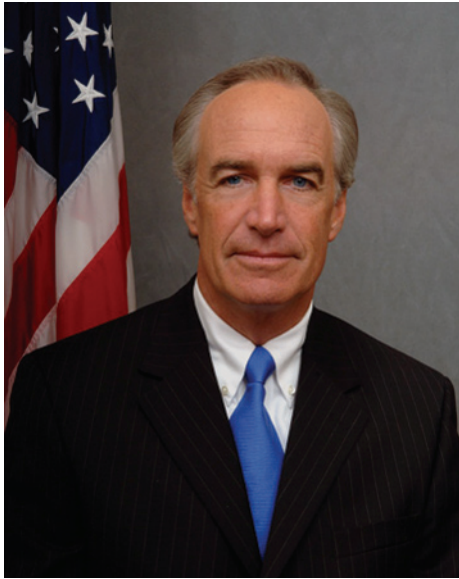


Message from the Secretary



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

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

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

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

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

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

Accomplishments

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

RESOURCE PROTECTION

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

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

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

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

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

RESOURCE USE

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

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

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

RECREATION

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

SERVING COMMUNITIES

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

Management Challenges

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

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

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

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

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

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

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

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

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

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

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

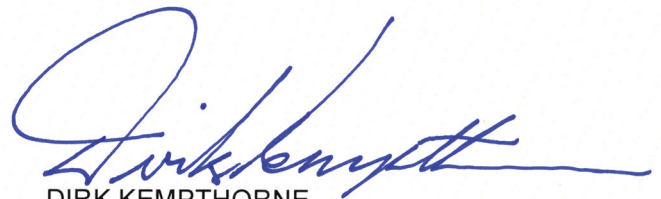
A More Robust Approach to Reporting on Performance

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

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

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

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



DIRK KEMPTHORNE
Secretary of the Interior
November 15, 2008