

# **U.S. Department of the Interior**



## **Fiscal Year 2005 Annual Report on Performance and Accountability**

*November 15, 2005*

# Table of Contents

<b>MESSAGE FROM THE SECRETARY .....</b>	<b>IV</b>
<b>FROM MISSION TO MEASUREMENT: HOW TO READ THIS REPORT .....</b>	<b>1</b>
<b>PART 1. MANAGEMENT’S DISCUSSION AND ANALYSIS</b>	
Who We Are and What We Do .....	5
How We Performed in FY 2005 .....	9
Mission Area 1 - Resource Protection .....	15
Mission Area 2 - Resource Use.....	23
Mission Area 3 - Recreation.....	33
Mission Area 4 - Serving Communities .....	39
Strategic Goal - Management Excellence .....	49
Compliance with Legal and Regulatory Requirements.....	57
Federal Managers’ Financial Integrity Act (FMFIA) .....	57
Federal Financial Management Improvement Act (FFMIA) .....	65
Inspector General Act Amendments (Audit Follow-Up) .....	66
Audited Financial Statement Results .....	69
Major Management Challenges Confronting Interior.....	69
Improper Payments Information Act of 2002 (IPIA) .....	82
Federal Information Security Management Act (FISMA) .....	84
Compliance with Key Legal and Regulatory Requirements.....	88
Financial Management Improvement Initiatives.....	89
Financial Management Human Capital.....	95
Financial Data Stewardship.....	97
Analysis of Financial Statements.....	99
<b>PART 2. PERFORMANCE DATA AND ANALYSIS</b>	
Results at a Glance .....	107
Data Verification and Validation .....	107
Data Completeness and Reliability .....	108
Performance Data Sources .....	108
Key to Table 2-1 .....	108
Program Evaluations.....	109
Table 2-1 (Results at a Glance) .....	110
FY 2005 Sample Program Evaluations .....	141
PARTs Conducted During FY 2003 for Budget Year 2005 .....	155
PARTs Conducted During FY 2005 for Budget Year 2007 .....	156

**PART 3. FINANCIAL SECTION**

Message from the Chief Financial Officer ..... 159  
Principal Financial Statements ..... 161  
Notes to Principal Financial Statements..... 168  
Required Supplementary Information ..... 229  
Required Supplementary Stewardship Information..... 245  
Other Supplementary Information ..... 265  
Office of Inspector General Transmittal..... 275  
Independent Auditors’ Report..... 278  
Management Response to Independent Auditors’ Report..... 310  
Major Management and Performance Challenges ..... 315

**PART 4. APPENDICES**

A. Improper Payments Information Act Reporting Details..... 323  
B. Organization Chart ..... 324  
C. Glossary of Acronyms ..... 325

**WE’D LIKE TO HEAR FROM YOU ..... 329**

*An electronic version of this document is available on the Internet at [www.doi.gov/pfm/par2005](http://www.doi.gov/pfm/par2005). The Department of the Interior’s strategic plan is available at [www.doi.gov/ppp/gpra](http://www.doi.gov/ppp/gpra).*

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## Message from the Secretary



On behalf of the more than 70,000 dedicated employees of the Department of the Interior, I am pleased to share with the American public our Annual Report on Performance and Accountability for Fiscal Year (FY) 2005. Fulfilling our mission is an increasingly complex challenge, as this report illustrates. The financial and performance data we present are fundamentally complete, reliable, and conform to Office of Management and Budget guidance. This report also presents the status of Interior's compliance with a number of legal and regulatory requirements.

The annual assurance statement required by the Federal Managers' Financial Integrity Act (FMFIA) concludes that, with the exception of the four pending FMFIA material weaknesses reported herein, 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. These objectives are intended to ensure that: (1) programs achieve their intended results; (2) resources are used consistent with agency mission; (3) programs and resources are protected from waste, fraud, and mismanagement; (4) laws and regulations are followed; and (5) reliable and timely information is obtained, maintained, reported, and used for decision-making. In addition, the Department, as a whole, substantially complies with the Federal financial management system requirements as specified in Section 4 of the FMFIA, and the Federal Financial Management Improvement Act. However, several bureau-level deficiencies identified during the audit of the Department's FY 2005 financial statements need to be addressed. The plan to resolve those deficiencies and further improve our financial management systems during FY 2006 is presented herein.

Our FY 2005 Performance and Accountability Report is a vignette-filled narrative highlighting our contributions as the Nation's chief protector of our unique natural, cultural, and historic resources. It is our account to the American people of the way we have managed our fiscal resources—the hard-earned tax dollars entrusted to us—to support Interior programs and serve the public.

The Department of the Interior manages one of every five acres of land in the United States, providing opportunities for conservation, wildlife protection, recreation, and resource development. We supply water for much of the West so that farmers can grow food for the entire country and people can turn on their taps. We provide access to energy so that Americans can warm and cool their homes, manufacture products, and drive to their jobs and recreation destinations. We honor our special responsibilities to American Indians, Alaska Natives, and affiliated Island communities. We protect wildlife and improve the environment.

Some of the most newsworthy and emotion-charged events of FY 2005 relate to the Department of the Interior's mission. In April 2005, we accepted a rare second chance to preserve a species we thought was lost forever—the Ivory billed woodpecker. Since then, Interior's U.S. Fish and Wildlife Service has been working with local citizens and other agencies to develop a Corridor of Hope Cooperative Conservation Plan to save what is America's largest woodpecker.

In August 2005, Hurricane Katrina devastated 90,000 square miles along the Gulf Coast. We were immensely relieved to be able to account for all of the 2,000 Interior employees whose duty stations are in the affected area. We deployed more than 1,900 Interior employees to help in rescue and relief efforts for the victims of Hurricanes Katrina and Rita. Many of our employees were dispatched to the Gulf area as part of a coordinated

response of the National Interagency Fire Center. Others continue to provide humanitarian assistance and assist companies in restoring oil and gas production in the region. Our U.S. Geological Survey is providing scientific data to help with recovery efforts, to repair and rebuild the area, and for long-term and real-time assessments of coastal vulnerability and post-storm damage.

In FY 2005, we also:

- Made acres available for energy exploration and development as well as non-energy mineral exploration and resource development, while complying with management plans and permitting requirements.
- Continued to implement the National Energy Policy by holding four offshore sales consistent with the Five-Year Program.
- Delivered 28 million acre-feet of water to citizens of the Western States, enough to supply 32 million families of four with their water requirements for an entire year.
- Dramatically increased our support for online recreation transactions, handling 131,671 transactions, and our goals are set even higher next year.
- Continued to support the economic health of Tribal communities by providing capital to create 1,922 jobs.
- Set a new record for the amount of hazardous fuels removed from wildland-urban interface areas, a critical factor in controlling and reducing wildland fires and their impact.
- Helped U.S. Geological Survey partners to achieve their goals, as reported by 95% of partners surveyed; 100% reported satisfaction with the accuracy, reliability, and soundness of the methodology used and 92% reported improved access.
- Achieved watershed and landscape goals for an estimated 743,192 acres and 888 stream/shoreline miles through partnerships.

But Interior is not without its challenges. These challenges cut a broad swathe, impacting the Nation's economic vitality and quality of life for many Americans.

Hurricanes Katrina and Rita have handed us costly and labor-intensive restoration activities that further complicate our habitat restoration and protection mission.

We confront financial management challenges as we operate costly, duplicative financial and business management systems that include over 107 real property databases, 16 financial systems, and 27 acquisition systems. While we need to continue to improve financial management, notable Departmental progress was made in this critical area during FY 2005. For example, 2 auditor reported material weaknesses were downgraded or corrected, new guidance was issued and implemented for full costing, and intensive planning efforts were devoted to the implementation of revised OMB Circular A-123, "Management's Responsibility for Internal Control." We also continued work on implementing our Financial and Business Management System. This project is the cornerstone of a fully integrated business management system—a system that will allow us the opportunity to consolidate and integrate standard business practices throughout the Department. We face the inevitable challenges that reside in managing a staggering array of assets—over 40,000 facilities of every imaginable type, including schools, detention centers, historic sites, visitor centers, campgrounds,

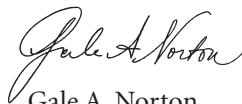
wastewater plants, forts, houses, and even landfills. Although we now have a Strategic Asset Management Plan, we continue to identify repair and maintenance priorities and reduce maintenance deficiencies.

We need to continue to improve our Indian Trust Funds management. Once again, our Office of Inspector General identified this as a major management challenge while acknowledging that we have made progress, even during a single year.

I am confident that we will overcome these challenges through the innovation and creative talent of our employees, and by continuing to build partnerships with others. The power of partnerships is inspiring. During the time I have served as Secretary of the Interior, I have seen first-hand the success that investing in quality communication, consultation, and cooperation can bring. I have met with ranchers and farmers who have changed how they do business in order to protect wildlife and save water. I have visited landowners who are preserving habitat for endangered species. I have seen industry step up to the plate to help us address important environmental issues, for example, by donating and restoring thousands of acres of bottomland hardwood forests in the Southeast that will provide habitat for species and help sequester greenhouse gases. I have met with American Indian and Alaska Native leaders who are determined to improve the quality of life for their people through better educational opportunities and enhanced economic development. Partnerships and cooperative conservation efforts like these are helping us to preserve and improve our public lands and meet the mission of the Department.

The trend toward cooperative conservation reflects a significant conservation movement. The September 2005 White House Conference on Cooperative Conservation reaffirmed that we are entering a new era of environmentalism. The conference, hosted by five executive agencies—the Departments of the Interior, Agriculture, Commerce, and Defense, and the Environmental Protection Agency—along with the Council on Environmental Quality, yielded a wealth of ideas and suggestions for improving the interactions of the Federal Government with those working for conservation, whether these are other organizations or citizen stewards. We are building on the energy of the conference to adopt many of its ideas as well as exploring processes to extend the dialogue started at the conference across the cooperative conservation community.

I am proud to reflect on Interior's contributions and accomplishments. We are indeed making a difference. Together, we are all realizing goals for achieving healthy lands and thriving communities, while preserving a legacy for future generations.



Gale A. Norton  
Secretary of the Interior  
*November 15, 2005*

# From Mission to Measurement: How to Read This Report

This Performance and Accountability Report (PAR) is the principal report to the President and the American people regarding the Department of the Interior's management of public funds to fulfill its multi-faceted mission. The report offers various levels of details to serve multiple audiences with differing levels of interest.

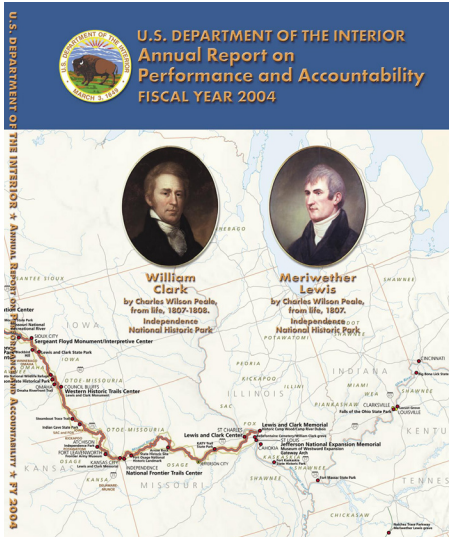
Our report contains four parts. Combined, these four elements provide an accurate and thorough accounting of the Department's stewardship of our critical resources and services to the American people.

***Part 1: Management's Discussion and Analysis*** presents an overview of the Department's performance in FY 2005 and provides a general summary of our accomplishments.

***Part 2: Performance Data and Analysis*** presents the Department's performance results in detail for those seeking an in-depth understanding of our work last year.

***Part 3: Financial Section*** will interest those concerned with tracking the Department's financial performance. This section comprises consolidated financial statements, footnotes, deferred maintenance data, intra-governmental transaction disclosures, stewardship information, and other supplementary information. It also includes the Independent Auditors' Report and a summary of the most serious management challenges facing the Department.

***Part 4: Appendices*** contain Improper Payments Information Act data, an organization chart for the Department, and a glossary of acronyms.



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