

U.S. Department of the Interior



Fiscal Year 2004 Annual Report on Performance and Accountability

November 15, 2004

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An electronic version of this document is available on the Internet at www.doi.gov/pfm/par2004. The Department of the Interior’s strategic and performance plans are available at www.doi.gov/ppp/gpra.

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Message from the Secretary



This is the second year of our four-year commemoration of the Lewis and Clark Journey—a journey that began in 1803 when President Thomas Jefferson instructed the two intrepid explorers to search out native cultures and natural features of the West. Much of the legacy of that great expedition was passed on to the Department of the Interior, and the continuation of that heritage is manifested in our mission. We remain the Nation's chief protector of unique natural, cultural, and historic resources. We offer millions of people access to exceptional recreational opportunities. We have overseen the mapping and surveying of our lands. The data collected are used to balance the use of critical resources in every facet of our domestic economy while we continue to protect our environment. We honor special

trust commitments to American Indians and Alaska Natives, and provide guidance and assistance to affiliated Island Communities.

Throughout their courageous journey, Lewis and Clark used tools—sextants, octants, compasses, chronographs and telescopes—to guide them across an unexplored country and carry out President Jefferson's instructions. They carefully recorded their journey, discoveries, and map data—documenting their performance in fulfilling their mission. Today, at Interior we use very different tools to fulfill our mission; but, just like Lewis and Clark, we too document our performance. The publication of our Annual Performance and Accountability Report marks an opportunity to tell those we serve how well we have discharged our responsibilities to the American people, and how well we have embraced our Lewis and Clark legacy. In the course of compiling this report, we have reviewed our successes and shortcomings over the past year and gauged our performance against the targets set in our new FY 2003 - 2008 Strategic Plan. The results we have documented here will help us steer our course into the future.

Fulfilling our mission is an increasingly complex challenge, as this report illustrates. The financial and performance data we present are fundamentally complete and reliable as outlined in Office of Management and Budget guidance. This report also presents the status of the Department's compliance with certain 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. With regard to the ten FMFIA material weaknesses carried forward from FY 2003, seven of the ten (70%) were corrected or downgraded, resulting in the fewest pending material weaknesses reported for the Department since the inception of the FMFIA. The assurance statement also reports that the Department's Information Technology Security Program was significantly improved and it now substantially complies with the requirements of the Federal Information Security Management Act (FISMA). The Department, however, does not fully comply with certain other Federal financial management system requirements as specified in Section 4 of the FMFIA. Due to certain bureau-level deficiencies, which Interior is aggressively addressing, the Department as a whole does not fully comply.

FY 2004 was marked by significant accomplishments of the Department's 70,000 men and women who support our four areas of mission responsibility: resource protection, resource use, recreation, and serving communities.

- We welcomed 464 million visits from U.S. citizens and international visitors to our parks, refuges, hatcheries, and public lands, and celebrated the 100th anniversary of the National Wildlife Refuge System. Buoyed by the early success of our Take Pride in America partnership, volunteer efforts at our refuges, parks, recreation areas, and cultural and historic sites continued to grow, with some 200,000 men and women contributing about 8.9 million hours of their time.
- We restored 3,611,708 acres of land to achieve habitat conditions to support species conservation.
- We worked closely with partners, States, Tribes, and other Federal agencies so that 37.9% of species listed a decade or so ago as threatened or endangered are stabilizing or improving.
- We advanced the President's Energy Agenda, balancing our resource protection and recreation mandates with our economy's need for energy, minerals, water, forage, and forest resources. Interior facilities and lands provide 30% of the Nation's energy, including 50% of geothermal power, almost 35% of domestic oil, about 35% of natural gas, 43% of domestic coal, 17% of hydropower, and 12% of America's wind power in an environmentally sensitive manner.
- We have expanded the President's commitment to conservation through partnership, civic involvement, and economic incentives. A cornerstone of this effort is our cooperative conservation grant programs. These grants support local partnerships that conserve open spaces, involving citizens and communities in activities aimed at protecting and restoring habitats, wildlife, and plants.
- We launched our Water 2025 initiative, a collaborative long-range discussion with Federal, State, Tribal, and community organizations about how to meet water needs during possible long-term drought conditions through new technologies and new partnerships.
- We promoted the development of renewable energy resources such as hydropower, wind, geothermal, solar, and biomass on the public lands we manage. Such resources are used to generate nearly 9% of America's electricity. A significant part of our effort involves reducing permitting backlogs while providing careful oversight to ensure energy resources are developed in an environmentally sound and economically feasible manner. In FY 2004, we processed 26 wind energy rights-of-way. About 30 million tons of biomass were produced from lands managed by Interior's Bureau of Land Management (BLM), mostly due to a new stewardship contracting authority that now allows the BLM to dispose of forest thinnings.
- We expanded the outreach of our Healthy Forests Initiative; together with the U.S. Forest Service we have reduced hazardous fuels on over 11 million acres between FY 2001 and FY 2004. During that same period, we provided assistance to over 6,000 rural and volunteer fire departments. In FY 2004, we rehabilitated 573,475 acres of burned Interior lands.
- We celebrated 125 years of service by the United States Geological Survey (USGS), which serves the Nation with relevant and objective science. In FY 2004, USGS provided mineral information covering 2,401,329 square miles of the United States, conducted oil and gas resource assessments on five targeted basins, provided temporal and spatial monitoring data to meet land use planning and monitoring requirements for nearly 55 percent of the surface area of the Nation, and worked closely with more than 40 percent of America's communities to use our science to help them prepare for natural hazard emergencies.

- We created new jobs and improved educational opportunities on America's Indian reservations and made significant steps forward in our efforts to resolve the complicated Indian Trust issues, although much remains to be done.

FY 2004 was also marked by noteworthy management advances. We are continuing implementation of our Strategic Human Capital Management Plan and automating employee recruitment processes. Data obtained from our new Activity-Based Cost and Performance System will help us realign and restructure our workforce to reduce redundancy, track and analyze our mission performance, and provide the best value for services offered. We have also begun implementing the Financial and Business Management System, which will give us improved management information and standardize our business processes.

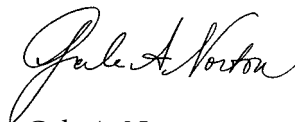
While we have much to celebrate, we still have opportunities for improvement. We must continue to find ways to achieve results for America in the face of increased urbanization, new law enforcement security challenges, public demand for improved service and accountability, and aging infrastructure. We must continue to ensure that the Indian Trust Funds activity and balances are recorded properly, accurately, and in a timely manner. In FY 2004, the Office of Inspector General once again identified our responsibilities to Indian and insular areas as a management challenge. While we have continued efforts to improve our approach for collecting and processing trust funds, we must also continue to implement and improve our Departmental trust policies, procedures, systems, and internal controls, and achieve the goals of the Department's Comprehensive Trust Management Plan.

We need to continue to correct remaining financial management weaknesses. While we received clean audit opinions for FY 2004, the auditors identified 15 material weaknesses of which 10 were carried over from FY 2003. During FY 2004, 7 material weaknesses were downgraded or corrected.

Learning from the achievements of the Bureau of Indian Affairs and the National Park Service, we must improve tracking of our maintenance projects and needs in our other bureaus. Our facilities professionals are using software tools and conducting annual condition assessments and comprehensive assessments to help us identify repair and maintenance priorities, and reduce our maintenance deficiencies.

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. This outcome-based report documents our accountability to the taxpayer.

Lewis and Clark's expedition yielded information that fired the imagination of Americans and marked the beginning of even more discovery and exploration through westward expansion. Like Lewis and Clark, we are on a journey that shapes the future of our country. That future holds opportunity as well as challenge. We will continue to meet those challenges with performance improvement and a steady stream of innovation. We look forward to honoring our commitment to stewardship of our natural, cultural, recreational, and heritage resources for the benefit of Americans today and for generations to come.



Gale A. Norton
Secretary of the Interior

November 15, 2004

Message from the Chief Financial Officer



In FY 2004, the Department of the Interior continued on a journey toward management excellence—excellence defined by results. Our journey is self-propelled as each of us shares this aspiration for excellence. It is also driven by growing demands for greater transparency, accountability, effectiveness, and efficiency.

Progress for much of our journey toward management excellence is captured in the Department's FY 2004 Performance and Accountability Report (PAR). The PAR provides our most important financial and performance information for the Department of the Interior. It is also our principal publication and report to Congress and the American people on our stewardship, management, and leadership of the public funds entrusted to us.

I am pleased to report that for the eighth consecutive year we have received an unqualified (“clean”) opinion on the Department's consolidated financial statements from our auditors. This is the best possible audit result and affirms our commitment to financial reporting excellence. Along with this opinion, the Department had other noteworthy accomplishments in FY 2004. The Department:

- Received the prestigious Association of Government Accountants' Certificate of Excellence in Accountability Reporting. This marks the third year in a row that the Department has been recognized for quality reporting.
- Commenced implementation of the unified Strategic Plan for the Department of the Interior. Nearly two years in the making, this plan replaced eight separate bureau plans. The new strategic plan integrates and aligns bureau responsibilities under four major mission goals—resource protection, resource use, recreation, and serving communities—and emphasizes results and performance management.
- Met or exceeded 63% of the 226 performance measures monitored from our new Strategic Plan. This is the first year we have reported on our performance against almost an entirely new set of performance measures. Last year we were able to meet or exceed 66% of the 323 performance measures monitored, but these measures from our previous Strategic Plan were less rigorous and often focused on outputs rather than outcomes.
- Implemented new human resource strategies and processes to align our talented workforce to meet new and expanding challenges. Our Human Capital Management Strategic Plan identified Indian trust management, wildland fire management, and law enforcement, including homeland security, as growing challenges.
- Initiated an Activity-Based Costing/Performance Management (ABC/PM) system throughout the Department. Interior's ABC/PM system includes 326 crosscutting work activities that bureaus and departmental offices either use directly, or use to capture costs associated with bureau/departmental work activities. ABC/PM provides program and financial managers with the information they need to allocate resources and monitor and evaluate performance effectively.

- Selected an enterprise-wide software and system integrator for the Department's Financial and Business Management System (FBMS). The FBMS will replace Interior's antiquated accounting and business systems and provide standard business practices supported by a single, integrated finance and business system. During FY 2004, over 500 Interior staff helped create a Departmental blueprint, a road map for implementing the FBMS. Bureaus will phase in deployment over several years with system completion anticipated by the end of 2008.
- Embarked on major efforts to inventory our facilities, assess their condition, and develop asset management systems. The Department manages nearly every type of facility found in America's towns and cities—we have wastewater treatment plants, dams, electric generating facilities, houses, hotels, campgrounds, roads, boat docks, stables, and even landfills. By knowing what we have and managing it well, we can better serve the public.
- Achieved cost savings and increased information technology (IT) security through better cross-departmental information technology management. Interior tested the industry-recognized top 20 categories of external vulnerabilities on an on-going basis and, in just 15 months, reduced its vulnerabilities from 957 per month to 0 in April 2004. IT system security accreditation and certifications soared from 21% in March 2004 to 98% by September 2004.
- Made advances in implementing the President's Management Agenda. Specifically, we improved our Executive Scorecard status rating in FY 2004 in the areas of Strategic Management of Human Capital and E-Government, as well as significantly improving our progress ratings for Budget and Performance Integration, E-Government, and Financial Performance.
- Corrected or downgraded five out of six (83%) Federal Managers' Financial Integrity Act material weaknesses targeted for correction in FY 2004 as well as two additional material weaknesses, targeted for correction in FY 2005, ahead of schedule. We also corrected or downgraded 7 of 14 (50%) material weaknesses reported in the FY 2003 financial statement audit opinions which were targeted for correction in FY 2004 (three additional material weaknesses were not targeted for correction until FY 2005).

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.

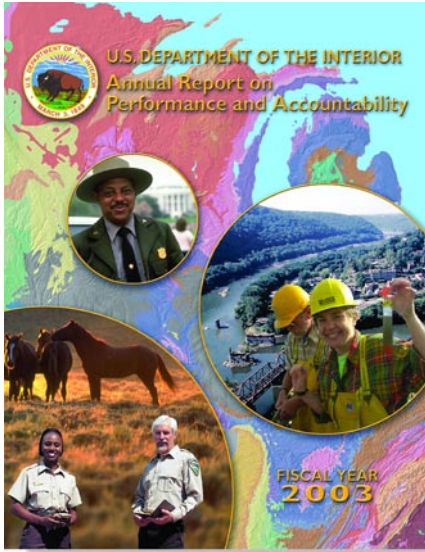


P. Lynn Scarlett
Chief Financial Officer

November 15, 2004

*In Memory of
R. Schuyler Leshner*





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From Mission to Measurement: How to Read This Report

The Department of the Interior's fiscal year (FY) 2004 Annual Report on Performance and Accountability will reach many people who have specific needs for the information it contains. We have designed our presentation to serve multiple audiences, with varied approaches, points of view, and levels of interest.

Our report contains five parts. Combined, these five 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 is a high-level overview of the Department's performance in FY 2004. It is designed for the public, legislators, and Federal, State, Tribal, and local governments.

After a brief discussion of Interior's mission, our new strategic plan, and the process we use to measure our performance, Part 1 summarizes our performance for the year by strategic mission area. Specific examples of the ways we have and have not met mission performance goals are offered, along with an overview of our key management challenges. Our scorecard, as measured by the President's Management Agenda (PMA), and a discussion of Interior's Program Assessment Rating Tool (PART) evaluations round out the performance summary.

Part 1 also discusses the Department's compliance with legal and regulatory requirements, including the Government Performance and Results Act (GPRA), the Federal Managers' Financial Integrity Act (FMFIA), the Federal Financial Management Improvement Act (FFMIA), the Inspector General Act Amendments (Audit Follow-up), the Improper Payments Information Act, the biennial review of user fees, and other key legal and regulatory requirements. An analysis of financial statement data concludes this portion of the report.

Part 2: Performance Data and Analysis presents the Department's performance results in detail. This will be most useful to members and staff of Congress, program examiners with the Office of Management and Budget, analysts with the Office of Inspector General (OIG) and the Government

Accountability Office (GAO), and interested citizens and customers. With the Administration's emphasis on linking performance and results to individual performance plans, Part 2 is important for all DOI employees as well.

Part 2 charts all Interior targets as tied to our end-outcome goals and strategic mission areas. We have discontinued most of the measures used in our previous strategic plan, replacing them with improved, outcome-oriented measures. Because this is the first year that we have measured our performance using the new measures and targets from our FY 2003 - 2008 Strategic Plan, most of our performance data are baseline in nature with few trend data being available from prior years. Our presentation this year visually denotes whether we met a given performance target. Where applicable, we have explained why and to what extent our performance fell short of plans.

Part 3: Financial Section, along with Part 4, will interest anyone who is 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.

Part 4: Audit Section contains an assessment of the Department's consolidated financial statements by an independent certified public accounting firm. The objective of a financial statement audit is to determine whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by management, as well as an evaluation of the overall financial statement presentation.

This section also presents a summary of the most serious management challenges facing the Department. This assessment was prepared by the Office of Inspector General in accordance with the Reports Consolidation Act of 2000.

Part 5: Appendices contains Improper Payments Information Act data, an organization chart for the Department, a glossary of acronyms, and a list of figures and charts.

This report was developed and prepared by Department of the Interior employees. The Department procured the services of a contractor to provide editorial assistance in drafting the GPRA discussion in the Management Discussion and Analysis section of the report.

We are interested in your feedback regarding the content of this report. Please feel free to e-mail your comments to us at www.doi.gov/ppp/feedback.html or write to us at the address listed on the "We'd Like to Hear From You" page at the end of the report.