



Management Excellence

In short, the status quo is not okay—that's why we are on a journey toward excellence. Our Accent on Results is helping us achieve our mission.... Our ultimate goal is results for the American public—using their tax dollars well and wisely.

Assistant Secretary P. Lynn Scarlett

How well Interior employees do their jobs affects the lives of millions of Americans — whether farmers have water, whether children and grandchildren will enjoy the Nation's natural wonders, and at what cost homes can be warmed in winter. American taxpayers expect — and deserve — responsive, efficient, and cost-effective service as well as transparency and accountability from their government.

The Department and its bureaus do many things well but all face challenges. As public demands for Interior services increase — from Indian children who need schools, to visitors who seek more recreation opportunities — Interior must continue to find ways to enhance service and spend dollars wisely.

Fueled by the President's management agenda, the Department's Accent on Results initiative helps meet these complex challenges through:

- New approaches to workforce planning.
- Better achievement of organizational goals through improved financial and budget management tools.
- More objective and comprehensive approaches to facilities and asset management.
- Improved information technology to enhance efficiency and consistency.
- Routinely challenging managers and employees to identify better strategies for achieving improved results.

The Department and its bureaus continually implement strategies for performance improvements. The public can review Interior's progress through the annual Performance and Accountability Report and the Accent on Results report highlighting significant management and other operational improvements. Interior's progress can be measured, in part, by its progress as reflected in the Administration's management scorecard.

The 2006 budget reflects the President's management agenda through key investments in Department-wide systems and infrastructure, and redirects savings realized from more efficient management. Interior bureaus and offices are also implementing many management improvements within their base budgets that assist in maintaining or improving service levels in the context of increasing responsibilities and available funding.

INTERIOR'S PRESIDENTIAL MANAGEMENT AGENDA SCORECARD

	SEPTEMBER 2001		DECEMBER 2003		DECEMBER 2004	
	Status	Progress	Status	Progress	Status	Progress
Competitive Sourcing	Red	Green	Yellow	Green	Yellow	Green
Financial Management	Red	Yellow	Red	Yellow	Red	Green
Budget and Performance Integration	Red	Green	Red	Yellow	Red	Green
Strategic Management of Human Capital	Red	Yellow	Red	Yellow	Yellow	Green
Expanding Electronic Government	Red	Yellow	Red	Yellow	Yellow	Green

NEW APPROACHES TO WORKFORCE PLANNING

Interior's efforts to improve the management of human capital are guided by the *Strategic Human Capital Management Plan — FY 2003—2007*. Workforce plans have been developed and are guiding human resource management throughout the Department. To address law enforcement and information technology challenges, the Department realigned bureau and office organizations in these areas to enhance coordination among the bureaus. The Office of Surface Mining is just one bureau that is restructuring its workforce to meet expected changes in program focus.

In 2005, the Department implemented a revised performance management system to differentiate levels of performance and expand linkages between employee performance plans and Interior's mission and goals. In 2005, the Department will also implement new e-training capabilities.

E-Training — A focal point for improvements in human resources management is the effective use of technology. As part of a government-wide effort, the Department is migrating to e-government solutions, including the learning management system under the Administration's e-Training initiative. During 2005 and 2006, a new standardized learning management system will be implemented Department-wide. The system is an internet-hosted human resource management and development system that enables organizations to capture, create, manage, and share information about training requirements and gaps that will assist managers in their efforts to improve workforce productivity, accelerate critical business processes, and improve organizational performance. The system coordinates and automates the entire learning manage-

ment process and includes modules to administer performance management, link individual competency gaps to learning and development, and implement competency-based human resource processes. The budget includes \$185,000 in 2006 for operations and maintenance for e-Training.

OSM WORKFORCE RESTRUCTURING

The OSM is restructuring its workforce to move away from its traditional oversight role to one requiring more scientific and technical capabilities and skill sets. This restructuring will lead OSM to a smaller and more efficient organization, reducing its workforce by 28 positions by 2008, with many other positions restructured.

As State programs continue to mature in a climate of budget constraints at both the State and Federal level, States are increasingly relying upon OSM to provide advanced technical assistance and technical tools. The OSM has been shifting available resources from oversight to technical assistance in recognition of this need. The technical assistance takes the form of highly trained staff; a technical innovation and professional services program that provides the most current mining and reclamation software at substantial savings; training programs; and a growing technology transfer program. These efforts have been a major factor in facilitating improved effectiveness and efficiency of the States and OSM, while coal production has continued to increase.

PROGRAM ASSESSMENT RATING TOOL

During the past year, 17 activities were reviewed in detail using the Program Assessment Rating Tool, including three activities that had been previously reviewed. Under PART, the value of the activity's purpose, the degree of planning, the effectiveness of management, and results are all evaluated. In this year's round of detailed assessments, ten of the activities received a rating of adequate or higher. Developing effective performance measures at this level of activity is often the most challenging aspect of the PART process, and can readily lead to a Results Not Demonstrated rating. While the Department is working to minimize such occurrences, seven of this year's PARTed activities received a Results Not Demonstrated rating and program managers will be working to determine how to better measure performance. However, two programs that were previously rated as Results Not Demonstrated were re-reviewed to receive Moderately Effective (Fish Hatchery Operations and Maintenance) and Effective (USGS National Mapping) ratings. Interior programs reviewed in 2006 include:

<u>ACTIVITY/PROGRAM</u>	<u>RATING</u>
BIA School Construction	Results Not Demonstrated
BIA Job Placement and Training	Moderately Effective
BIA Post Secondary Education — Tribal Colleges	Adequate
BIA Roads Operation and Maintenance	Results Not Demonstrated
BLM Realty and Ownership Management	Adequate
BLM Southern Nevada Public Land Management	Results Not Demonstrated
Reclamation Recreation and Concessions	Adequate
Reclamation Project Planning and Construction	Results Not Demonstrated
FWS National Fish Hatchery System	Moderately Effective
FWS Migratory Bird Program	Results Not Demonstrated
MMS Resource Evaluation and Leasing Program	Moderately Effective
NPS Cultural Resource Stewardship	Adequate
OSM Federal Regulatory and Abandoned Mine Land Program	Results Not Demonstrated
USGS National Mapping	Effective
USGS Water Information Collection and Dissemination	Moderately Effective
USGS Water Resources Research	Moderately Effective
Land and Water Conservation Fund Acquisition	Results Not Demonstrated

For a full presentation of all PART evaluations, see the *Performance and Management Assessment* volume of the President's Budget.

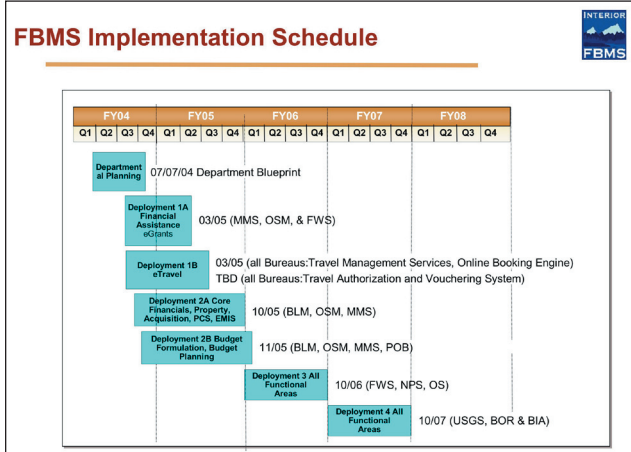
LINKING GOALS TO BUDGET AND FINANCIAL MANAGEMENT

At the core of the President's management agenda is an effort to make budgeting decisions based on more extensive information about how dollars are used and how programs might be improved to enhance results. The Program Assessment Rating Tool, the Interior Department's integrated strategic plan, and implementation of activity based cost management across the Department all link budget and performance.

Essential to linking budgets to performance is accurate, timely, and transparent financial information. Just three years ago, Interior — like most other Federal agencies — did not close its financial books and complete its annual audit until five months after fiscal year end. For 2004, the audit was completed within 45 days of fiscal year end and received an unqualified audit opinion on the consolidated departmental financial statements for the eighth straight year. The Financial and Business Management System will be a quantum leap in the provision of timely financial and business information, such as property inventories, for Interior Department managers that will improve efficiency in mission accomplishment.

This system will standardize our business practices across all our bureaus. What we are aiming for is a common business system that allows each bureau to perform its unique mission.

Deputy Assistant Secretary Nina Rose Hatfield



The 2006 budget reflects the results of systematic reviews of base budgets to align resources with strategic goals and objectives and improve program effectiveness based on performance and cost information and the results of PART and other program evaluations. The phased deployment of FBMS, a key component of the 2006 budget, will advance budget and performance integration. The following examples demonstrate how budget and performance information has guided and shaped strategic planning and resource allocation decisions.

Wildland Fire — The Wildland Fire program exemplifies the use of performance information to promote resource leveraging and increased bureau coordination. On an annual basis, funds and workload are redistributed among bureaus to focus resources on achievable fuels reduction goals. Bureaus collaborated to promote faster and simpler hiring of seasonal firefighters. These efforts have also led to improved collaboration and resource leveraging with the U.S. Forest Service.

These efforts have resulted in a more productive and efficient fuels program. For example, total acreage treated increased over 70 percent between 2001 and 2004, with an even more dramatic 200 percent increase accruing in wildland urban interface acres. Program flexibility allows us to fulfill national goals even when local or regional circumstances prevent completion of scheduled fuels treatments. By identifying high-priority projects early, funds

can be shifted across bureaus and regional lines in response to scheduling changes and ensure timely and efficient expenditure of available funds.

FWS Environmental Contaminants Program — The 2006 budget proposes a strategic realignment of the Fish and Wildlife Service Environmental Contaminants program, refocusing efforts on restoration activities and emphasizing cooperation with Interior’s Natural Resource Damage Assessment and Restoration program. The FWS will increase its restoration efforts in conjunction with the Restoration program, seeking expanded use of restoration settlement dollars held in Interior’s Restoration Fund, while also accelerating restoration projects that are funded through settlement monies. The FWS will redirect Environmental Contaminants staff efforts and increase work in support of restoration actions. This strategic realignment of priorities will allow FWS to reduce appropriated funding for the Environmental Contaminants program by \$2.4 million, while increasing the numbers of acres restored by 167 percent and the number of stream or shoreline miles restored by 175 percent.

MIGRATORY BIRD MANAGEMENT PROGRAM PART

The PART evaluation of the Fish and Wildlife Service’s Migratory Bird Management program concluded that the program has a clear purpose and design and is generally well managed. The PART evaluation helped to develop a new outcome performance goal that measures the percent of migratory birds that are at healthy and sustainable levels.

Based on the PART, the 2006 budget includes a program increase of \$3.1 million to implement management plans for migratory birds of conservation concern that are below self-sustaining levels and to stabilize operational capability and increase capacity. The FWS is working with the Office of the Secretary and the Office of Management and Budget to improve the strategic planning for the program.

FINANCIAL AND BUSINESS MANAGEMENT SYSTEM

Frustrated with administrative processes, a Bureau of Reclamation manager laments the 30 — yes, 30 — passwords needed to log onto systems that house acquisition, real property, financial, and other business information. This is the sequence: log on, enter information, log off, log onto the next system, re-enter the same — or similar — information, and log off again, and again, and again.

The Financial and Business Management System will integrate financial management, procurement, property management, and other systems and will be the basis for reengineering administrative processes throughout the Department. The FBMS will replace a combination of Departmental and bureau-managed systems for processing financial and related transactions and provide business information that will be used by managers throughout the Department.

The first deployment to three bureaus (MMS, OSM, and FWS) of the financial assistance module is scheduled for March 2005. In October 2005, the system will go-live with the core financials, property, acquisition, e-travel, and the enterprise management information system for three bureaus (BLM, MMS, and OSM). Implementation of budget formulation for these three bureaus and the Department's Office of Budget is scheduled for November 2005.

The 2006 budget includes \$23.6 million for FBMS, an increase of \$9.4 million over 2005. Projected cost avoidance and savings include: improved efficiency of operations, allowing FBMS users to do their jobs in less time, projected at \$210,000 in 2006, increasing to \$14.7 million in 2011; and decreased system maintenance costs estimated at \$365 million over the project's lifecycle.

The system will provide tangible benefits and tools for improved management throughout the Department, including creation of a complete and comprehensive property inventory, extensive real-time reporting capabilities, and integration of budget formulation with budget execution.

Interior expects this to be an extremely cost-effective way of increasing restoration activities by expanding the Department's ability to leverage additional restoration funds, while also continuing to foster close relationships with other agencies and programs.

NEW APPROACHES TO ASSET MANAGEMENT

Interior operates at 2,400 locations across the United States and in U.S. island territories. The Department manages just about every type of facility found in America's communities — wastewater treatment plants, dams, electric generating facilities, residences, hotels, campgrounds, roads, boat docks, stables, and even landfills. Serving the public well means knowing what the Department owns and managing these assets well. The geographic range and the Department's complex and diverse mission for which assets are used combine to make facilities and asset management a challenge.

To facilitate implementation of Executive Order 13327 on Federal real property management, Interior has consolidated its leadership functions for real property, asset management, and acquisition into one organization and is developing a draft asset management plan. The plan provides the framework for the Department's holistic asset management program, focusing on the life-cycle costs of assets as well as analysis of their relative importance to the mission of the agency. The plan builds on ongoing, successful efforts to inventory facilities, assess their condition, develop standardized asset management systems, and establish performance measures. Sound asset management also requires re-examining office structures and locations to improve services and realize cost savings.

Fleet Management — On an annual basis, the Interior Department spends over \$160 million to operate and maintain its fleet of vehicles. The Interior fleet comprises approximately 38,000 owned and leased vehicles. In 2004, the Department began a collaborative initiative to improve fleet manage-

ACTIVITY BASED COST MANAGEMENT — ONE OF THE KEYS TO MANAGEMENT EXCELLENCE

A keystone of budget and performance integration is activity based cost management. By tracking the costs of performing work activities, managers and employees will have more accurate information about their work. Managers will, for example, be able to ask: Why am I spending so much time on a particular permitting activity? What are the cost drivers? How can I reduce costs and deliver more results?

Although activity based cost management data collection was initiated Department-wide in 2004, bureaus are at various stages in the analysis and use of the data. Initial results are proving to be useful in improving program management.

In 2005, OSM managers, for the third year, will have activity based cost management data to review the costs of their functions and programs. The OSM generates cost reports monthly, quarterly, and annually. As the availability of data has evolved, so too has its application. For example, the activity based cost management data was used to measure the abandoned mine reclamation fee collection rate, and the cost required to achieve the desired rate. By using data to help identify areas for work process improvements, program staffing was reduced for this function and costs were contained.

ment, developed a strategic plan for fleet management, and began to implement recommendations from a review of the program conducted by the Office of Inspector General.

The initiative focuses on economically based strategies, including implementation of life-cycle replacement schedules, disposal of underutilized vehicles and vehicles that have surpassed their useful life, use of fleet performance measures, energy-saving practices and expanded use of alternate-fueled vehicles, and evaluation of the costs and benefits of leased versus owned vehicles. Interior's strategy includes migrating fleet management programs to a more standardized operational model within each bureau that promotes energy-saving technologies, the development of fleet composition baselines and multi-year plans, improved

performance metrics that address efficiency and effectiveness, vehicle and motor pool sharing, and purchase and lease arrangements that consider seasonal workforces.

Models for this approach already exist in the Department. The Bureau of Land Management has standardized the use of a fee-for-service arrangement that funds vehicle purchase, operation, maintenance, and replacement. The BLM is able to achieve economies of scale in vehicle purchases and lease arrangements and uses fee-for-service arrangements to promote Service First, its co-location and coordinated services initiative with the U.S. Forest Service.

Interior's improvement plan will realize cumulative annual cost savings through 2006 of \$14.7 million. Accordingly, the 2006 budget includes a decrease of \$3.7 million; this reduction follows a 2005 reduction of \$11.0 million.



Space Management — Annually, the Interior Department spends over \$300 million to lease space through the General Services Administration and other vendors. Recognizing the potential for improved effectiveness and efficiency, Interior and its bureaus are undertaking reforms in space management. Although the bureaus will continue to lease space throughout the country to support their diverse missions and deliver programs at the local level, space management reform will promote

co-location and other approaches to facilitate the delivery of these services and enhance the effectiveness of programs. Improving space allocations and availability of security and employee services can also significantly improve overall morale and employee productivity.

To bring about space management reforms, the Department is evaluating centralizing within each bureau the management of leases and will consolidate dispersed space, facilitate co-location to promote interagency collaboration, and issue policies to direct more equitable allocations of space that adhere to security, safety, and health standards. The comprehensive initiative will improve consistency throughout the Department by empowering space managers to oversee bureau space programs, by issuing standard policies and procedures, and by employing multi-year plans for consolidation and co-location.

A number of bureaus are already making changes in space management to consolidate offices. As a result, they will realize short-term efficiencies and cost savings and establish a framework for achieving long-term benefits.

Because of the long-term nature of many of these leases, savings from this initiative will accrue primarily in future years. However, the 2006 budget request assumes initial savings of \$6.3 million from this initiative.

IMPROVED INFORMATION TECHNOLOGY AND E-GOVERNMENT

Modernization of technology and practices will improve the delivery of services to citizens and optimize the use of resources throughout the Department and government-wide. The *Department's 2004-2008 E-Government Strategy* provides a framework for prioritizing e-government and information technology investments and aligning the investments with strategic priorities and the Federal enterprise architecture. The management structure developed through the strategy enables the Department to effectively manage IT investments and provides a basis for developing complementary bureau e-government strategies. The Department's proposed 2006 IT spending is \$883.0 million.

Much like the overall organizational structure of the Department, Interior's information technology solutions have traditionally been complex and diverse, decentralized, and widely dispersed. The last four years have brought about a new era in technology, with Interior moving away from a consortium of eight bureaus and multiple offices operating independent systems and services, towards standardized and integrated solutions, such as FBMS, the Enterprise Services Network, and a single messaging system. The Department uses a rigorous capital planning process and enterprise architecture to guide the migration of legacy systems to standardized and, where appropriate, centralized systems.

One of the most beneficial outcomes of the plan was creation of the Investment Review Board, a partnership of senior program executives and IT leadership, working to ensure IT investments are tied to business needs and managed as a Department-wide portfolio. This group has provided leadership in capital planning and other IT reforms.

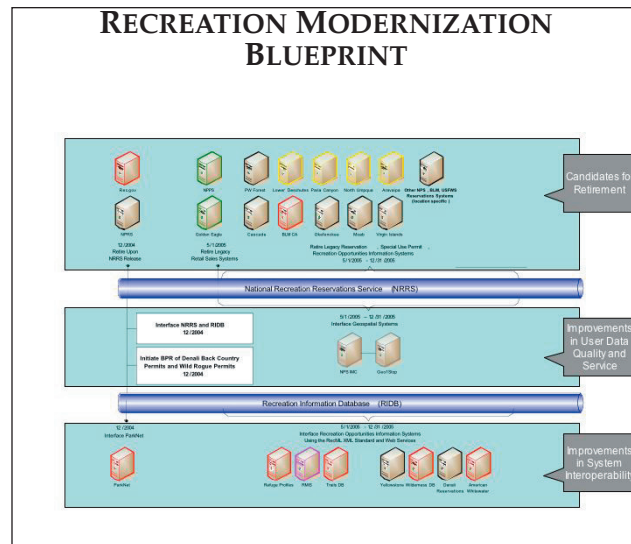
Interior Enterprise Architecture—In 2004, Interior established a Department-wide enterprise architecture repository containing detailed information about IT systems. The repository, which aligns with the Federal enterprise architecture, is accessible to employees throughout the Department and is used to strategically plan for development efforts, identify cross-cutting and e-government solutions, and reduce redundant systems.

The Department has developed a modernization blueprint methodology to analyze business processes, data requirements, existing systems, and planned investments to achieve improved performance. The blueprints generated by this process are reviewed and, once approved by Interior's Investment Review Board, guide capital planning and IT investment decisionmaking. For example, modernization blueprints were developed for financial management, recreation, wildland fire, and law enforcement lines of business in 2004. These four blueprints identify approximately 100 systems that will be retired in the next three years as the Department moves to enterprise investments. In 2005, the Investment Review Board will identify additional modernization blueprints to be prepared and will review and implement decisions from completed modernization blueprints. The 2006 budget includes continued funding of \$14.0 million for enterprise architecture efforts, including supporting bureau efforts.

Enterprise Services Network—Interior is deploying ESN to provide secure, state-of-the-art internet and intranet connections and a fully functional operational center for data communications that will be used by the entire Department. In addition to providing better services for many Interior offices, the system will provide a uniformly secure environment, standardized and efficient 24 hour/7 day operation, and improved technical support.

In 2004, Interior began to implement Phase I of ESN, which will be completed in December 2005, with deployment of a modern, integrated network backbone that supports telecommunications within the Department. This includes access to the internet, a Department-wide intranet, and a fully operational technical support center. Phase I also transitions management of the National Park Service's wide area network to managed services and thereby simplifies and modernizes a geographically dispersed and outdated architecture.

The return on investment for this system is high. Up-front investments, including the redirection of bureau telecommunication savings, will, in the long-term, result in reduced costs with elimination of duplicative networks, improved performance of data services with less "down time" for many offices, skilled and knowledgeable staff trained to operate standardized and centralized operations, and better support for e-government initiatives. The ESN will also facilitate future efforts to consolidate directory services, web hosting, messaging, data warehousing, and other applications and systems.



Phase I of ESN reduces the Department's current 13 wide area networks to one and 33 internet access points to five. For NPS, Lotus Notes maintenance sites were reduced from 253 to seven.

During 2005, the Department will also plan Phase II to expand secure connections to approximately 150 sites located primarily in large cities and approximately 1,500 hubs at other Interior locations. The 2006 budget continues funding to operate ESN and proposes an increase of \$7.0 million to implement the second phase of the project. The 2006 budget also estimates that \$27.7 million of existing legacy funding can be redirected to support ESN.

BUSINESS GATEWAY BURDEN REDUCTION IN DOING BUSINESS WITH THE GOVERNMENT

The Department, through OSM, is the lead agency in a multi-agency, single source coal reporting project. This project, initiated at the request of the State of Pennsylvania and the Interstate Mining Compact Commission, involves 20 mineral-producing States interested in reducing the reporting burden on industry. Guided by the Business Gateway e-government initiative, OSM is developing a streamlined, cost-effective system to reduce the reporting burden on industry, and improve the efficiency of agency data collection.

Feedback has been overwhelmingly positive. Eighty percent of the companies that participated in the pilot evaluation rated the burden reduction as significant or moderate. The partner agencies estimate that single source coal reporting will save the industry \$460,000 per year in burden reduction. The same estimate showed that over its ten-year expected life, the project will deliver \$4.6 million in time savings to the industry, \$1.7 million in cost savings to State and Federal agencies, and \$780,000 in systems development cost avoidance to States, for a total of \$7.1 million in savings and cost avoidance.

E-PAYROLL

The e-Payroll initiative simplifies and standardizes Federal payroll operations by consolidating 22 Federal payroll systems into systems managed by four government-wide providers. Developing consistent policies and procedures, the project is improving the integration of payroll, human resources, and finance functions. Interior's National Business Center is one of four government-wide providers.

Since initiation of the project in 2003, NBC has completed the migration of payroll operations for the following agencies:

- Nuclear Regulatory Commission
- Surface Transportation Board
- Millennium Challenge Corporation
- National Science Foundation
- Saint Lawrence Seaway Development Corporation
- National Aeronautics and Space Administration

Future migrations include the following agencies:

- Emergency Firefighters at Interior and U.S. Forest Service (2005)
- Department of Transportation, excluding FAA (2005)
- Federal Aviation Administration (2006)

The consolidation of payroll operations has paid dividends government-wide by improving consistency and efficiency. For Interior, the project has resulted in real costs savings in reduced average costs to bureaus for payroll processing.

Government-wide E-Government Initiatives

— Interior is an active participant in many e-government initiatives, providing leadership, funding, and in-kind technical and staffing support. These initiatives strive to eliminate redundant systems and significantly improve the government's quality of customer service for citizens and businesses. The Department is the managing partner for two e-government projects — Recreation One-Stop and Geospatial One-Stop. Interior is serving as one of the government-wide service providers for the e-Payroll initiative and is a leader in the e-Authentication project.

In 2005, the Department is seeing real and tangible benefits stemming from these e-government initiatives, including implementation of e-Travel with FBMS and a learning management system under e-Training as discussed earlier.

The budget includes \$6.1 million for planning, development, and migration costs of the government-wide e-government solutions, excluding in-kind contributions.

Information Technology Security — The Department continues to place a high priority on strengthening its information technology security program through an integrated approach. In 2004, the Department accelerated the timeframes for completing the initial certification and accreditation of systems using government-wide standard processes, improved the content and delivery of training, and put in place consistent program reviews and testing programs.

The Department sought the guidance of, and collaborated with the Office of Inspector General, OMB, and the House Government Reform Committee and reached agreement on a new standard process for security certification and accreditation. As of November 15, 2005, Interior had significantly improved its security posture, having certified and accredited 161 of its 165 systems, or 98 percent. During 2005 and 2006, the Department and its bureaus are completing third-party reviews of completed certification and accreditations; remediating identified risks; and operationalizing processes to sustain accreditations in an efficient and effective

manner. The 2006 budget includes \$12.8 million to support these activities Department-wide.

Operational IT security is verified through monthly external and internal scanning of networks and systems as well as review of incident reports. The vulnerability scanning serves to validate that management, operational, and technical controls are operating as anticipated as compared to an industry list of top threats. Interior has successfully eliminated instances of these vulnerabilities, as demonstrated by external scans, each month since February 2004.

ACHIEVING EFFICIENCIES THROUGH BETTER MANAGEMENT AND COMPETITIVE SOURCING

Interior's Accent on Results builds upon the basic notion that management excellence requires constant vigilance. Competitive sourcing provides a means for bureaus and offices to periodically evaluate business practices and identify more effective ways to deliver service. As a result of competitive reviews already completed, bureaus and offices throughout the Department are realizing savings. In its most recent report to Congress, Interior reported savings of \$3.2 million annually from competitive reviews completed in 2004 alone, with the expectation that the annual savings will continue over at least the next five years. The report cited an additional \$1.1 million in savings from the previous year, with the expectation that the savings will continue over at least the next four years. To date, only one permanent Interior employee out of 5,032 reviewed has been involuntarily separated as a result of competitive reviews.

The NPS Southeast Archaeology Center reconfigured its operations to a more efficient workforce structure, thereby saving an estimated \$850,000 per year over five years. At the NPS Natchez Trace Parkway, facility maintenance savings resulting from a competitive review will save \$1.2 million over five years. The BLM undertook a competitive review of maintenance functions in Oregon and Washington, reorganized, and is achieving estimated savings of \$1.8 million over five years.

Management improvements come, of course, in many forms. Some improvements result from

reorganization in the context of a competitive review, some result from contracting, and some result from management efficiencies achieved through training, streamlining, elimination of duplication, and a whole suite of other management tools. These efforts spring from the diligence of Interior's entire workforce, combining management leadership at the helm with flexibility and innovation in the field.

The following examples demonstrate the kinds of activities currently underway at the Department to achieve efficiencies and to maintain and enhance program performance.

Streamlining BLM's Use Authorization Process

— The BLM evaluated use authorizations, such as processing applications for permits to drill, across five programs in 2004. Using quality assurance teams, BLM reviewed the APD processes conducted at field offices to identify opportunities for employing best practices. The review is about 50 percent complete. Initial findings include 25 preliminary proposals for improving programs and generating efficiencies. The use authorization teams and the program directors are reviewing these proposals for further development, evaluating the estimates of savings and costs of implementation, and are determining potential changes to overcome impediments to implementation.

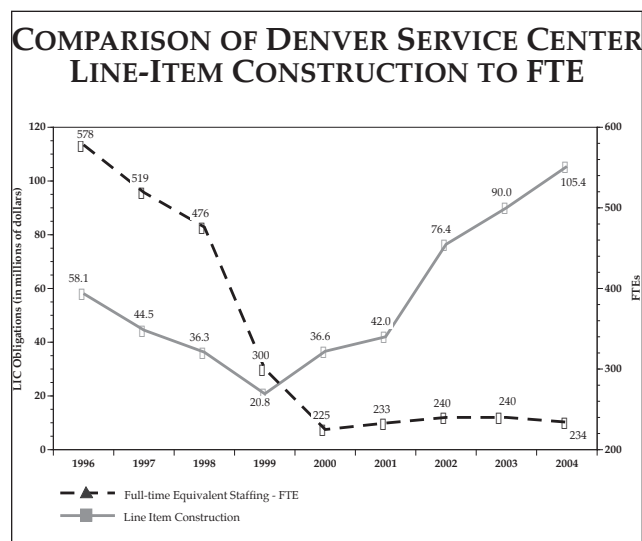
Preliminary proposals include such concepts as: standardizing and streamlining BLM's approach to environmental and cultural reviews and clearances; pursuing electronic permitting; sharing staff and work across State and field office boundaries; relocating work across such boundaries; and implementing "best practices."

Efficiency Gains at the Denver Service Center

— The NPS Denver Service Center recently reorganized into four divisions: design and construction, transportation, planning, and information management. The realignment resulted from a series of studies and analyses to determine the most efficient staffing levels to meet performance goals. The new organization is specifically designed to generate the flexibility necessary to meet increased workload, focused on project management, and leveraged by the increased use of outside contractors. The realignment eliminated competition between divisions for human and financial resources, and resulted in increased productivity in each program area without increases in FTEs or the overall budget.

Results were demonstrated in 2004, as the Center accomplished 100 percent of its design work, line item construction, and construction supervision through outside contractors. This enabled the Center to manage a much larger portion of the NPS line-item construction program without an increase in staff. By eliminating in-house design services, the Center nearly doubled capacity and in 2004 managed a program that totaled \$121.0 million in line-item construction, compared with a \$54.0 million in 2000. In 2002 and 2003, the Center maintained an obligation rate of over 60 percent, as compared to its 34 percent obligation rate in 2001. Construction awards also increased from \$42.0 million in 1998 to \$113.0 million in 2003. All of these accomplishments were achieved with a base budget of \$16.3 million, which is one percent over the 1999 level.

The 2006 request calls for an increase in funding of \$1.0 million for the planning, design, and construction functions of the Center-supported portion of the NPS line-item construction program. The Center portion of the line-item construction program has increased from \$80.0 million in 1999 to \$121.0 million in 2004, a level expected to continue to increase through 2006.



Improving Service Delivery at BIA Schools—The Bureau of Indian Affairs Office of Indian Education Programs held several meetings last summer with the Department of Education to explore areas where the two departments could work together to improve delivery of programs that benefit Indian students. Progress was made in the areas of school statistics collection and performance measures.

The reporting requirements of the No Child Left Behind Act requires schools to maintain student and school level data for performance assessment purposes. With grant funding and technical assistance from the Department of Education, BIA is developing a web-based system that meets the requirements of the Act.

The new school statistics system will be interoperable with the Department of Education’s education data exchange network. This network will provide timely performance data at the national, State, and local levels and will be a useful tool for BIA to establish performance measures in common with other schools nationwide.

In 2006, BIA proposes a budget reduction of \$673,000 by eliminating redundant funding currently in the BIA budget for school statistics database development.

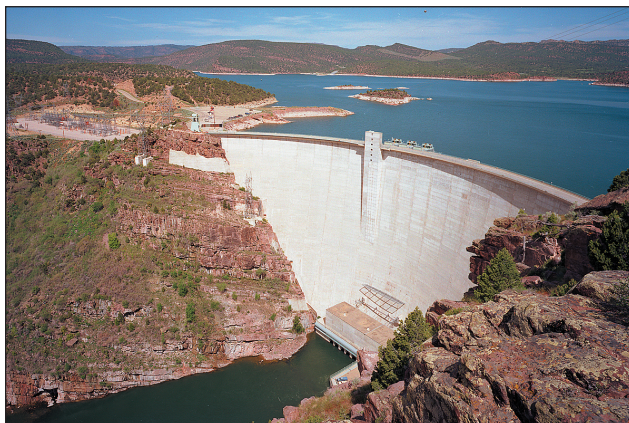
Improving Royalty Management—The Minerals Management Service developed Royalty-in-Kind pilot projects and compared the results with Royalty-in-Value approaches to royalty management. Although the assessments of RIK and RIV have to date been mostly qualitative, it is apparent that when used in tandem with RIV, RIK has benefits, including increased revenue going into the U.S. Treasury, reduced administrative costs, shortened transaction times, and reduced litigation.

A recent Government Accountability Office study concluded that, “There are substantial administrative savings in auditing royalty collections... attributable to RIK pilots.” The MMS staffing trends for minerals revenue management support that finding. From 2000 to 2004, FTE for MRM decreased by 41, mostly in the area of offshore audits. Audit staff have been redirected to RIK and onshore/Indian lease audits.

The RIK pilots have also shortened transaction cycle time, reducing the time it takes to “close the books.” The MMS shortened cycle time from three years for RIV to a 120 to 180-day range possible with RIK. There are also fewer appeals associated with RIK. Over the course of the last three years, 267 appeals have been filed and only three have been RIK-related. Finally, the Inspector General found that RIK is less vulnerable to underreporting than the RIV approach.

Improving Reclamation’s Water Management Program—The Bureau of Reclamation has initi-

ated a multifaceted review of its water management program in order to streamline processes, improve oversight, and institutionalize management controls. The review was precipitated by cost overruns of almost 50 percent associated with the Animas La Plata project in Colorado. Reclamation is currently using information generated in the review as a basis to develop and implement actions that will prevent similar events from happening in the future.



The project planning and construction element of Reclamation's water management activities was evaluated using the PART in 2004. This exercise revealed that while the program has a long history of successfully

constructing large, complex public work projects, it does not have adequate controls in place for oversight of project development and lacks clear goals

and measures to track achievement of those goals. Following up on PART recommendations will result in the development of performance metrics that will improve transparency and help focus construction dollars where they have the most benefit.

In addition, the National Research Council of the National Academies is proceeding with a review

of Reclamation's organizational infrastructure as it relates to its core mission of delivering water and power. The NRC is expected to complete its review in 2005.

Management demands are sure to increase in the years to come. Our response must be a strategic focus on efficient and careful use and management of our resources. Performance and financial management help us to create and sustain that focus, to see where we are succeeding and where we are falling short, and to adjust our tactics and processes accordingly.

Secretary Gale A. Norton, November 15, 2004

Sustaining our efforts toward management excellence requires the ongoing commitment and creativity of Interior's dedicated employees. In the upcoming year, mission, metrics, and management will continue to lie at the center of achieving results. We plan to better focus our "mission" by identifying clear goals and performance measures and aligning our workforce to better focus on those goals.

Assistant Secretary P. Lynn Scarlett, November 15, 2004