grazing, and royalties received from oil and natural gas exploration and production, to name a few revenue sources. Income is also derived from

interest earned on invested funds, as well as awards or settlements of tribal claims.

OST has overseen efforts to overhaul the trust’s accounting system, collect and safeguard its records, and consolidate trust software systems. This performance measure has tracked the success of initial financial data processing. Follow-up procedures address any remaining errors.





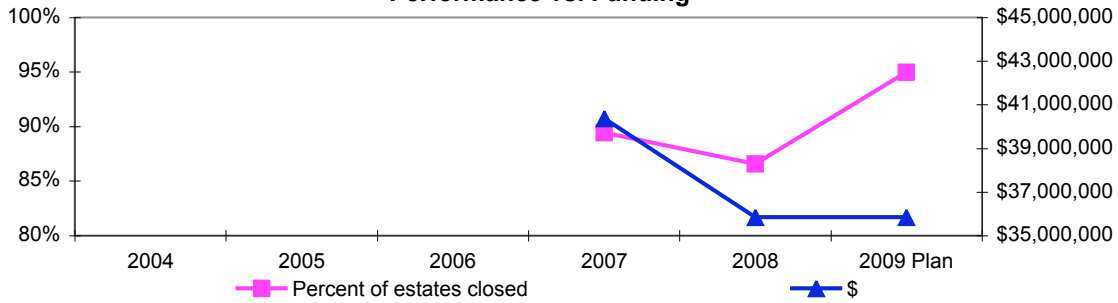
\$136,000 to Beneficiary

The BIA Agency had a person on the Top 100 Whereabouts Unknown (WAO) list for years. A non-Indian mother moved abroad with the beneficiary, then four years old, following the death of the enrolled father. For over 26 years, there was no contact between the beneficiary and the father's family—then the beneficiary contacted her uncle. Through this contact, she learned that OST had been searching for her. She called OST's Trust Beneficiary Call Center and, after her identity was confirmed, was able to claim the \$136,000 owed to her! Needless to say, the beneficiary was very excited and plans to come to the reservation to reconnect with her family and meet all of the Agency employees.

Probate: Percent of estates closed

FIGURE 1-34

Performance vs. Funding



ID #1553	2004	2005	2006	2007	2008	2009 Plan
Target				100%	95%	95%
Performance				89%	87%	
Number of eligible estates closed	New for 2007			9,312	8,938	4,275
Total number of estates				10,414	10,324	4,500
\$	Not Available			40,386,000	35,852,000	35,852,000

Snapshot: Performance declined to 87 percent this year, but is expected to increase in FY 2009.

Bottom Line: There are demonstrated inroads being made in eliminating the probate backlog. The program expects to distribute and close all remaining eligible backlog estates by the end of FY 2009.

Status: Challenged Performance, due to declining productivity and closure rate.

Public Benefit: Timely and accurate payments to beneficiaries are essential to economic development of Indian lands, a cornerstone of self-governance and self-sufficiency.

By the end of FY 2005, there were approximately 33,700 Indian estates in probate, 18,100 of which were over 5 years old. Concerted efforts to eliminate the excess caseload, combined with contractor assistance and new caseload management technologies, reduced the number of outstanding probates by half as of June 30, 2008.

Typically an estate is not considered closed until the assets have been disbursed to heirs or it is determined that no trust assets exist. It can take several years to close an estate, as more heirs inherit a continually smaller fractional share that is held with all other heirs as tenants in common.

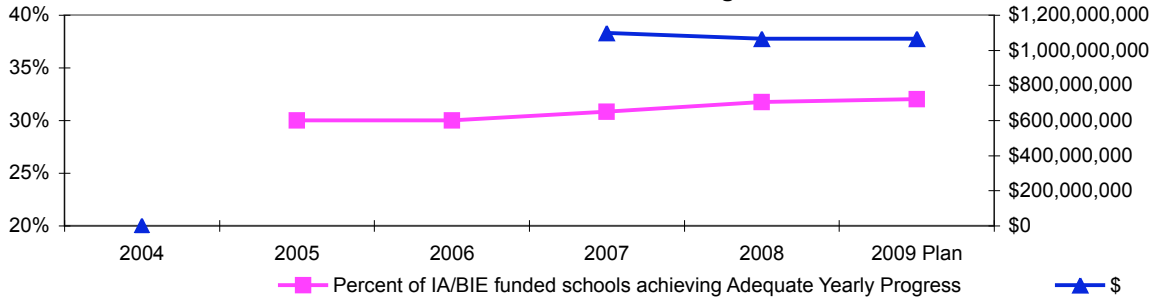


Programs Supporting This Measure
BIA Realty and Trust

Percent of BIE funded schools achieving Adequate Yearly Progress (AYP)

FIGURE 1-35

Performance vs. Funding



ID #1556	2004	2005	2006	2007	2008	2009 Plan
Target				34%	32%	32%
Performance		30%	30%	31%	32%	
Number of schools making AYP	New for 2005	51	51	53	54	55
Total number of schools		170	170	172	170	174
\$		Not Available		1,099,007,000	1,065,424,000	1,065,424,000

Snapshot: Performance shows an improvement of about 1 percent per year or an annual increase of about two more schools reaching AYP annually.

Bottom Line: Indian education continues to be an area of concern for the Department. Performance data for this measure lags by one year, as school years straddle two fiscal years and final performance results for the 2007/2008 school year are not available until December of 2008. FY 2008 performance data, therefore, represents results of the 2006-2007 school year.

Status: Challenged Performance, due to the length of time to realize changes in performance and the low level of achievement to date.

Public Benefit: Improved educational achievement in Bureau of Indian Education (BIE) schools benefits the children, the Indian community and creates a legacy for the future.

The No Child Left Behind Act established math and reading among the determining performance factors for success in schools nationwide, including those in the BIE school system. The overall measure of success, AYP is applied to BIE school facilities with academic programs.

While a sizeable improvement in AYP will take years to realize, there are signs of improvement in the 116 schools not yet reaching AYP. Thirty-six BIE schools improved in both math and reading, and another 26 schools improved in either math or reading.

A new plan was implemented in 2008 to address the challenge of meeting short-term AYP goals. BIE designated 14 “Focus Schools” to improve reading, which has the most significant impact on improving overall AYP scores. Three of those schools achieved AYP. Out of the 14 focus schools, 9 schools lost principals during the school year. This turnover impacts subsequent year course development and approval, hiring qualified staff, mission execution, and funding. An ongoing goal for FY 2009 will be to implement an effective management structure capable of improving academic outcomes.

Indian education continues to be a concern of the Department, as evidenced



Programs Supporting This Measure

BIA K-12 School Operations



Secretary Kempthorne kicks off BIE Reads

On the Way to AYP

Chief Leschi School, Puyallup, Washington

Chief Leschi School is one of the largest Native American schools in the country, with more than 700 Indian students representing nearly 60 different tribes, clans, and independent nations.

In 1997, Washington State implemented the Washington Assessment of Student Learning (WASL). Chief Leschi's scores were among the lowest in the State with 4th grade reading proficiency scores at 12.1 percent. Between 1997 and 2003, some changes were made to the instructional program that resulted in small gains in academic achievement, but the biggest change came when Chief Leschi School became a *Reading First* school.

With a clear focus on effective reading instruction grounded in scientific research and ongoing student progress monitoring, the school began to see dramatic changes. In 2004, Chief Leschi School's results on the WASL indicated 37 percent of 4th grade students proficient in reading. Now, after 4 years of the *Reading First* program, 68 percent of 4th graders are proficient.

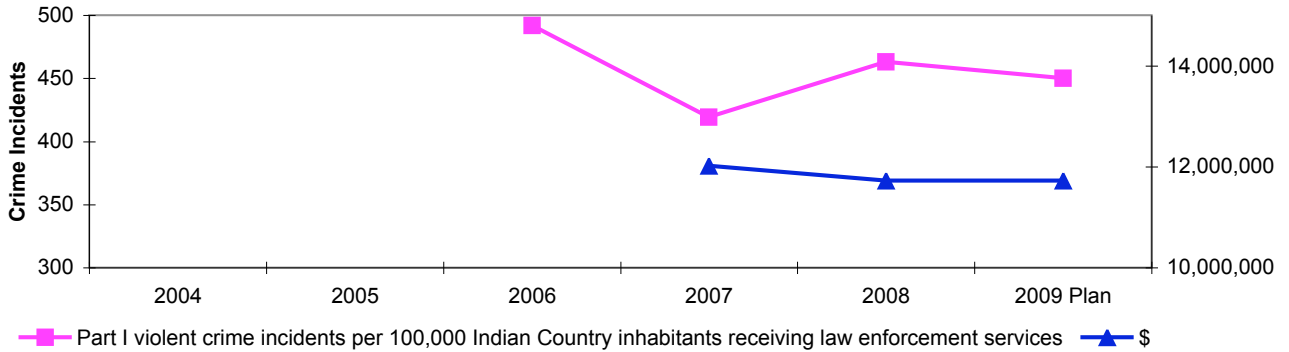
As a result of this success, the school administration decided to implement the *Reading First* model throughout the school in all grades (K–12). Chief Leschi School went from one of the lowest performing schools in the State of Washington to one of the highest performing, through its dedication to sound instructional and leadership principles. They have been recognized as a model school by the BIE and the State of Washington because of their success in increasing the number of students who can read at proficient levels.

by the Secretary's Improving Indian Education initiative. This initiative provided funding for training, mentoring, student transportation, management

and IT improvements to help increase student achievement.

Part I violent crime incidents per 100,000 Indian Country inhabitants receiving law enforcement services

FIGURE 1-36
Performance vs. Funding



ID #457	2004	2005	2006	2007	2008	2009 Plan
Target				492	492	450
Performance			492	419	463	
Number of violent crimes	New for 2006		6,050	5,157	5,698	5,535
Total number of inhabitants (100,000)	New for 2006		12.3	12.3	12.3	12.3
\$	Not Available			12,018,000	11,725,000	11,725,000

Snapshot: Increased performance would be illustrated by a downward trend in the number of crimes per capita over time. There was a marked drop in the FY 2007 crime rate that appears to rebound somewhat in 2008. A slight decline in the crime rate is projected for FY 2009 compared to 2008.

Bottom Line: As added attention is applied to law enforcement in Indian Country, two main factors will affect the change in performance levels: the time it takes to train and deploy the added workforce, and a possible initial spike in increased reporting of incidents. Initially, it appears that increases involve less serious crimes.

Status: Positive Performance.

Public Benefit: Safe communities bring stability and increase the quality of life for their citizens. Focus can be directed toward the future and opportunities for growth.

In 2008, Interior proposed the Safe Indian Communities initiative to help Indian Country deal with organized crime and foreign drug cartels. Cartels have taken advantage of the widely dispersed law enforcement presence on tribal lands to produce and distribute drugs, with the result that violent crime in some communities is 10 to 20 times the national average. The initiative will assist tribes, especially in suppressing production and trafficking of methamphetamine, the number one public safety

problem, according to many tribal leaders. Law enforcement staffing levels are being adjusted so they will be more on par with the national average for communities of like size (a ratio of 2.6 officers per 1,000 inhabitants).

IA expects it will be difficult to realize major reduction in violent crime in FY 2009, due to deteriorating economic conditions nationwide.

Programs Supporting This Measure

- BIA Law Enforcement
- BIA Tribal Courts



Dakota Peacekeeper

Straddling the common border of North and South Dakota is the 2 million acre Standing Rock Indian Reservation. The scenic tranquility of this reservation has been overshadowed by a rising crime rate that has escalated to alarming proportions. The area has been experiencing a crime rate about 6 times the national average, and 15 law enforcement officers could not manage a situation that was becoming increasingly lawless.

To combat the situation, the BIA initiated a tactical response known as *Dakota Peacekeeper*. For the past three months, Standing Rock has been saturated with patrol officers brought in from other jurisdictions on 1-month rotations. Three waves of additional officers have not only hit the streets but have also hit the schools to talk to children about the consequences of crime and gang involvement on their lives and on their community. *Dakota Peacekeeper* has focused on violent crime, domestic crimes, and crimes against children.

The result: Arrests have escalated from an average of 100 per month before the initiative to 700 the first month and 300 the next month. Further declines are expected in the third month of the operation. The effort has been extended and is likely to continue through the end of the year. The question is whether the surge of policing will result in a permanent reduction in crime.



Management Excellence

In FY 2008, Interior continued to make progress in areas targeted by the President's Management Agenda (PMA). The PMA is a strategy for improving the management and, hence, the performance of the Federal Government.

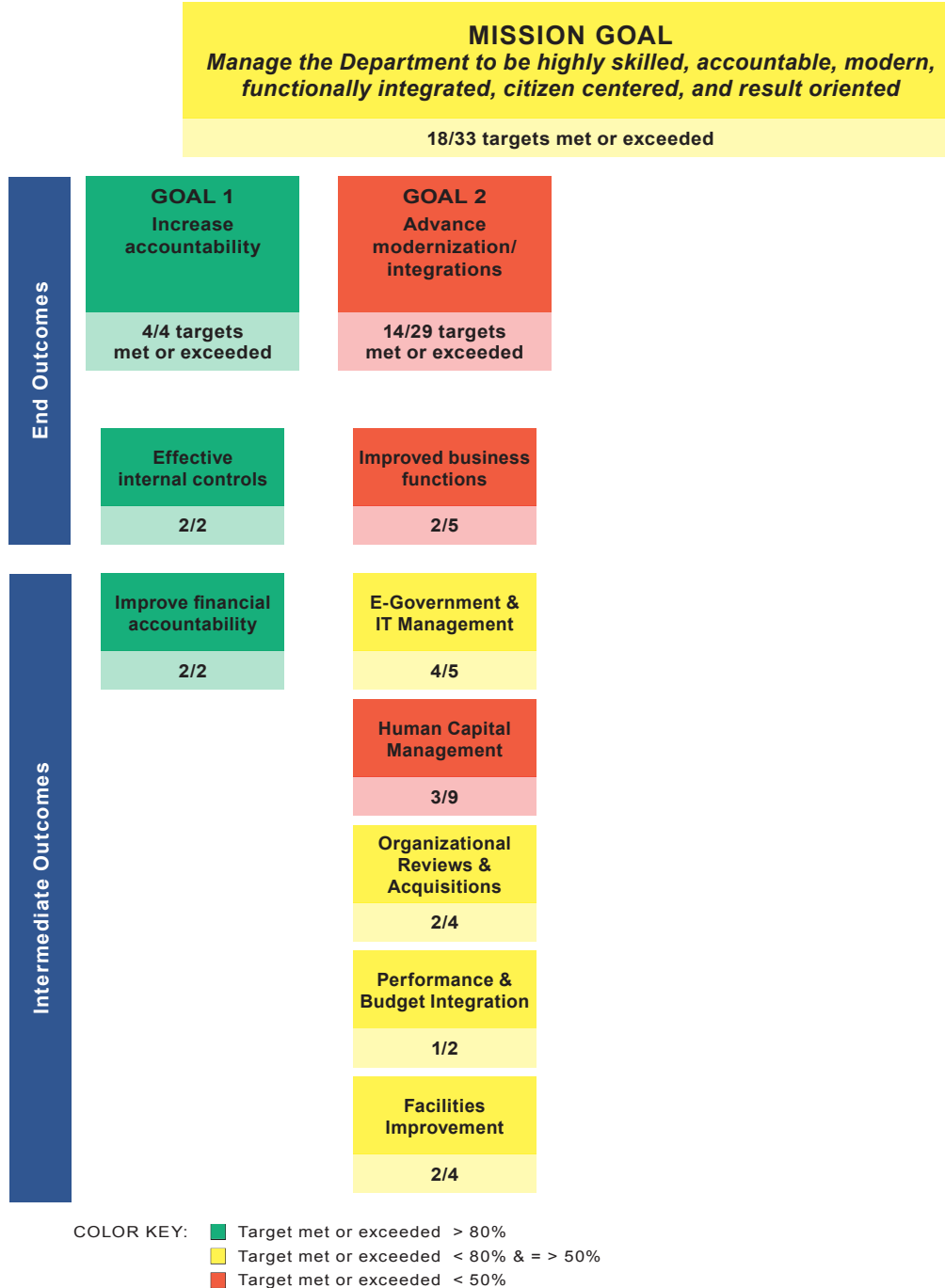
The focus is on performance and results. Quarterly reviews by Office of Management and Budget (OMB) examine six core areas: human capital, financial accountability, competitive sourcing, e-government, performance improvement, and real property.

OMB uses an Executive Branch Management Scorecard to monitor agencies' status and progress toward attaining PMA goals. Color-coded ratings are provided along with FY 2008 accomplishments for each initiative.

FIGURE 1-37

MANAGEMENT EXCELLENCE

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.



Initiative: Human Capital Management

FIGURE 1-38

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

- ◆ Technical competencies for key mission-critical bureau occupational groups were assessed in order to plan for training that will close competency gaps
- ◆ New activities to increase the percentage of highly skilled, diverse candidates that are hired included:
 - Establishing a Leadership Group in partnership with the Hispanic Association of Colleges and Universities to identify strategies for improved recruiting of Hispanic students
 - Adopted the Department of Veterans Affairs Coming Home to Work initiative that provides potential employment opportunities to veterans
 - Developed desktop reference guides for managers and supervisors on how to provide reasonable accommodation to disabled employees and applicants and achieve a model Equal Employment Opportunity (EEO) program

Initiative: Competitive Sourcing

FIGURE 1-39

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

- ◆ Against the Government Performance Results Act (GPRA) target of 3 percent compared to the General Services Administration’s Federal Supply Schedule, Interior realized 15.2 percent in hard cost savings
- ◆ DOI has completed competitive sourcing competitions on 3,011 full-time equivalents (FTEs) and directly converted 1,773 FTEs, resulting in a cumulative annualized savings of over \$7 million

Initiative: Improve Financial Management

FIGURE 1-40

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

- ◆ Interior achieved a clean audit opinion
- ◆ Implementation of a new integrated financial management system (FBMS) is under way—three bureaus have made to transition to date
- ◆ Full implementation of FBMS will result in a more accurate, timely, and useful system of financial information

Initiative: E-Government

FIGURE 1-41

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

- ◆ DOI was cited by OMB Federal Enterprise Architecture Program Management Office as a Best Practice for Federal agencies to leverage in developing segment architectures
- ◆ The Government Accountability Office evaluation criteria rate the Interior Enterprise Architecture (IEA) program at 100 percent
- ◆ Interior implemented the Cyber Security Assessment Management (CSAM) 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.

Initiative: Performance Improvement

FIGURE 1-42

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

- ◆ Under the PMA for Performance Improvement, specific program-level reviews are conducted in consultation with the Office of Management and Budget using the Program Assessment Rating Tool (PART). A table that lists the ratings of the programs that have been reviewed is included in Part 2, and more detailed information regarding findings and follow-on actions that are under way can be found on the <ExpectMore.gov> Web site.
- ◆ Two more programs progressed from being considered Results Not Demonstrated to Adequate or better

Initiative: Real Property

FIGURE 1-43

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

- ◆ Continued to update inventory data in the OMB-sponsored Real Property Profile for over 160,000 constructed assets at approximately 2,400 locations in the United States and United States Island Territories
- ◆ Draft Green Plan submitted to OMB demonstrated how the Department and bureaus are using asset data in management decisions
- ◆ Disposed of over 700 assets in FY 2008 and identified near 3,500 assets for disposal over the next several years

Compliance with Legal and Regulatory Requirements

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

- ◆ Federal Managers' Financial Integrity Act (FMFIA)
- ◆ Federal Financial Management Improvement Act (FFMIA)
- ◆ Inspector General Act Amendments
- ◆ Audited financial statement results
- ◆ Major management challenges confronting Interior
- ◆ Federal Information Security Management Act (FISMA)
- ◆ Other key legal and regulatory requirements—
 - ▶ Prompt Payment Act (PPA)
 - ▶ Debt Collection Improvement Act (DCIA)
 - ▶ Electronic Funds Transfer (EFT)

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

- ◆ E-Gov travel
- ◆ Financial Management Green Plan initiative
- ◆ Improved cost information
- ◆ Financial management systems
- ◆ Financial management systems improvement strategy
- ◆ Financial management human capital
- ◆ Financial data stewardship

FY 2008 ASSURANCE STATEMENT

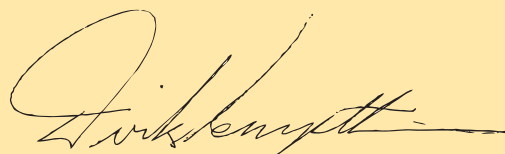
The Department of the Interior's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act of 1982. Interior is able to provide a qualified statement of assurance that the internal controls and financial management systems meet the objectives of FMFIA, with the exception of one material weakness noted herein.

Interior conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with 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, 2008, 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 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, 2008, was operating effectively with the exception of one material weakness found in the design or operation of the internal control over financial reporting. The financial audit identified, and management concurs, that a material weakness exists in the internal control over financial reporting of unfilled customer orders. The Department will implement a corrective action plan to resolve the deficiency in the second quarter of FY 2009.

Interior can also 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 15, 2008

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 decisionmaking at all levels.

Interior's internal control program is designed to ensure full compliance with the goals, objectives, and requirements of FMFIA and Office of Management and Budget (OMB) Circular No. A-123,

Management's Responsibility for Internal Control, including Appendix A, *Internal Control over Financial Reporting*; OMB Circular No. A-127, Appendix B, *Improving the Management of Government Charge Cards*, Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments*, *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 internal accounting and administrative controls, including program, operational, and administrative areas as well as accounting and financial management and reporting. During Fiscal Year (FY) 2008, the Office of Financial Management (PFM) conducted comprehensive site visits and otherwise provided oversight with regard to risk assessments, internal control reviews, and progress in implementing audit recommendations. Interior's FY 2008 Annual Assurance Statement is highlighted to the left. 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 2008 Annual FMFIA Assurance Statement are based on the results of approximately 854 internal control reviews conducted by bureaus and offices, including assessments of internal control over financial reporting. In addition, Interior considered the results of 16 Office of Inspector General (OIG) program audits; 16 Government Accountability Office (GAO) program audits; and 6 financial statement audits conducted by the independent public accounting firm, KPMG LLP, under the auspices of the Chief Financial Officers (CFO) Act of 1990 and the Government Management Reform Act of 1994 (GMRA). 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 (PMA).

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 and recognizes the importance of correcting material weaknesses in a timely manner. PFM and senior program officials continuously monitor corrective action progress for all material weaknesses. At the beginning of FY 2008, 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 A-123 and A-136, *Financial Reporting Requirements*, to report only Department-level material weaknesses in the Performance and Accountability Report (PAR). Bureau-level material weaknesses continue to be reported internally and are actively monitored by the bureaus and PFM for timely corrective action.

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 exists;
- ◆ Corrective actions have been substantially completed, 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.

Compliance with Legal and Regulatory Requirements

A summary of the Department's financial statement audit material weaknesses, FMFIA material weaknesses and accounting system nonconformances is presented in Figures 1-44 and 1-45.

Internal Control over Financial Reporting

Revised OMB Circular A-123, Appendix A, strengthens internal control requirements over

financial reporting in Federal agencies. The Circular provides updated internal control standards and requirements for conducting management's assessment of the effectiveness of internal control over financial reporting.

In FY 2008, the Department completed its third assessment of the effectiveness of internal control over financial reporting. The results of

FIGURE 1-44

Summary of FY 2008 Financial Statement Audit					
Audit Opinion	Unqualified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Controls over Unfilled Customer Orders	0	1	0	0	1
Total Material Weaknesses	0	1	0	0	1

FIGURE 1-45

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Qualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Controls over Unfilled Customer Orders	0	1	0	0	0	1
Total Material Weaknesses	0	1	0	0	0	1

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	No
1. System Requirements	Yes	
2. Accounting Standards	Yes	
3. U.S. Standard General Ledger at Transaction Level	Yes	

the assessment revealed that a material control weakness exists in the financial reporting of unfilled customer orders. The weakness was reported in Interior's Statement of Assurance. For other financial reporting areas, adequate controls exist and financial reporting can be relied upon by senior management when used in conjunction with other decisionmaking processes. The assessment did not disclose any other material weaknesses in the Department's financial reporting activities. Although deficiencies were found in some financial reporting business processes, corrective actions and compensating controls are expected to address the deficiencies. The Department's internal control over financial reporting reasonably ensures the safeguarding of assets from waste, loss, and unauthorized use or misappropriation, as well as compliance with laws and regulations pertaining to financial reporting with the exception of the one material weakness (See FY 2008 Assurance Statement, paragraph 2).

Departmental policymakers 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 the accountability of Departmental managers regarding internal controls and improves the quality and reliability of the Department's financial information.

Federal Financial Management Improvement Act

FFMIA builds upon and complements the CFO Act, Government Performance and Results Act (GPRA), and GMRA. FFMIA requires that Federal agencies substantially comply with 1) applicable Federal accounting standards, 2) the U.S. Standard General Ledger (USSGL), 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.

The FY 2008 Department financial statement audit report identified a noncompliance deficiencies — Federal accounting standards with regard to unfilled customer orders. Although this deficiency was identified in the financial statement audit report, the Department substantially complies with FFMIA.

Inspector General Act Amendments (Audit Followup)

Interior has instituted a comprehensive audit followup 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 2008, Interior monitored a substantial number of new Single Audit (298), OIG (25), and GAO (16) 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. The OIG Semiannual Report to the Congress provides additional information about OIG activities and results.

Departmental Goal for Timely Implementation of Audit Recommendations

To further underscore the importance of timely implementation of OIG and GAO audit recommendations, Interior has an aggressive performance goal to implement 85 percent of all GAO and OIG recommendations where implementation was scheduled to occur during the year or in previous years.

In FY 2008, Interior exceeded its performance goal with a composite implementation rate of 91 percent (Figure 1-46). Interior's success in achieving the performance goal for the 6th consecutive year was due primarily to Interior's

FIGURE 1-46

FY 2008 Departmental Performance Goal for Implementation of OIG and GAO Audit Recommendations			
Agency	Recommendations Meeting Departmental Goal Criteria	Recommendations Implemented	Percentage Implemented
DOI TOTAL	434	396	91

GAO Audits

GAO audits are a major component of Interior’s audit followup program workload and cover a variety of programs, operations, and activities. During FY 2008, GAO audits containing 69 recommendations were tracked; 60 (87 percent) were completed or closed.

aggressive monitoring process. Progress monitoring will continue in FY 2009 to help achieve 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 SAA, grantees’ financial operations, internal control structures, and levels of compliance with applicable laws and regulations must be audited each year. All SAA reports are forwarded to and screened by the Federal Single Audit Clearinghouse.

SAA reports with findings and recommendations requiring audit followup are forwarded to the Department’s OIG, which, in turn, forwards those reports to PFM for distribution to the appropriate bureaus for audit followup, 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 220 of 380 audits under the Single Audit Act (58 percent) that were in tracking during FY 2008. As in previous years, the Department plans to continue its monitoring and follow-up activities during FY 2009 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 2008, OIG audits containing 365 recommendations were tracked; 336 (92 percent) were completed or closed.

Audited Financial Statement Results

As required by the 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 its financial information.

The results of the FY 2008 financial statement audit are summarized in Figure 1-44. As shown in the table, Interior again achieved an unqualified audit opinion, the 12th consecutive one, for the Department’s consolidated financial statements.

Figures 1-47 and 1-48 summarize the status of material weaknesses and noncompliance issues reported in the FY 2008 and FY 2007 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 2008 auditor’s report identified one instance of material weakness concerning controls over unfilled customer orders. Interior concurred with the finding (See Figure 1-47).

As previously stated, the report also identified 2 instances of noncompliance with laws and regulations. Interior concurred with the SAA finding but not with the Federal accounting standards finding (See Figure 1-48).

FIGURE 1-47

FY 2008 and 2007 Audited Financial Statements Material Weakness Corrective Action Plan (as of September 30, 2008)						
Bureau	Material Weakness Description	Corrective Action	Fiscal Year		Original Target Date	Status
			2007	2008		
DEPT BLM DO FWS NPS USGS	Controls Over Unfilled Customer Orders	1.) Develop and communicate accounting policies and procedures for unfilled customer orders; 2.) Provide training to personnel on accounting for unfilled customer orders; 3.) Record the entire amount of unfilled customer orders when the order is received; and, 4.) Monitor and close out unfilled customer orders when the order expires or funding is no longer available for obligation.		X	3/31/09	In progress

FIGURE 1-48

FY 2008 and 2007 Audited Financial Statements Noncompliance Corrective Action Plan (as of September 30, 2008)						
Bureau	Noncompliance Description	Corrective Action	Fiscal Year		Original Target Date	Status
			2007	2008		
DEPT DO BOR FWS NPS	Single Audit Act Amendments of 1996	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
DEPT BLM DO FWS NPS USGS	Federal Financial Management Improvement Act of 1996	Improve procedures and internal controls to ensure the financial statements are prepared in accordance with Federal accounting standards.		X		Interior Non-concurs

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. A summary of the major management challenges identified by the OIG and GAO and the Department of the Interior’s response to the challenges identified are contained in Part Four, Other Accompanying Information, of this report.

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 (NIST) 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. The Department has identified the safeguarding of information through policy and compliance oversight, correcting identified incidents of breach or loss of information or information systems, and ensuring Departmental processes serve Federal mandates and Mission requirements as its top priorities. During FY 2008, the Department also continued to work on the priorities identified in FY 2007 for improving its overall information security posture. These are:

- ◆ Revising Department Certification and Accreditation (C&A) documentation and

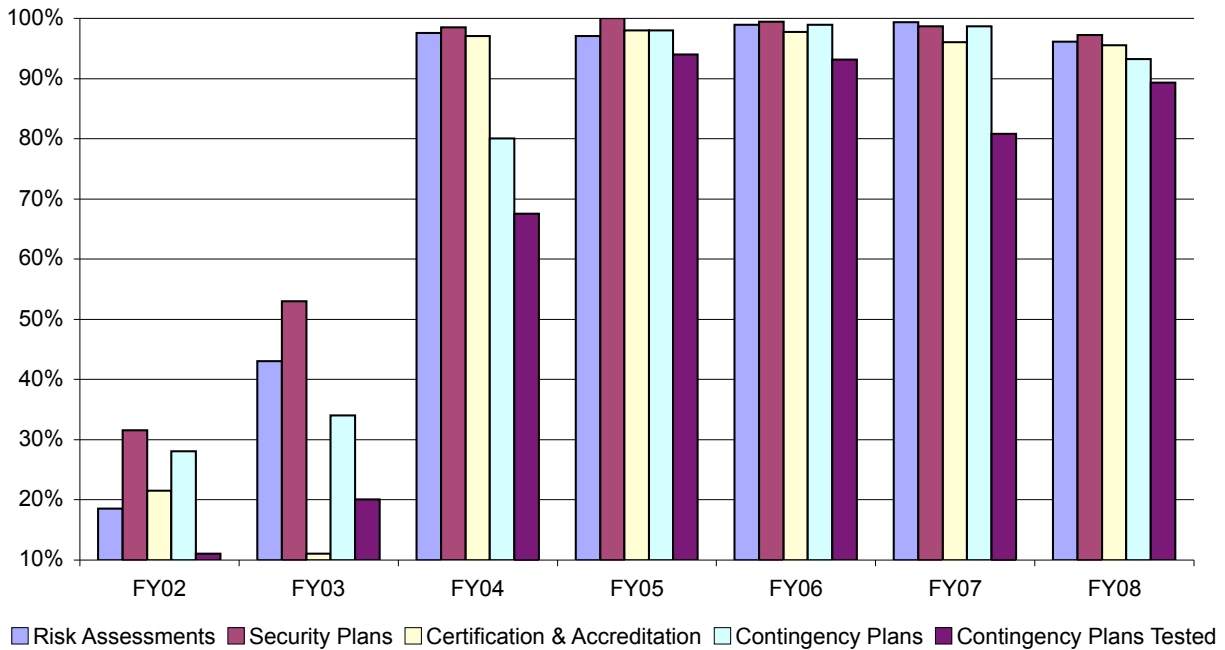
execution processes to include OMB requirements for protecting personally identifiable information;

- ◆ Improving the Department's security configurations in accordance with emergent security configuration standards (e.g., the Federal Desktop Core Configuration (FDCC));
- ◆ Refining the Department's compliance effort in meeting the requirement to report system weaknesses through the Plan of Action and Milestones (POA&M) process;
- ◆ Implementing automated tools to verify and validate system security configurations; and
- ◆ Integrating processes into life cycle management.

Specific actions, initiated and/or completed, in FY 2008 include:

- ◆ **Department of the Interior Information Security Program and Security Awareness Training**—The Office of the Chief Information Officer (OCIO) completed and promulgated the Department's Information Technology Security Policy Handbook. This document aligns Departmental policies with the NIST Special Publication (SP) 800-53, *Recommended Security Controls for Federal Information Systems*, families of controls and establishes minimum Information Technology (IT) security policies and implementation standards for all of Interior's bureaus and offices. OMB's requirement for the training of personnel based on position is addressed in Interior's Role-Based IT Security Training (RBST) Standard issued on January 30, 2008. Comprehensive personnel lists were developed, tracking methods identified, and policies and procedures implemented to ensure compliance; and
 - ◆ **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 (CSAM) solution in support of improvements to Interior's C&A, POA&Ms, and Internal Control Review (ICR) processes. CSAM, now implemented, is providing the required automation for Interior's C&A on tracking, management, and reporting processes. This FISMA automated reporting tool provides bureaus and offices greater simplicity in entering and managing information security documentation requirements.
- 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 1-49.
- ◆ **Plans of Action and Milestones** — The POA&M is the OMB-required, authoritative format for tracking identified weaknesses in information security programs and systems. The OCIO issued Directive 2008-005, dated January 31, 2008, which promulgated a new POA&M process standard, resulting in greatly enhanced Department-level reporting. This more efficient reporting mechanism, in conjunction with CSAM, enables constrained staff resources to focus on the accuracy of weakness descriptions, appropriateness of resolution plans, accuracy of corrective action status, and enable greater prioritization of resources to perform increased compliance oversight.
 - ◆ **Information Security Controls** — The Department established an Interior Internal Security Improvement Team (ISIT) 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. The plan was completed and approved by Interior's Information Technology Management Council (ITMC) and is being utilized to prioritize additional IT security improvements and enhancements that are necessary to keep pace with rapidly increasing, emerging, and evolving threats. Many of the plan recommendations are already integrated into the Department's

FIGURE 1-49
Certification and Accreditation Activities



IT Roadmap initiative, that has the goal of improving the planning, management, integration, and implementation of those projects.

As part of Interior’s self-assessments performed under annual ICRs, Interior measures the progress of implementing required security controls consistent with NIST Federal Information Processing Standards (FIPS) Publication 200, *Minimum Security Requirements for Federal Information and Information Systems*, and SP 800-53, and assessed in accordance with NIST SP 800-53A, *Guide for Assessing the Security Controls in Federal Information Systems*, 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 continues to improve on its overall level, now at a maturity level of 4.62, when measured against the assessment criteria.

- ◆ **Minimum Standards for Security Configurations** — Interior maintains an inventory of approved Security Technical Implementation Guides (STIGs) based on the NIST National Checklist Program (NCP — formerly the NIST Security Configuration Checklist Program) for critical IT security components, such as operating systems, router configuration, database hardening, etc. Interior directed bureaus and offices to implement OMB’s FDCC STIG for the Windows XP Operating System and fully implemented that standard throughout the organization by the end of FY 2008. Configuration documents are meticulously reviewed by bureaus and offices and amended as required to conform to

Compliance with Legal and Regulatory Requirements

operational requirements only after staffing through configuration management boards. Compensating controls are used when necessary to ensure adequate controls are in place.

The annual FISMA evaluations of both the OIG and Chief Information Officer (CIO) concluded that information security at Interior needs improvement, risks and vulnerabilities remain, and improvements can be easily made. Interior believes the additional policies and processes put in place over the last year to address those risks have resulted in improved information security. Additionally, improvements will continue to be made in a timely and cost-effective manner. As a result of the evaluations, it was determined that Interior substantially complies with FISMA.

Compliance with Other Key Legal and Regulatory Requirements

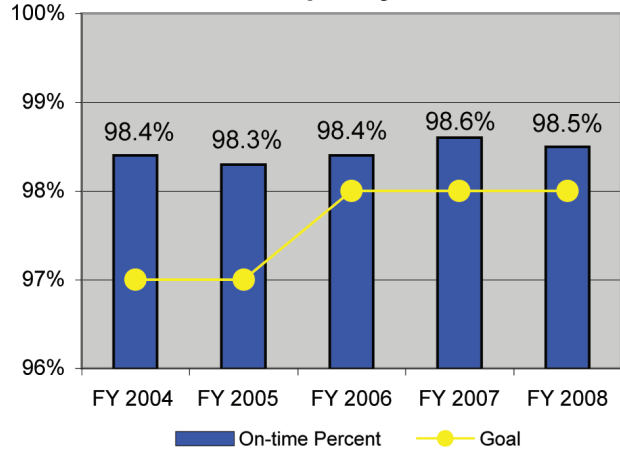
Interior is required to comply with several other legal and regulatory financial requirements, including the PPA and the DCIA.

Prompt Pay, Debt Collection, and Electronic Funds Transfer

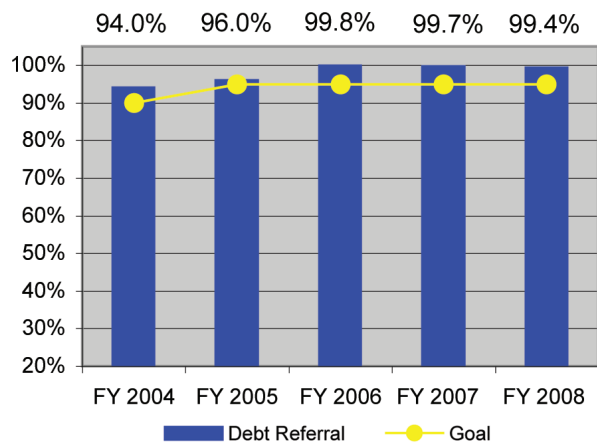
The Department is continuing to improve performance under the requirements of the PPA and the DCIA. The PPA requires that eligible payments be made within 30 days of receipt of invoice; otherwise, the Federal Government is required to pay interest. The DCIA requires any nontax debt owed to the United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

The Department exceeded its FY 2008 performance goals for PPA (Figure 1-50), DCIA (Figure 1-51), and payments made by EFT (Figure 1-52).

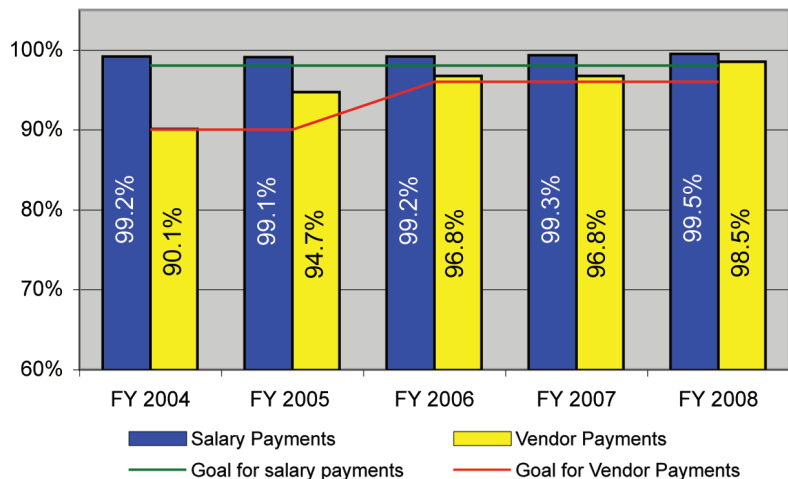
**FIGURE 1-50
Prompt Payment**



**FIGURE 1-51
Debt Referral**



**FIGURE 1-52
Electronic Funds Transfer**



Financial Management Improvement Initiatives

E-Gov Travel

The Department is approximately 80 percent complete with its E-Gov Travel implementation initiative, which deploys an end-to-end automated travel management system providing booking/reservations, travel authorization, and travel voucher processing services under one system. As of September 30, 2008, about 60,000 Interior users are able to access the system, and 45,000 vouchers have been processed in the system. The Department will complete its E-Gov Travel implementation by the end of November 2008.

Financial Management Green Plan Initiative

During FY2008, the Department implemented its Financial Management Green Plan initiative. The Financial Management Green Plan initiative is built upon the single goal of integrating the use of financial information in the decisionmaking process of programs and functions that are essential to execution of the Department's Strategic Plan. To achieve this goal, the Department identifies programs and functions with outlays equal to or exceeding \$100 million where financial information is not used for decisionmaking, or is incidental to decisionmaking, validates that financial information should be part of the decisionmaking process or is not integral to decisionmaking, and then documents how financial information will become part of the decisionmaking process in a green plan example.

As of September 30, 2008, the Department has developed green plan examples for finance, procurement, fleet management, recreation, science knowledge advancement, and hydropower cost recoupment. During FY 2009, green plan examples will be developed for wildland fire, Indian trust, mined land management, dam safety, and construction.

Improved Cost Information

The Department continues enhancement of the Management Cost Accounting (MCA) 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. Interior has 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 levels while allowing bureaus to adopt flexible goals and activities that support these outcomes. These flexibilities have led to some criticism by GAO that there is no single integrated information system to obtain the MCA data. However, Interior has begun addressing this concern by expanding the Financial and Business Management System (FBMS) capabilities to two currently deployed bureaus and implementing all existing system functionality at the Bureau of Land Management (BLM). Full implementation of FBMS will facilitate a single data source solution and ensure consistency across each entity. In FY 2008 Interior focused on identifying representative measures within each mission area and 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 decisionmaking capabilities and enable Interior program and financial managers to more effectively achieve the Department's missions. Interior 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.

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 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) improvement of internal control, (2) elimination of redundant data entry, (3) enabling 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 critical bureau-based programmatic/financial management programs: Minerals Revenue Management and American Indian Trust Funds; and
- ▲ **Interior Enterprise Architecture Program.** Continue to improve the IT infrastructure supporting financial systems. The IT infrastructure is critical to maintaining quality financial management systems. One of the major IT infrastructure efforts is the Integrated Enterprise Architecture (IEA) program.

Financial and Business Management System

Interior is implementing the fourth of eight FBMS deployments that will result in the Department's business transformation to a fully integrated business management system. The Department is successfully executing its strategic plan and is making significant progress in a number of business areas. One of those business areas is financial management, and FBMS is the primary catalyst for improvement in this area.

FBMS is an integrated suite of software applications that will help the Department 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 and reporting. When fully operational in FY 2013, FBMS will provide the Department with standard business practices supported by a single, integrated financial and administrative system for all bureaus.

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

- ▶ Standardized and integrated business processes;
- ▶ Improved security and internal controls;
- ▶ Improved cost information;
- ▶ Improved tracking and auditing capabilities;
- ▶ Reduction of double entry of data in multiple systems and manual paper processing;
- ▶ Improved Department-wide and bureau-specific reporting capabilities;
- ▶ Increased data integrity; and
- ▶ Retirement of aging and unsupported legacy systems.

FY 2008 Accomplishments

The program’s accomplishments include the completion of functional specifications and system configuration, conversion and integration testing, and end-user pilot training activities to ensure the successful first quarter FY 2009 deployment of the FBMS functionality of personal property and fleet management, E-Gov Travel, FedConnect, and Human Resources Mini-Master to the BLM, the Office of Surface Mining (OSM), and the Minerals Management Service (MMS). In FY 2008, the Program Management Office (PMO) developed FBMS acquisition, core financial, financial assistance, and enterprise management information and reporting functions for BLM. This functionality will be deployed to BLM early in FY 2009. These functions were previously deployed to OSM and MMS. The PMO provided operations and maintenance support to FBMS. The National Business Center (NBC) remained the system’s shared-service provider. Some of the accomplishments by the PMO and NBC include:

- ◆ Improved month-end processing managed in a cooperative manner with the bureaus;
- ◆ Completed system configuration, business process procedures, and test scripts for personal property/fleet management functionality;
- ◆ Developed and tested conversion and interface programs, including external interfaces; and
- ◆ Planned for and initiated business blueprinting for the FY 2009 full deployment of FBMS functionality to BLM, OSM, and MMS, and the FY 2010 deployment of all FBMS functionality, except budget formulation, to the U.S. Geological Survey (USGS). The major functionality additions planned for this deployment (Deployment 5) include Real Property and Budget Formulation.

FY 2009 Planned Activities

Other necessary activities are planned to be accomplished to ensure successful deployments of FBMS in FY 2009. These activities include:

- ◆ Completing system cutover and data conversion testing, conducting end-user

training, executing system cutover and Go-Live activities for Deployment 4 (BLM);

- ◆ Conducting post-Go-Live system support for Deployment 4 (BLM);
- ◆ Conducting Deployment 5 (USGS) business blueprint, and
- ◆ Designing, developing, testing, and implementing three interim FBMS enhancements in April and July of FY 2009 and November of FY 2010.

Critical Programmatic/Financial Management Systems

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

MMS Minerals Revenue Management System

The Minerals Revenue Management (MRM) 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 about \$13 billion annually over the last 5 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.

Information systems and electronic government infrastructure play a critical role in MMS’s collection and disbursement of the Nation’s mineral revenues. The MMS continues to ensure that its systems remain secure, interactive, and in compliance with the latest mandated accounting requirements and technologies, and is Web based. The MMS Minerals Revenue Management Support System (MRMSS) uses commercial off-the-shelf (COTS) software that has been modified

for MRM requirements and is contractor-owned and operated. The MRMSS is critical to the ability of MRM to account for and disburse mineral revenues in a timely manner from mineral leases on the Outer Continental Shelf and onshore Federal and American Indian lands to the U.S. Treasury, States, and American Indians. The MRMSS includes four primary information technology subsystems to support MRM's mission-critical work:

- ▶ The Financial Management System accounts for all Federal and Indian minerals rents, royalties, bonuses, and their distribution/disbursement to the Treasury, States, and American Indians. The system also issues bills for nonpayment of royalties or late royalties;
- ▶ The data warehouse provides a repository of historical financial and production information for use by internal users in the BLM and other agencies, as well as state and tribal entities under contract for MRM to ensure compliance on leases within their jurisdiction;
- ▶ The Compliance and Asset Management Subsystem includes specialized tools for verifying companies' compliance with laws, lease terms, and regulations; and
- ▶ The Royalty-in-Kind subsystem provides an automated system supporting internal controls to manage the transporting, processing, and selling of oil and natural gas taken in-kind and sold by MRM in lieu of receiving in-value payments.

FY 2008 Accomplishments

In FY 2008, the MMS:

- ◆ Awarded a cost efficient MRMSS Operation and Support Contract and
- ◆ Implemented an MRM IT governance structure to monitor and manage the performance of MRMSS project

activities throughout its investment system development lifecycle.

FY 2009 Planned Activities

The following MRMSS system improvements are planned for FY 2009:

- ◆ The Adjustment Line Monitoring Initiative, which automates the process of identifying royalty adjustments made by payors outside of required timeframes in order to enhance compliance efforts and
- ◆ The Interactive Payment Reconciliation and Billing Initiative, which automates MMS's interface with its customer base on numerous activities to enhance online reporting and verification capabilities, as well as enforcement efforts.

American Indian Trust Fund Systems

The American Indian Trust Fund Management Reform Act of 1994 (the Act) established the Office of Special Trustee for American Indians (OST). The Act identified actions required for the Secretary's proper discharge of trust responsibilities, including providing adequate systems for accounting 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 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 (CTMP)—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 or 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. The CTMP provided the ground work to create the Fiduciary Trust Model (FTM). The FTM provides the framework to carry out the various trust reforms within Interior.

FY 2008 Accomplishments

Through OST, Interior is in its fourth year of implementing the FTM. 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.

By the close of FY 2008, the OST and IA achieved another milestone in trust management reform through conversion from the Trust Funds Receivables (TFR) module and the Trust Funds Accounting System (TFAS) income allocation process to the new Trust Asset Accounting Management Systems (TAAMS) invoicing and distribution module. The processing of forestry payments was included in this conversion, enabling the automatic distribution of forestry funds. As of May 31, 2008, all locations were successfully converted to the new TAAMS invoicing and distribution system. The conversion streamlined the invoicing process and allowed for income to automatically be distributed to beneficiaries on a timely basis. This is the first time a national level report has been produced. Other selected accomplishments include:

- ◆ Continued implementing the FTM, including the migration of other automated systems that are integrated;
- ◆ Reconnected to the Internet after a decision from the U.S. District Court for the District of Columbia which allowed OST to do so;
- ◆ Developed OST requirements for the Royalty Distribution and Reporting System conversion and provided to IA for their conversion efforts;
- ◆ Assured accuracy of TAAMS data by performing post quality assurance review on IA realty and title documents; and
- ◆ Performed transaction testing across multiple bureaus and offices in Interior

that have oversight of Indian trust assets in coordination with Policy, Management and Budget (PMB).

FY 2009 Planned Activities

- ◆ Use Interior’s automated Appraisal Request and Review Tracking System to accurately track and project Office of Appraisal Services cost and performance data;
- ◆ Conduct post quality assurance review on the encoding of TAAMS leasing module data to ensure accuracy and timely interface with TFAS and the TAAMS title module;
- ◆ Strengthen risk management program by: (1) expanding transaction testing across additional bureaus and offices in Interior that have oversight of Indian trust assets, (2) expanding content to include additional processes at Office of Historical Trust Accounting (OHTA), (3) modifying the risk program to incorporate processes modified as a result of the Royalty Distribution and Reporting System conversion, and (4) reviewing select offices within OST, updating their defined programs and processes to incorporate current regulations, and working with other bureaus/offices within Interior to make risk analysis of programs more consistent;
- ◆ Continue integration of Protrac with TFAS and TAAMS; and
- ◆ Provide tribal account holders online access to their statements of performance.

Interior Enterprise Architecture Program

For the past four years, the Interior Enterprise Architecture program has exceeded the OMB’s Enterprise Architecture (EA) Assessment Framework thresholds to achieve “green” on the President’s Management Agenda E-Gov Scorecard. Each Federal Cabinet agency’s EA program is evaluated on three factors: completion, use, and results.

The GAO also assesses the maturity of Federal EA programs in the GAO Enterprise Architecture Management Maturity Framework (EAMMF). According to GAO evaluation criteria, the IEA program has achieved a rating of 100 percent indicating that all GAO evaluation criteria have been fully met. As evidenced by the scores on the above two frameworks, Interior has a mature EA program that is providing tangible results to our business community. Interior is focused on obtaining measurable results from its investment in EA to result in increased efficiencies for Interior business areas.

The IEA program is viewed as a “best practice” as evidenced by:

- ▶ **Leadership in Segment Architecture Practices** — Interior has been cited by the OMB Federal Enterprise Architecture (FEA) Program Management Office as a best practice for other Federal agencies to leverage in developing segment architectures and is leading an interagency initiative to develop Federal-wide guidance in this area;
- ▶ **Speaking engagements** — The Interior Chief Architect and members of the Enterprise Architecture Division (EAD) staff are requested regularly to speak about the Interior 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** — Interior has provided assistance to advance the knowledge of the EA community and “best practice” information sharing sessions with numerous Federal, State, and local government agencies, as well as five foreign governments.

The IEA program continues to deliver value to the Interior business community, as well as generate outcomes that benefit citizens. The public frequently requests maps and other geospatial data from Interior, particularly during emergency response situations when using the best available data can be used to save lives. The Geospatial One-Stop portal provides an integrated environment to coordinate requests for data, making a response from

Interior more efficient. These portal services are available as a result of work performed on Interior's Geospatial Modernization Blueprint.

Interior is focused on obtaining measurable results from its investment in EA. The following are some highlights of the measurable results that have helped to strengthen EA's stature within the agency.

- ▶ Interior's Financial Management Modernization Blueprint features the target state for FBMS;
- ▶ Interior continues to realize cost savings and avoidance from its architecture driven hardware and software enterprise license agreements (ELA). Through standards included in the Interior Technical Reference Model, ELAs have allowed Interior to realize significant cost savings/avoidance; and
- ▶ Interior's Recreation Modernization Blueprint features <**Recreation.gov**>, a PMA e-government success story. Interior has retired multiple legacy services and systems to consolidate to this one-stop shopping site for the tourist public.

In addition to providing concise findings and management recommendations, IEA blueprints identify gaps and redundancies in Interior's existing IT portfolio that can hamper successful achievement of strategic and programmatic goals. Modernization blueprint milestones are represented in the Enterprise Transition Strategy (ETS) and are annually updated. ETS entries define the sequencing for all modernization efforts across Interior.

In support of the Blueprint efforts, IEA has developed policy and guidance for determining authoritative data sources, data quality improvement, and system decommissioning. These documents support consistency in data management and IT operations thus improving overall services while reducing risks. In efforts to further formalize data standardization, IEA has implemented performance measures for data quality for the Department Enterprise Architecture Repository (DEAR). These guidance documents have undergone Departmental review and are being finalized for release.

FY 2008 Accomplishments

- ◆ Received a green rating on OMB's maturity assessment by exceeding the required 4.0 rating in all three categories: Completion, Use and Results;
- ◆ Launched an IT Infrastructure Modernization Blueprint to improve Interior's IT Infrastructure services recognizing the close correlation with the Information Technology Infrastructure Line of Business (ITILOB) initiative. The ITILOB establishes Government-wide standardized metrics for IT infrastructure services, partitioned into the areas of end user systems and support (EUSS), mainframes and servers services and support (MSSS), and telecommunications systems and support (TSS). While Interior met or exceeded almost all of the ITILOB target metric values for the EUSS infrastructure area, data call results indicated Help Desk services as an area for potential improvement and therefore this focus area is currently being analyzed in the blueprint effort;
- ◆ Prepared and delivered the IT Roadmap which contained the major IT infrastructure projects warranting Departmental coordination. This initiative established a standard status reporting format and schedule for all IT roadmap projects in order to reduce project risks by managing discrete projects as an overall portfolio. Additionally, governance was established to manage changes or issues related to each of the projects;
- ◆ Developed the Geospatial Blueprint which was approved in December, 2007;
- ◆ Updated the Interior Business Model and mapped core mission and support functions to the Federal Enterprise Architecture Business Reference Model (FEA BRM); and
- ◆ Generated international interest by providing information sharing sessions on its methods and achievements to representatives from Singapore and South Korea.

FY 2009 Planned Activities

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 Modernization Blueprint. At the same time, Interior will be aligning planning initiatives to comply with the OMB led ITILOB, to 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 and support services, data centers, networks, and telecommunications.

IEA will complete the IT Infrastructure Modernization Blueprint. Using the federated service governance process, IEA will analyze alternatives for improving Help Desk services and incorporate the plans to implement the Help Desk service delivery model. IEA will support analysis and planning of other IT Infrastructure federated services, incorporating findings and recommendations for the ITILOB MSSS and TSS data calls. IEA will incorporate approved plans and milestones from the IT Infrastructure Modernization Blueprint in the Agency 5 -Year Infrastructure Optimization Plan required for the ITILOB.

IEA plans to implement the Enterprise Project Management Portal (EPMP), an application for coordinating multiple, interrelated project schedules and their associated work products. EPMP will significantly improve collaboration capabilities within and across project teams, will standardize project status reporting and will improve visibility and understanding of project schedule dependencies. By supporting the collection of multiple project schedules into a master schedule, EPMP will simplify tracking the execution of transition plans in completed segment architectures and thus the execution of the enterprise transition strategy.

IEA will continue to manage the IT Roadmap, leveraging EPMP to present the IT Roadmap as a single master schedule over all the component IT Infrastructure projects. As the projects inspired by the IT Infrastructure Modernization Blueprint are executed, they will be added to the IT Roadmap. As the individual IT Infrastructure projects are completed, they will be removed from the IT Roadmap. In this fashion, the IT Roadmap

will continually show the portfolio of major IT Infrastructure projects in progress across Interior.

IEA plans to rebaseline the existing Law Enforcement segment architecture Blueprint to address terrorism-related information sharing. This work will enable Interior to utilize the same information sharing protocols and standards used throughout all levels of government for law enforcement activities.

IEA plans to publish the Interior Authoritative Data Source Policy, as well as the Data Quality and the Interior System Decommissioning guides, in the first quarter of FY 2009.

IEA plans to restructure the Interior Enterprise Transition Strategy to better articulate strong linkages to outcome oriented performance goals and agency mission performance improvement plans.

IEA plans to work with OMB and the Federal architecture community (e.g. Chief Architects Forum) to finalize products and gain approval for the Next Generation Segment Architecture Guidance. Additionally, outreach materials, training, and a transition plan will be prepared as full responsibility for maintaining this product is transferred to the OMB FEA PMO.

Financial Management Human Capital

Interior established the R. Schuyler Leshner Financial Management Career Intern Program (FMCIP) in 2002 to recruit and train entry-level professionals in accounting and financial analysis for Interior 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.

As of the Summer of 2008, 37 interns have graduated from FMCIP; 79 percent are still with Interior and 88 percent are still working for the Federal Government. To ensure that the program continues to meet the requirements of Interior's financial community, focus groups were formed in FY 2008 to review the program requirements, objectives, curriculum, and desired outcomes. A

team of subject matter experts will then work with DOI University to redesign the FMCIP in order to meet the customer's need and develop the financial management workforce of the future.

FY 2008 Accomplishments for the Intern Program

- ◆ Graduated the FMCIP Class of 2006 (four members);
- ◆ Completed the first year of training and development for the 2007 FMCIP Intern class (five interns);
- ◆ Aligned training with the Joint Financial Management Improvement Program and Interior financial management competency models; and
- ◆ Partnered with the financial community to revise FMCIP objectives and desired outcomes.

FY 2009 Planned Actions for the Intern Program

- ◆ Launch the newly redesigned intern program;
- ◆ Expand participation of Interior bureaus in the FMCIP Class of 2009;
- ◆ Recruit a new class of interns; and
- ◆ Continue delivering required training for the class of 2007.

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 to prepare them to carry out their growing responsibilities. The Financial Management Workforce Plan noted specific competencies that 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. Initial work

has begun on the design and development of a competency model. The competency model will be used to develop and implement the midlevel, senior-level, and executive-level components of this comprehensive program.

FY 2008 Accomplishments

- ◆ Updated the Financial Management Workforce Plan;
- ◆ Continued to encourage participation in organizations with a focus on financial management (Association of Government Accountants, Joint Financial Management Improvement Program, etc.) to gain exposure to other approaches to financial management and improve communication between agencies;
- ◆ Encouraged cross training between Interior bureaus to facilitate communication and cooperation; and
- ◆ Conducted the Business Management Conference with attendees from the finance, procurement, and budget communities; allowing face-to-face discussion of issues that cross discipline and bureau lines.

FY 2009 Planned Actions

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

Financial Data Stewardship

PFM 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.

To coordinate the establishment and implementation of financial data standards within Interior, the bureaus and PFM have chartered the Standard Accounting Classification Advisory Team (SACAT) 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 USSGL maintenance.

In addition to the SACAT, Interior utilizes a Financial Statement Guidance Team (FSGT), comprised of the various bureaus of the Department, to deal with issues and concerns related to the preparation of the PAR and implementation of OMB Circular A-136, *Financial Reporting Requirements*.

FY 2008 Accomplishments

- ◆ Published issue papers to facilitate the issuance of improved financial management and accounting policies;
 - ◆ Analyzed and enhanced the reporting process to support performance reporting under GPRA and the timely preparation of the PAR;
 - ◆ Provided support to BLM and NBC in reviews of their internal processes to identify areas for strengthened financial management;
 - ◆ 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;
 - ◆ Participated in Governmentwide teams to facilitate changes/modifications to OMB Circular A-136;
 - ◆ Created a Citizen Centric Report to convey pertinent financial and performance data to the average citizen in a condensed and easy to interpret format;
- ◆ Worked with the Office of Budget and Office of Planning and Performance to standardize the future implementation of Activity Based Costing;
 - ◆ Developed policies and procedures for bureau participation in the Consolidated PAR in lieu of preparation of individual bureau reports for four bureaus: MMS, OSM, FWS, and BLM; and
 - ◆ Developed policies and procedures for reporting Stewardship Land and Heritage Assets in the Basic Footnotes section of the PAR.

FY 2009 Planned Activities

- ◆ 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; and
- ◆ Continue to work with bureaus to fully implement ABC/M throughout Interior.

Analysis of Financial Statements

Interior received, for the 12th 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. 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.

Interior 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 2008, Interior's assets totaled \$70,679 million. This is an increase of \$3,695 million or 6 percent over the previous year's assets, which totaled \$66,984 million. Interior's assets reflected in the Balance Sheet are summarized below.

Interior's assets are primarily composed of the Fund Balance with Treasury and General Property, Plant, and Equipment (PP&E). The Fund Balance with Treasury is money that Interior is authorized to use 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 PP&E 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).

Liabilities

In FY 2008, Interior's liabilities totaled \$11,828 million. This is an increase of \$849 million or 7 percent from the previous year's liabilities of \$10,979 million. Interior's liabilities reflected in the Balance Sheet are summarized below.

Interior's liabilities are primarily composed of Accounts Payable, Debt, Federal Employee and Veteran Benefits, and Other Liabilities. Other Liabilities are primarily composed of Liability for Capital Transfer to the General Fund of the Treasury, Contingent, Advances, Deferred Revenues, 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 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 2008, Interior had several liability line items with variances meeting the threshold for analysis. Accounts Payable showed a change of approximately \$196 million (14 percent). The largest portion of this variance is a \$141 million increase in the Office of the Secretary's fund for payments in lieu of taxes. The appropriation and payables due in FY 2009 were received early and booked into FY 2008, causing an increase in accounts payable.

Total debt decreased for the year by \$143 million (16 percent) due to repayments to the Bureau of the Public Debt by IA, BOR, and BLM. The bulk of the change was due to the BLM annual repayment of \$120 million of Helium related debt.

The decrease of \$5 million in Loan Guarantee liability is attributable to IA's subsidy reestimate in the Loan Guarantee program.

Condensed Assets

(dollars in thousands)	FY 2008	FY 2007
Fund Balance with Treasury	\$ 37,932,964	\$ 34,776,671
Investments, Net	7,546,611	7,485,899
General Property, Plant, and Equipment, Net	18,306,908	17,930,798
Accounts and Interest Receivable, Net	3,284,138	3,368,896
Other Assets	3,608,646	3,421,256
Total Assets	\$ 70,679,267	\$ 66,983,520

Condensed Liabilities

(dollars in thousands)	FY 2008	FY 2007
Accounts Payable	\$ 1,571,833	\$ 1,375,832
Debt	715,109	858,007
Loan Guarantee Liability	36,180	41,434
Federal Employee and Veteran Benefits	1,383,223	1,363,633
Environmental and Disposal Liabilities	155,548	147,514
Other Liabilities	7,965,752	7,192,494
Total Liabilities	\$ 11,827,645	\$ 10,978,914

Net Cost

(dollars in thousands)	FY 2008	FY 2007
Resource Protection	\$ 3,780,366	\$ 3,465,136
Resource Use	4,031,249	2,144,299
Recreation	2,632,479	2,455,348
Serving Communities	4,777,813	4,637,182
Reimbursable Activity and Other	1,081,461	936,721
Net Cost of Operations	\$ 16,303,368	\$ 13,638,686

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 (increase) of \$773 million (11 percent) is, therefore, a result of many smaller changes to liability accounts in the fund. The most significant component causing the change is an increase of \$1.1 billion in the MMS's Other Liabilities. MMS Contingent Liabilities increased by \$766 million due to a change in the estimate of possible loss. MMS Custodial Liabilities also increased by \$334 million due to the increase of onshore oil and gas prices, which yielded increases in royalties reported and due.

Net Position

Interior's Net Position at the end of 2008, disclosed in the Balance Sheet and the Statement of Changes in Net Position, was \$58,852 million, an increase of about \$2,847 million or 5 percent from the previous year.

Interior's Net Position consists of the sum of Unexpended Appropriations of \$4,544 million and Cumulative Results of Operations of \$54,307 million.

Results of Operations

Interior's net cost of operations for FY 2008 was \$16,246 million. This is a increase of \$2,607 million or 19 percent from the previous year's net cost of \$13,639 million. Interior's net cost of operations as reflected in the Statement of Net Cost is summarized above.

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.

In FY 2008, Net Cost of Operations increased by such a large margin due to Resource Use activity in the MMS. An unusually large increase in the price of oil and gas resulted in high dollars of royalties that were then payable to the states. Also, in FY 2008, MMS contingent liability was increased to reflect a \$1.1 billion estimate of loss.

Revenue

During FY 2008, Interior earned approximately \$2,134 million in revenue from the public and approximately \$2,196 million in revenue from other Federal entities, for a total of \$4,330 million. This is a decrease of about \$241 million from September 30, 2007. In FY 2007, approximately \$2,035 million was earned in revenue from the public and approximately \$2,536 million was earned in revenue from other Federal entities, for a total of \$4,571 million.

Interior classifies revenue as exchange or non-exchange revenue. Exchange revenues are those that derive from transactions in which both the Government and the other party receive value, including park 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 also 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.

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 \$21,920 million and \$20,963 million were incurred as of September 30, 2008, and September 30, 2007, respectively on total budgetary resources in FY 2008 of \$29,044 million, and in FY 2007, of \$26,799.

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 \$25,371 million and \$10,984 million as of September 30, 2008, and September 30, 2007, respectively, and includes Outer Continental Shelf and onshore oil, gas, and mineral sales and royalties. The increase of \$14,387 million is due to the large increase in the price of oil and gas in FY 2008.

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 and was discontinued in June 2008. The current estimated value of this initiative is \$1,600 million which was reported as custodial revenue.

Stewardship Investments

In FY 2008, Interior implemented SFFAS 29. Stewardship assets are now detailed in a Note to the Financial Statements.

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 investments in nonfederal physical property.

Stewardship investments are summarized in the following table.

STEWARDSHIP INVESTMENTS (IN MILLIONS)				
	FY 2008	FY 2007	Change	% Change
Non-Federal Physical Property	\$667	\$576	\$+91	+14%
Research and Development	885	867	+18	+2%
Human Capital	\$589	\$565	\$+24	+4%

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