

PART 1.  
MANAGEMENT'S  
DISCUSSION AND  
ANALYSIS



# WHO WE ARE AND HOW WE SERVE

Interior's legacy spans more than 150 years. It was established March 3, 1849, on the last day of the Thirtieth Congress and on the eve of Zachary Taylor's inauguration as the 12th President of the United States. Sometimes dubbed the "Department of Everything Else," the Department of the Interior has evolved to become the Nation's principal Federal conservation agency. Today, about 73,000 Interior employees (or 69,000 full-time equivalents) and 200,000 volunteers (or 4,600 full-time equivalents) manage the protection and enjoyment of many of the Nation's special natural, cultural, and historic places (see Figure 1-3). We conserve habitats, species, lands, and waters. We

FIGURE 1-1

## Interior's Mission in 1849

In 1849, the Interior Department had a wide and diverse range of responsibilities entrusted to it, including:

- the construction of Washington, D.C.'s water system;
- the colonization of freed slaves in Haiti;
- exploration of western wilderness;
- oversight of the District of Columbia jail;
- regulation of territorial governments;
- management of hospitals and universities;
- management of public parks; and
- the basic responsibilities for Indians, public lands, patents, and pensions.

In one way or another, all of these had to do with the internal development of the Nation or the welfare of its people—hence the name, Department of the Interior.



FIGURE 1-2

**Interior's Mission, Vision, and Key Business Principles**



**Mission**

The U.S. Department of the Interior protects and manages the Nation's natural resources and cultural heritage; provides scientific and other information about those resources; and honors its trust responsibilities or special commitments to American Indians, Alaska Natives, and affiliated island communities.

**Vision**

Communication, consultation, and cooperation—all in the service of conservation.

**Key Business Principles**

- Value
- Accountability
- Modernization
- Integration

fulfill America's trust responsibilities to native peoples and affiliated island communities. We supply water and hydropower to most of the western United States, as well as provide responsible access to much of the Nation's energy resources. Our scientists provide the data needed to enhance our understanding of the natural world and to inform decisions related to natural resource conservation and sustainable development, as well as disaster preparedness and response.

Each of our eight bureaus has discrete responsibilities for discharging our mission (Figure 1-5, Bureau missions). Departmental offices, including those specifically mentioned in this report—the Offices of the Special Trustee for American Indians (OST), Insular Affairs (OIA), Inspector General (OIG), Law Enforcement and Security (OLES) and Wildland Fire Coordination (OWFC)—support critical Interior operations and help our bureaus carry out our stewardship charge.

FIGURE 1-3

**Interior's 2006 Workforce (in Full Time Equivalents)**

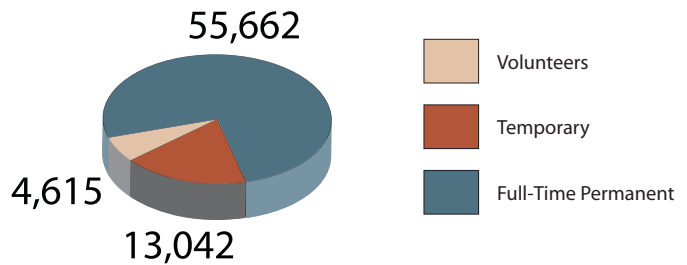


FIGURE 1-4

**Did You Know....**

Many other Federal agencies have their roots with the Department of the Interior

- When Interior was formed in 1849, it was called the Home Department and included organizations that now reside within the **Departments of State, Defense, Treasury, Commerce, and Veterans Affairs.**
- In 1869, the Bureau of Education was placed under the Department of the Interior. Later, it was transferred to the **Department of Health, Education and Welfare.**
- Interior's Bureau of Labor was established in 1884, becoming the **Department of Labor** in 1888.

**FIGURE 1-5**  
**Bureau Missions**



### Bureau of Reclamation (BOR)

Manage, develop, and protect water and related resources in an environmentally and economically sound manner in the interest of the American public.



### Minerals Management Service (MMS)

The Minerals Management Service manages the mineral resources on the Outer Continental Shelf and Federal and Indian mineral revenues to enhance public and trust benefit, promote responsible use and realize fair value.



### Bureau of Indian Affairs (BIA)

Fulfill its trust responsibilities and promote self-determination on behalf of Tribal governments, American Indians, and Alaska Natives.



### U.S. Geological Survey (USGS)

Provide the Nation with reliable, unbiased information to describe and understand the earth; minimize loss of life and property from natural disasters; manage water, biological, energy and mineral resources; and enhance and protect our quality of life.



### Fish and Wildlife Service (FWS)

Working with others to conserve, protect, and enhance fish, wildlife and plants, and their habitats for the continuing benefit of the American people.



### National Park Service (NPS)

Preserve unimpaired the natural and cultural resources and values of the national park system for the enjoyment, education, and inspiration of this and future generations. The National Park Service cooperates with partners to extend the benefits of natural and cultural resource conservation and outdoor recreation throughout this country and the world.



### Bureau of Land Management (BLM)

To sustain the health, diversity, and productivity of the public lands for the use and enjoyment of present and future generations.



### Office of Surface Mining (OSM)

Ensure that coal mines are operated in a manner that protects citizens and the environment during mining and assures that the land is restored to beneficial use following mining, and mitigate the effects of past mining by aggressively pursuing reclamation of abandoned coal mine lands.

This page  
intentionally  
left  
blank

# HOW WE PERFORMED IN FY 2006

Interior's Government Performance and Results Act (GPRA) Plan emphasizes accountability. It is organized into the four main areas of Interior's mission:

- Resource Protection
- Resource Use
- Recreation
- Serving Communities

A fifth area, Management Excellence, provides the enabling framework within which we carry out our mission responsibilities using improved business processes, practices, and tools and a highly trained and skilled workforce. We use partnerships with others to augment our resources and the decision making processes we use to carry out these responsibilities (see Figure 1-7: The Strategic Plan House).

FIGURE 1-6

Interior's first Strategic Plan was published in 1998 and consisted of ten volumes—one for each of its bureaus plus a Departmental Overview—and spanned more than 400 pages. Today's Strategic Plan is a unified report consisting of fewer than 100 pages.

The Strategic Plan Mission areas and the Management Excellence framework are each defined by their own strategic goals, they are supported by several related end-outcome goals, or our desired results. Those end-outcome goals capture the contribution of related programs and services administered by one or more of the Department's bureaus and offices. Each end-outcome goal is supported by a series of intermediate milestones and performance measures (please see Part 2 of this report, Performance Data and Analysis for more about our Strategic Plan). This report documents our performance against each of these measures.

Beginning in FY 2005, we described costs related to our end-outcome goals as part of our budget submission process. Our present financial accounting system will soon allow us to evaluate

FIGURE 1-7



expenditures for work activities, using established Activity-Based Costing Management (ABC/M) tools, against these goals. In FY 2006, we moved a step beyond the end-outcome goal level to begin costing at the performance measure and intermediate goal level in preparation for the FY 2008 budget request. This effort represents one more step toward linking performance costs at the Departmental level to a more detailed level of performance measurement within our Departmental budget submission process. Yet, we know we have much work ahead of us to improve reporting to managers about cost information related to performance.

Interior uses defined criteria against which we test the validity and integrity of our performance data to ensure that information is properly collected, recorded, processed, and aggregated for use by decision-makers. We provide more information about our data validation and verification (V&V) process and definitions of the types of performance data we report in Part 2, Performance Data and Analysis.

The Department of the Interior's FY 2003-2008 Strategic Plan can be viewed at [http://www.doi.gov/ppp/strat\\_plan\\_fy2003\\_2008.pdf](http://www.doi.gov/ppp/strat_plan_fy2003_2008.pdf). The results reported in this document are for performance measures established for the 2003-2008 Plan. In July 2005, Interior

began the statutorily required revision of the DOI Strategic Plan under GPRA. Although not a wholesale revision of our previous plan, the new 2007-2012 plan updates several of our performance measures to more accurately reflect mission-critical goals. We will provide the final revised plan to Congress and OMB in early FY 2007. The new draft plan can be viewed online at: <http://www.doi.gov/ppp/>. We anticipate that our 2007 PAR will report results against measures contained in the updated plan.

Interior's broad range of responsibilities has resulted in the need to report on the performance of a significant number of programs, including some administrative

improvement areas. Consequently, Interior reports on 209 performance metrics—which, although a large number, is almost 40% lower than the record 351 measures we started with in FY 2002. Our highly integrated Departmental strategic plan accounts for the decrease in reportable measures.

In FY 2006, the Department met or exceeded 68% (or 142 out of 209) of the performance measures we monitored (see Interior's Scorecard and How We Performed—2002 through 2006, Figure 1-9). In FY 2005, we met or exceeded 76% of the performance measures we monitored (or 163 out of 214).

Eighteen percent of our measures were not reportable. While we had data for 3 (or 8%) of the 37 measures denoted as “no reports”, we do not use preliminary data to determine whether a performance goal has been achieved because the preliminary data sets have not yet been verified. We were unable to report on these measures because data were insufficient to generate or estimate performance. In some cases, data were unavailable due to problems with the methods used to collect the data. In other cases, technological factors such as automated system interruptions or the inability of entities outside of Interior to provide data needed to compute performance contributed to our “no reports.” Our updated FY 2007-2012 Strategic Plan is expected



to address many of these methodological problems. Therefore, we hope to reduce the number of “no reports,” in FY 2007.

Performance information for the measures stipulated as “no report,” “preliminary,” and “estimated” will be provided during FY 2007 as a supplement to this report.

The Department has highlighted results for selected

measures using an easy-to-read scorecard (see Figures 1-21, 1-32, 1-42, 1-49, and 1-52, provided in each of the Mission Area and Management Excellence chapters).

### The President’s Management Agenda: Scorecard

In FY 2006, Interior continued to make progress in areas targeted by the President’s Management Agenda

FIGURE 1-8

**Linking Costs and Performance Data to Make Funding and Resource Decisions**

DOI bureaus are actively using performance data at the unit cost level to assist managers in making resource allocation and funding decisions. For example:

- The FWS has worked diligently to implement a holistic cost and performance management system that integrates existing budgeting and planning processes with financial and performance data systems. At its heart are program-specific, outcome-based performance measures that step down from the goals in the Department’s strategic plan. The effort fosters a cohesive approach to mission performance for improved program and service delivery, new technical capabilities, enhanced inter-bureau cooperation, and improved standards of accountability that stretch across the entire Department. The FWS hierarchy of performance provides managers with a clear line of sight from Interior outcomes to the bureau’s field work by mapping activity-based management cost data to performance measures. Using the process, FWS ensures that programs are achieving desired results at an acceptable cost while understanding the full cost of business operations. It has also helped FWS streamline its business processes while creating a performance-based culture.
- The NPS is using a core operations analysis process, called Core Ops, which integrates management tools to improve park efficiency. The process provides park units and regions with a way to consistently review their core operations and ensure funds are spent efficiently on the highest priority park programs. The process also ensures that a park’s request for any additional funding is well supported, and that the park has adequate funds and staff to conserve and protect the resources and administer core operations for which it is responsible. The process involves 1) projecting costs into the future and comparing these costs with probable funding scenarios; 2) using strategic goals and measures to develop clear purpose statements that articulate the park’s highest priorities; 3) using past performance to determine what should be done next to achieve these priorities; 4) relating work to results by reviewing staffing resources to ensure these are aligned with highest priorities or core operations to produce the desired performance results; 5) identifying efficiencies that reduced cost per unit output, avoided costs, eliminated lower priority activities, or generated cost recoveries; and 6) developing an implementation plan that reflects operational changes in the park’s performance goals and measures.

FIGURE 1-9

Interior’s Scorecard: How We Performed FY 2002-2006 <sup>1</sup>					
	FY 2002	FY 2003	FY 2004 <sup>2</sup>	FY 2005 <sup>2</sup>	FY 2006 <sup>3</sup>
Met or Exceeded	55% of 351	66% of 323	71% of 223	76% of 214	68% of 209
Not Met	35% of 351	29% of 323	23% of 223	16% of 214	14% of 209
No Report	9% of 351	5% of 323	7% of 223	8% of 214	18% of 209

Notes:

<sup>1</sup>Totals may not equal 100% due to independent rounding.

<sup>2</sup>FY 2004 and 2005 have been adjusted to reflect actual results after publication of our Supplemental PAR during the 3rd quarter of the succeeding respective fiscal years.

<sup>3</sup>FY 2006 data reflect results as of the PAR publication date (November 15, 2006). These values will be adjusted to reflect actual results after publication of our Supplemental PAR data during the 3rd quarter of FY 2007.

(PMA). That agenda focuses on improving Federal management and administrative program performance. Organized around five mutually reinforcing components, the President's Management Agenda applies to every department and agency. Its components share a goal of enhancing citizen-centered governance focused on delivering results to the American public.

In addition to the six management areas shown in Figure 1-10, Interior is pursuing improvements in three other areas: Transportation Management, Energy Management, and Environmental Stewardship. We will report progress in these areas beginning in FY 2007.

OMB uses an Executive Branch Management Scorecard to monitor agencies' status and progress toward attaining PMA goals. Color-coded ratings visually depict how an agency has performed toward making specific improvements.

Interior is very proud of the progress we made this year toward realizing several of the President's Management Agenda goals. We moved from red to yellow in our status for the Real Property Initiative. Our asset management plan is in place and has been approved by OMB. Our bureaus are preparing site-specific asset management business plans based on Departmental guidance. We have some solid performance mea-

FIGURE 1-10

Interior's FY 2005 and FY 2006 Scorecards – How OMB Scored Us								
Initiative Name	September 30, 2005				September 30, 2006			
	Status	Progress	Status	Progress	Status	Progress	Status	Progress
President's Management Agenda Goal								
Human Capital	Green		Green		Green		Green	
Competitive Sourcing	Green		Green		Green		Red	
Financial Performance	Red		Yellow		Red		Green	
E-government	Red		Red		Yellow		Red	
Budget & Performance Integration	Yellow		Green		Yellow		Green	
Other Government-wide Initiatives in Which DOI Participates								
Real Property	Red		Green		Yellow		Green	

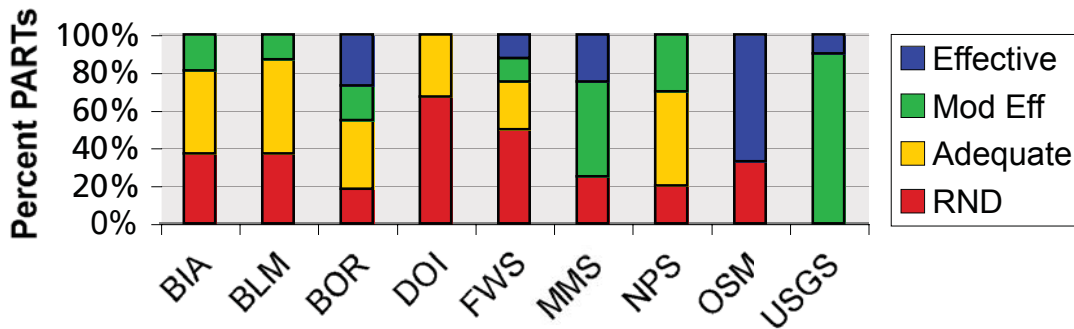
FIGURE 1-11

Figure 1-10: PART Program Rating Table 2002-2006					
Bureau	Results Not Demonstrated	Adequate	Moderately Effective	Effective	Total Number of PARTed Programs
BIA	6 (37%)	7 (44%)	3 (19%)	0 (0%)	16
BLM	3 (37%)	4 (50%)	1 (13%)	0 (0%)	8
BOR	2 (18.5%)	4 (36%)	2 (18.5%)	3 (27%)	11
DOI	2 (67%)	1 (33%)	0 (0%)	0 (0%)	3
FWS	4 (50%)	2 (25%)	1 (12.5%)	1 (12.5%)	8
MMS	1 (25%)	0 (0%)	2 (50%)	1 (25%)	4
NPS	2 (20%)	5 (50%)	3 (30%)	0 (0%)	10
OSM	1 (33%)	0 (0%)	0 (0%)	2 (67%)	3
USGS	0 (0%)	0 (0%)	9 (90%)	1 (10%)	10
Total DOI:	21	23	21	8	73
Total %:	29%	31%	29%	11%	100%

Note: The above table does not count eight reassessments to eliminate double-counts. The numbers on the graph are used by Interior executives to monitor the current number of PARTs in Results Not Demonstrated status. Therefore, the most recent rating of a reassessed program is the rating counted.

FIGURE 1-12

## Interior PART Ratings (2002-2006)



asures in place that will tell us how well we are progressing toward meeting specific asset-management goals. In the near future, we hope to improve our status to green as we use performance metrics to make asset management-related decisions and make better use of the Federal Real Property Profile (FRPP) to identify candidates for disposition.

We also saw improvements in Electronic Government. Interior moved from a status score of red at the end of FY 2005 to yellow in FY 2006. We completed all of our E-government milestones during the year, with the exception of those for the E-Travel initiative. We are working to further improve our status in FY 2007 by demonstrating that we use earned value management data to make decisions related to our major IT portfolio and that our performance against IT-related goals is within 10% of that goal.

We continue to face challenges in the area of Financial Performance. However, while our status remained red for FY 2006, we made much progress during the year, resulting in a green progress rating from OMB. Effort to reduce our material weaknesses will help us improve our status score in FY 2007.

### PART

Since FY 2002, Interior has worked with OMB to review our programs using a government-wide evaluation approach called the Program Assessment Rating Tool, or PART. PART is a standardized and systematic process by which OMB evaluates program performance against a standard set of criteria. Its results are being used to improve program perfor-

mance through the development and implementation of program-specific recommendations.

PART is helping Interior take a focused look at its programs. We have undergone 73 PART analyses since the process began in 2002, plus eight reassessments. In 2006, twelve Interior programs were assessed or reassessed using the PART process. A listing of these evaluated programs is provided in Figure 2-15, Part 2 of this report.

PART assessments have led to several recommendations for improvement. For example, USGS's cooperative water program had been maintaining a roughly half-and-half proportion of data collection activities to research studies. Given Administration priorities and PART recommendations for emphasizing data collection, USGS reduced its number of research studies (systematic investigations) so that it could maintain its data collection efforts (number of stream gauges reporting real-time) to the fullest extent possible.

All Interior bureaus are actively monitoring progress toward implementing post-PART actions and recommendations using a Web-enabled tracking system.

This page  
intentionally  
left  
blank

# RESOURCE PROTECTION: PROTECT THE NATION'S NATURAL, CULTURAL, AND HERITAGE RESOURCES

The Department of the Interior is steward and caretaker for many of the Nation's natural and cultural resources. We conserve federally managed lands and waters, ensuring that these assets are available for current future generations to enjoy. We are the guardians of many of our Nation's unique cultural and historic sites. We work with partners to conserve thousands of native plant and animal species, including 1,311 U.S. species with special status under the Endangered Species Act (ESA), and we work cooperatively and holistically to limit the effect of invasive species.

FIGURE 1-13



## Keeping an Unbridled American Spirit Strong and Free: "Save the Mustangs"

In May 2005, Interior's Bureau of Land Management, Take Pride in America, and the Ford Motor Company joined forces to establish the "Save the Mustangs" fund ([www.savethemustangs.org](http://www.savethemustangs.org)) to build public awareness and support for America's wild horses. As of May 2006, only one year later, the partnership had raised more than \$200,000 for distribution to eligible wild horse and equine rescue groups to help place thousands of mustangs into private, long-term care.

The Bureau of Land Management manages the Nation's wild horses and burros under authority of the 1971 Wild Free-Roaming Horses and Burros Act. Herds are managed to keep wild populations at balanced levels to ensure they remain healthy and thriving. To assist with herd management, BLM sponsors adoptions and sales. Since 1973, the bureau has placed more than 208,000 wild horses and burros into private care through its adoption program ([www.wildhorseandburro.blm.gov](http://www.wildhorseandburro.blm.gov)).

The "Save the Mustangs" fund will provide non-profit wild horse and equine rescue organizations that buy saleable wild horses with financial assistance to care for the horses. The program represents an excellent example of creative solutions between the public, private organizations, and government to help protect an American legacy.

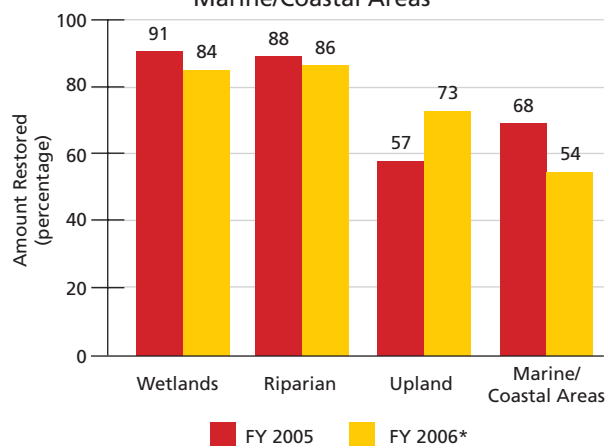
In FY 2006, we met 79% of our performance targets for our Resource Protection responsibility. We did not meet 19% of our targets. This compares with 83% of targets met and 15% of targets where we fell short in FY 2005. The remaining were “no reports.” (See Figure 1-22 for more detail). Note: Within the narrative discussion for each mission area, we include parenthetical references to Performance Measure ID numbers used in the results tables in the Performance Data and Analysis section. These are for the convenience of readers wanting to cross-reference the data.

We fell short of meeting targets in the area of Resource Protection due to:

- constraints and complicating factors resulting from natural events, such as hurricanes and fires, which either prevented or hampered land and water treatment and habitat recovery efforts (Ref #1, 14, 18, 20);
- targeting errors and inherent difficulties in setting precise targets for projects that vary in size and scope, particularly in instances where the extent of issues being addressed is still an unknown (Ref. #7, 27);

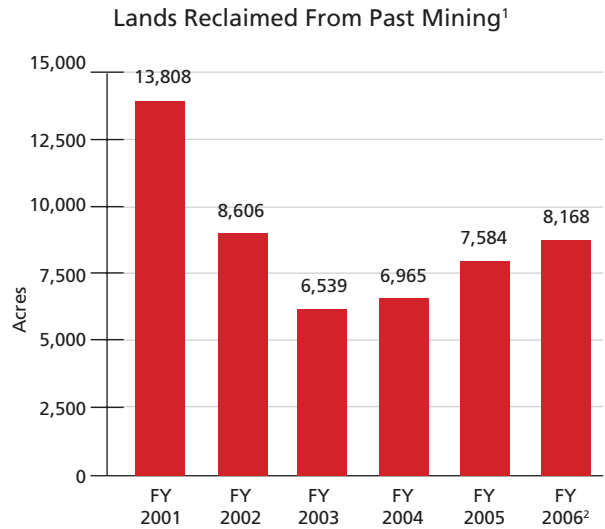
FIGURE 1-15

Percent of total acres restored in FY06 that represent Targeted Wetlands, Riparian, Upland, and Marine/Coastal Areas



\*Based on estimated data.

FIGURE 1-14



<sup>1</sup> Data prior to FY 2005 represent the Office of Surface Mining, Reclamation and Enforcement (OSM) contribution only.

<sup>2</sup> Estimated.

- discrepancies in the accuracy of data reporting, particularly when the reporting involves external partners and cooperators (Ref. 36).

### Restoring Our Lands and Waters

Interior’s resource protection responsibilities extend to monitoring and repairing damage done by past mining, even if the lands affected are not federally managed. In FY 2006, we reclaimed an estimated 8,168 acres of land, and improved 69 stream miles and 32 surface acres of water degraded by past mining (see Figure 1-14 for trend data) (Ref #5, 6, 7). This compares to 7,584 acres of land, 28 stream miles and 35 surface acres of water that were improved in FY 2005.

Our efforts to support healthy and productive lands depend upon partnerships with others. We actively implement the President’s Facilitation of Cooperative Conservation Executive Order, which directs land-managing agencies to work with others to improve the use, enhancement, and enjoyment of natural resources, and to protect the environment.

Cooperative Conservation uses the synergy of partnerships, collaboration, leverage, innovation, and incentives to achieve the Nation’s environmental goals. A suite of cooperative grant and cost-share programs

underpins Interior's conservation partnerships. Landowner Incentive Programs, Private Stewardship Grants, the Challenge Program, and Partners for Fish and Wildlife and Coastal programs all emphasize local input and involvement, using various monetary and non-monetary incentives to inspire and encourage landowners to manage private lands in a manner that supports resource protection goals and a sustainable environment.

In FY 2006, our collaborative efforts helped achieve desired conditions for upland, riparian, wetland, and marine and coastal areas, as specified in our management plans (see Figure 1-15, Ref #1, 2, 3, 4). We used voluntary partnerships to help us achieve watershed and landscape goals, restoring an estimated 670,620 acres against a target of 651,087 and an estimated 677 stream/shoreline miles against a target of 658 (Ref #22 and 23). Our work with wetland areas addresses President Bush's Wetland Initiative, which set a government-wide goal of increasing wetland acres by 3 million acres by 2009.

Science is the basis for sound land and resource decisionmaking. Our U.S. Geological Survey (USGS) serves as the Department's principal science agency. USGS shares data with partners and others who can use the information to advance their missions. In FY 2006, 96% of those surveyed reported they were satisfied with the science information and products we provided to them (Ref #17).

## The War on Invasive Species

Invasive species threaten ecological and economic health worldwide. These invaders are non-native plants, animals, or other organisms, such as microbes, whose introduction hurt the economy or harm environmental, wildlife, or human health. Problems arise when these species are released into the wild, where they often spread, choking out our endemic flora and fauna and competing for resources like water, food, and sunlight. The spread of invasive plants, animals, and pathogens is considered to be one of the most serious ecological problems in the 21st Century, second only to habitat destruction.

In FY 2006, Interior continued to address invasive plant species on Federal lands, controlling an

FIGURE 1-16



### Watching Out for Suckers

Lost River suckers and shortnose suckers are fish that live most of their life in quiet lakes and migrate up fast-running streams in the spring to spawn. They can live up to 45 and 33 years, respectively. At one time, these fish were so plentiful that canneries were built to package them for human consumption. Over-harvesting, pollution, and habitat loss have taken their toll, reducing both the population size of the fish and their reproductive abilities. Both of these once abundant fish are now on the endangered species list.

As part of an effort to restore these species to healthy levels, USGS has been monitoring spawning populations of endangered Lost River suckers and shortnose suckers in the Upper Klamath River basin of Oregon and California since 1995. The USGS is complementing biological data with hydrologic information because water availability and quality are primary concerns of the DOI, State, and tribal natural resource agencies that manage fishery and aquatic resources, National Wildlife Refuges, and agricultural interests in the upper Klamath Basin.

The USGS ongoing, long-term sucker monitoring program tracks the current status and health of adult populations, including species types, size and growth rates, their reproductive abilities, spawning success, and the rate of population change. USGS has developed a ground water model of the region that helps resource managers optimize the amount, timing, and location of ground water withdrawals used to augment flows and lake levels for fish. USGS hydrologists have used their data to improve seasonal runoff forecasts for Upper Klamath Lake, providing water managers with access to accurate information on water availability well before the beginning of an irrigation season. These scientists are also investigating the internal sources of nutrients that cause severe water-quality problems for fish in order to determine how these nutrients can be controlled, where and what control measures are most effective, and how long it would take for benefits to occur. Researchers are developing a hydrodynamic model of Upper Klamath Lake to assess the environmental factors that most affect fish die-off events, such as lake water level, wind speed and direction, and water temperature.

The Lost River suckers and shortnose suckers may be endangered for now. But USGS experts are providing essential scientific data that natural resource managers need to make informed decisions regarding water resources in the Klamath Basin, to recover these fish populations to healthy levels, and to restore critical habitats.

FIGURE 1-17

Stabilizing Endangered Species

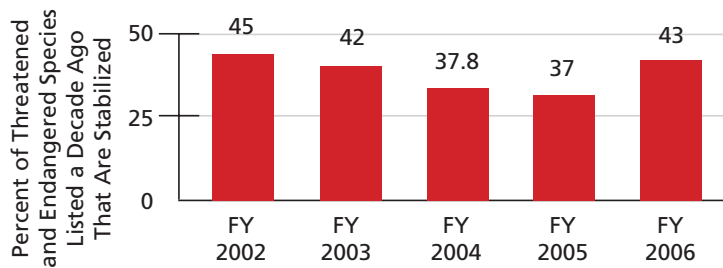


FIGURE 1-18

estimated 2% (or 660,410 acres) of known infestations (Ref #30), and restoring an estimated 487,670 acres of land and 1,685 (Ref #32, 33) miles of stream- and shoreline to mitigate or eliminate the effects of these invaders. These efforts supported native species by creating habitat conditions that enable them to flourish and met our performance targets for the year.

**Improving the Status of Endangered Species and Other Species of Management Concern**

A key part of our resource protection mission is recovering endangered species under the Endangered Species Act (ESA). Restoring the populations and viability of endangered and threatened species to the point where they can be delisted is a prime responsibility of the Fish and Wildlife Service (FWS). FWS determines whether to list a species, depending on the five criteria identified within the ESA.

In FY 2006, Interior reported that 43% (Ref #28) of threatened or endangered species listed a decade or more have been stabilized or improved (Figure 1-17). We helped bring an estimated 43% (Ref #27) of species of management concern back to self-sustaining levels, falling short of our target of 47% (or 431 species out of 923) due to targeting errors.

**Protecting, Preserving, and Restoring Physical Assets**

As guardians of the Nation’s cultural heritage, we are responsible for priceless national assets, ranging from commemorative sites like the World War II Memorial in Washington, D.C., to Native American

**Not So Itsy, Bitsy Spider Makes a Comeback**

Imagine crawling on your hands and knees in a dark, mud-lined lava tube and coming face-to-face with a couple dozen baby wolf spiders. Is this a dream or a nightmare? For biologists of the U.S. Fish and Wildlife Service, it’s a dream come true. For the first time in 10 years, researchers have observed actual hatched spiderlings of the rare Kauai cave wolf spider. The spider, first discovered in 1971, is found only in the lava tubes and cave-bearing rock in Kauai’s Koloa Basin. It is thought that the existing population is fewer than 30 individual spiders. Unlike most wolf spiders that produce 100 to 300 spiderlings per clutch, the Kauai cave wolf spider is thought to produce fewer than 30. The encouraging sighting has been attributed to collaborative efforts of researchers and private landowners to protect critical habitat and to educate the public about the species.



archeological and cultural sites such as Tuzigoot in Arizona. In 2005, Interior finalized its Asset Management Plan (AMP), which establishes a strategy to manage and oversee Interior-owned and leased assets, such as buildings, structures, our motor vehicle fleet, and office and warehouse space. Among the ways we measure performance with physical assets is to conduct annual condition assessments of all assets using the Facility Condition Index (FCI). The Facility Condition Index compares replacement costs versus maintenance costs on facilities. With the FCI as a starting point, managers can determine the investment needed to bring the asset to an acceptable condition over time.

FIGURE 1-19

### Preserving Our African American Legacy: Meet the Newest Additions to the National Park System

In February 2006, two new units were added to the National Park System, bringing the total number to 390. Both are significant historical and cultural treasures that contribute to America's African American heritage. The new sites are Carter G. Woodson Home National Historic Site in Washington, D.C., and African Burial Ground National Monument in New York City.

The Carter G. Woodson site is the home of Dr. Carter G. Woodson, who was instrumental in establishing African American history as an academic discipline. Dr. Woodson, who was trained at Harvard and served as a D.C. public school teacher, is probably best known for establishing Negro History Week in 1926, now recognized as African American History Month (or Black History Month).

The African Burial Ground is part of an original, seven-acre site containing the remains of approximately 15,000 people, making it the largest and oldest African cemetery excavated in North America. Archeologists confirm that the site is of unprecedented national and international historical significance.



*African Burial Ground National Monument, New York City*

The Department plans to repair facilities to “acceptable condition” and reduce deferred maintenance to the established goal of an acceptable facility condition index for each asset type. With the completion of the first round of Comprehensive Condition Assessments in FY 2006, we will review the existing FCIs and the existing conditions of the assets in the inventory, and develop DOI ranges for good, fair, and poor ratings by asset type.

An estimated 33% of the cultural resource collections in DOI inventory were in good condition, short of a target of 36% (Ref #41). An estimated 59% of our cultural properties (Ref #40) were in good condition.

FIGURE 1-20

### Establishment of World's Largest Marine Conservation Area Complements 100th Anniversary of Antiquities Act

In June 2006, President Bush created the world's largest marine conservation area, the Northwestern Hawaiian Islands Marine National Monument. Located off the coast of the northern Hawaiian Islands, the 140,000 square mile area will permanently protect pristine coral reefs and unique marine species. The new national monument was established under the Antiquities Act, a law established 100 years ago in June 1906 by President Theodore Roosevelt. The Act gives the President of the United States the authority to declare by public proclamation, historic landmarks, historic and prehistoric structures, and other objects of historic or scientific interest that are situated upon the lands owned or controlled by the Government of the United States to be national monuments.



FIGURE 1-21

How Interior Performed at a Glance: FY 2005-2006		
Selected Performance Measures from Resource Protection Mission Area		
Performance Measure	FY 2005	FY 2006
Legend: □ = No Report ■ = Target Not Met ■ = Target Met ■ = Target Exceeded		
#1: Wetland areas—Percent of acres achieving desired conditions	91%	84% E
#2: Riparian areas—Percent of stream-miles achieving desired conditions	88%	86% E
#3: Upland areas—Percent of acres achieving desired conditions	57%	73% E
#4: Marine and coastal areas—Percent of acres achieving desired marine and coastal conditions	68%	54% E
#5: Number of land acres reclaimed or mitigated from the effects of degradation from past mining	7584	8168 E
#6: Number of stream-miles for which degradation from past surface coal mining has been improved	28	69
#7: Number of surface acres of water for which degradation from past surface mining has been improved	35	32
#17: Satisfaction with science information and products	100%	96%
#22: Number of acres achieving watershed and landscape goals through voluntary partnerships	1,004,596	670,620 E
#23: Number of stream/shoreline miles achieving watershed and landscape goals through voluntary partnerships	888	677 E
#27: Percent of species of management concern that are managed to self-sustaining levels, in cooperation with affected States and others, as defined in approved management documents	50%	43% E
#28: Percent of threatened or endangered species listed a decade or more that are stabilized or improved	37%	43%
#30: Percent of baseline area infested with invasive plant species that is controlled	2%	2% E
#32: Number of acres restored or enhanced to achieve habitat conditions to support species conservation consistent with management documents, program objectives	383,478	487,670 E
#33: Number of stream/shoreline miles restored or enhanced to achieve habitat conditions to support species conservation consistent with management documents, program objectives	1313	1685 E
#40: Percent of cultural properties on DOI inventory in good condition	57%	59% E
#41: Percent of collections in DOI inventory in good condition	49%	33% E

FIGURE 1-22

<b>Resource Protection—Protect the Nation’s natural, cultural, and heritage resources</b>				
Performance and Cost Scorecard				
End Outcome Goal	Number of Goals Met	Number of Unmet Goals	Number of No Reports*	Goal Activity Costs (rounded to thousands)
Goal #1: Improve Health of Watersheds, Landscapes, and Marine Resources that are DOI Managed or Influenced in a Manner Consistent with Obligations Regarding the Allocation and Use of Water	<b>20</b>	<b>6</b>	<b>0</b>	<b>\$2,350,629</b>
Goal #2: Sustain Biological Communities on DOI Managed and Influenced Lands and Waters in a Manner Consistent with Obligations Regarding Allocation and Use of Water	<b>11</b>	<b>2</b>	<b>0</b>	<b>\$1,257,776</b>
Goal #3: Protect Cultural and Natural Heritage Resources	<b>7</b>	<b>1</b>	<b>1</b>	<b>\$338,429</b>
<b>TOTAL</b>	<b>38</b>	<b>9</b>	<b>1</b>	<b>\$3,946,834</b>
Percentage Out of a Total of 48 Measures	<b>79%</b>	<b>19%</b>	<b>2%</b>	

\* For the purpose of this chart, preliminary data are considered a “no report.”

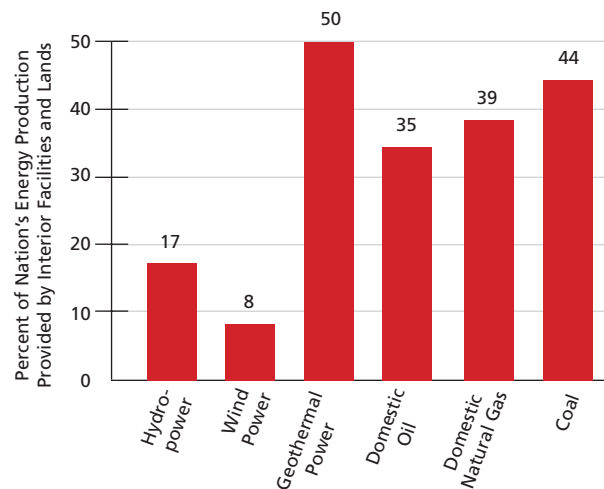
This page  
intentionally  
left  
blank

RESOURCE USE:  
MANAGE NATURAL  
RESOURCES TO  
PROMOTE  
RESPONSIBLE USE  
AND SUSTAIN A  
DYNAMIC ECONOMY

Recent headlines about high fuel prices have reminded Americans of our dependency on oil and gas to maintain our standard of living. According to the Energy Information Administration (EIA), one barrel of crude oil produces about 42 gallons of oil or 20 gallons of finished gasoline. In 2005, the United States used almost 20.7 million barrels of crude oil per day.

FIGURE 1-23

DOI Contributes to Nation's Energy Production



The Department of the Interior plays a vital role in maintaining the Nation's energy supply (Figure 1-23). Approximately 30% of the Nation's domestic energy is produced on Interior-managed lands and waters. Of this, nearly one third of America's domestic oil and 21% of our domestic natural gas were produced from the Outer Continental Shelf (OCS) prior to Hurricanes Katrina and Rita (August and September 2005). From a near-complete "shut-in" or precautionary discontinuation of OCS petroleum production after 2005 hurricanes, The Minerals Management Service (MMS) oversaw resumption of production to approximately 88% for oil and 91% for gas of pre-Katrina levels as of June 19, 2006.

At the same time, we increased renewable energy production on Federal lands. The Energy Policy Act of 2005 for the first time gave MMS authority over offshore renewable energy and alternative use projects, while providing BLM authority over geo-

thermal resources. We are also exploring alternative energy sources, such as petroleum extracted from oil shale and gas hydrates.

In FY 2006, we met 85% of our performance targets for our Resource Use Mission Area. We did not meet 15% of our targets. This compares with 80% of targets met and 15% of targets where we fell short in FY 2005. (see Figure 1-34 for more detail). We fell short of meeting targets in the area of Resource Use in part due to:

- additional time needed for revised administrative processes to mature before the benefits of reengineering efforts can be seen in terms of decreases in backlogs related to processing applications for permits to drill and lease energy minerals on BLM lands (Ref. #57, 58); and
- In some cases, we exceeded performance targets due to issues related to the manner in which funding is applied to water infrastructure and delivery projects (Ref. #78, 82). Revisions are expected to be made in future years that will address these issues, and enable us to set more refined targets.

FIGURE 1-24



#### BLM Oil Shale Research and Development Leases

The United States has the largest known concentration of oil shale in the world. Scientists estimate that our oil shale resources, which span a total area of 16,000 square miles underground, hold about the equivalent of 800 billion barrels of recoverable oil. More than 70% of this resource underlies Federal land, primarily in Colorado, Utah, and Wyoming.

BLM recently requested proposals for oil shale research development and demonstration (RD&D) leases for some of this public land. This is part of BLM's ongoing effort to provide the Nation with secure, reliable, affordable energy sources by boosting domestic energy production. Six proposals were selected among 20 nominations for leasing consideration. The next step involves an environmental analysis under the National Environmental Policy Act (NEPA) of each of these proposals before final decisions will be made to award the leases.

FIGURE 1-25

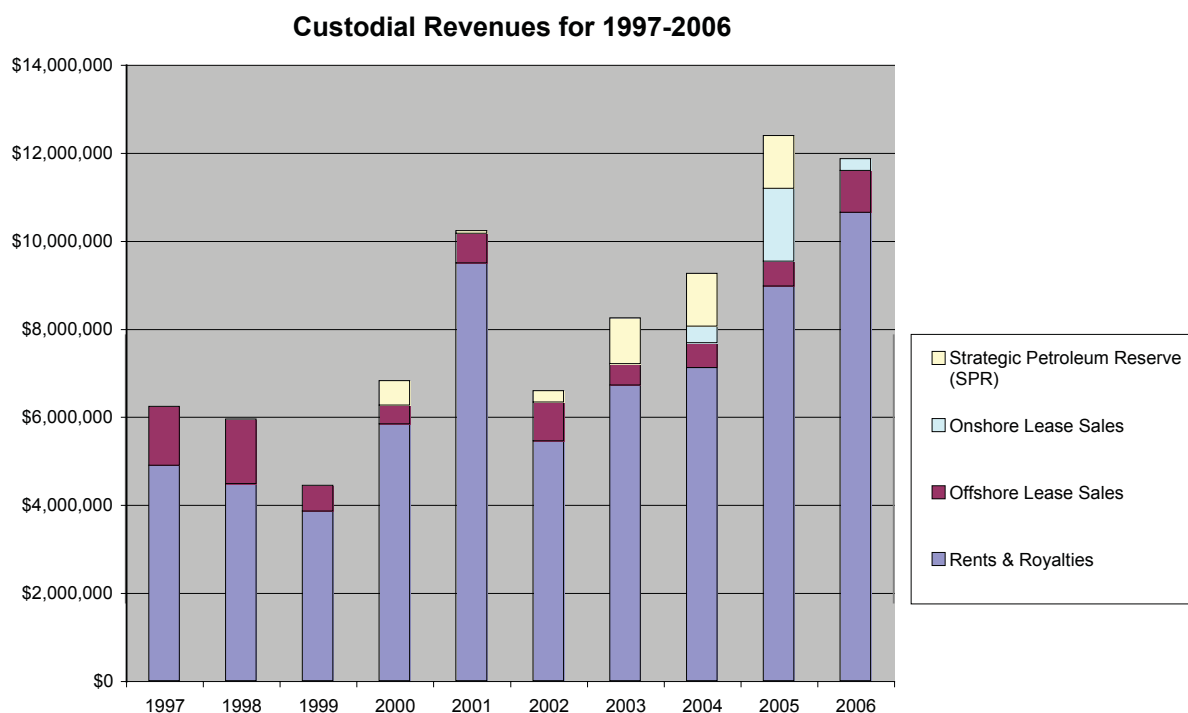


#### 5-Year Outer Continental Shelf (OCS) Oil and Gas Leasing Program

In August 2005, the Department began its process for developing the OCS Oil and Gas Leasing Program for 2007-2012. The current program was effective in 2002 and runs through June 2007. It includes a total of 20 OCS lease sales in eight OCS planning areas in the Gulf of Mexico and offshore Alaska. About 40 million acres of Federal OCS are currently under lease for potential oil and natural gas exploration and development.

The 5-Year Outer Continental Shelf (OCS) Oil and Gas Leasing Program is governed by the OCS Lands Act. The Act requires MMS to specify the size, timing, and location of areas to be assessed for Federal offshore natural gas and oil leasing. The MMS is in the midst of developing a new 5-Year Program for 2007-2012. The proposed program, the third step in a multi-step planning process, was announced on August 24, 2006. It was accompanied by a draft Environmental Impact Statement. Once public comments are evaluated, a Proposed Final Program and Final EIS will be issued in 2007. The current program ends and the new program begins on July 11, 2007. Copies of the proposed program, the draft EIS, and instructions for commenting are available at: <http://www.mms.gov/5-year/>.

FIGURE 1-26



Note: Historical SPR revenues represent value of oil taken in-kind for delivery to SPR rather than actual dollars. Beginning in FY 2005 the Statement of Custodial Activity was revised to present an additional revenue category for onshore lease sale activity; FY 2004 was also revised to include this category. This chart reflects those revisions.

FIGURE 1-27

### More Than Just Hot Air: Unique Helium Reserve Partnership Benefits Nation

In March 2006, the MMS successfully completed its fourth natural gas sale from the BLM's Cliffside Helium Enrichment Unit (CHEU) located near Amarillo, Texas.

Sometime after World War I, scientists discovered that helium is lost to the atmosphere if not separated from natural gas and somehow captured and stored. The United States prevented significant helium loss with passage of the 1960 Helium Amendment Act, which allowed helium to be stored at the Cliffside gas field. Today, the Cliffside gas field continues to hold much of the gas extracted during the last 45 years. Recently, the BLM oversaw development of the CHEU, an engineering marvel, which provides a means for separating helium from natural gas. Besides providing up to 6,500 thousand cubic feet (Mcf) per day of crude helium, the CHEU produces a residue stream of pipeline quality natural gas. Because MMS already had a well-developed natural gas sales program in place, BLM entered into an interagency agreement with MMS to sell this natural gas. Proceeds are returned to BLM, which uses revenue from both helium and gas sales to fund its Cliffside helium operations. Remaining revenues not used to fund operations are returned to the U.S. Treasury for the benefit of all Americans. The approximately 9,000 MMBtu per day of gas now entering the consumer market is enough to supply the gas needs of approximately 36,000 average homes in Colorado.



## Providing America with Access to Energy and Minerals—Onshore and Offshore

We met our goal of supporting the President's National Energy Policy by holding two offshore oil and gas lease sales (Ref #50), offering access to some 42.17 million acres and attracting more than \$929 million in high bids for the Federal Treasury. This is consistent with the Secretary of the Interior's 5-Year Program.

USGS, our science bureau, contributed to the success of the energy policy by conducting resource assessments on six targeted onshore basins with oil and gas resources, meeting our target (Ref #61).

Onshore and offshore mineral- and energy leases managed by Interior's MMS and BLM generate revenues that are collected and disbursed to the general fund and the States, as well as to the Office of the Special Trustee for American Indians for disbursement to Tribes and individual Indian mineral owners. MMS mineral revenues over the last 10 years are shown in Figure 1-26.

In its FY 2006 Financial Statements, MMS reported

mineral revenues of about \$11.9 billion. It disbursed these in a timely manner, meeting performance goals (Ref. #56). About 60% of all MMS mineral revenues were from offshore leases and 40% from onshore leases. MMS collected an additional \$4.2 billion in revenues from BLM-managed energy on-shore leases.

The BLM manages over 300,000 leases and mining claims on public lands that have been designated as appropriate for mineral and energy development. In FY 2002, 2.1 trillion cubic feet (tcf) of natural gas were produced from Federal non-Indian lands. In FY 2003 and FY 2004, 2.2 tcf and 3.1 tcf, respectively, were produced from these lands.

BLM is experiencing a steady increase in the demand for natural gas drilling permits. In 2000, BLM received 3,977 applications for permits to drill (APDs). In 2005, this number swelled to 8,351 APDs. To address this need, BLM has taken numerous administrative steps to ensure that APDs are processed promptly, while at the same time ensuring that environmental protections are fully addressed during the review process. Together with increased funding, these administrative steps will help BLM make significant progress

FIGURE 1-28

GRAPH: Trends in Decreasing APD Backlog

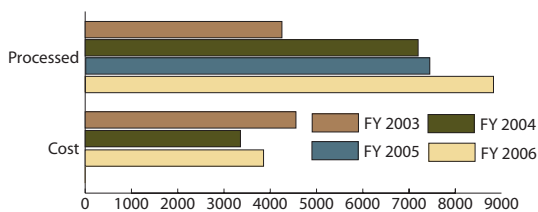
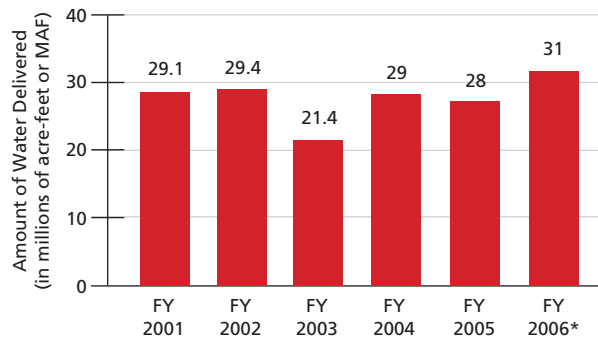


FIGURE 1-29

Delivering Water To Meet the Needs of the West



\*Estimated data.

FIGURE 1-30

### Flagstaff Rinses Smart

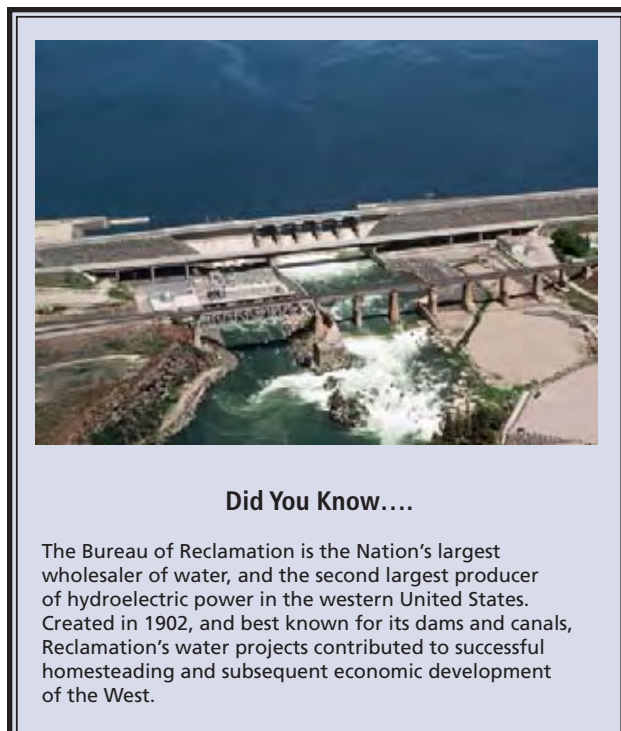
In February 2006, Interior's Bureau of Reclamation presented the City of Flagstaff, Arizona, with the 2005 Lower Colorado Region Water Conservation Field Services Program Award. The award recognizes Federal water users and partners for their innovative and effective water conservation programs. Flagstaff's water conservation program has been active since 2003 and includes water reuse, rebates for low water use products, an inverted rate structure, and a strict water conservation ordinance. Flagstaff also recently volunteered as one of the pilot areas for the new Arizona Rinse Smart Program. Within the program, older model pre-rinse spray heads used at food service establishments will be replaced with new units, each of which will save up to 50,000 gallons of water per year—a priceless savings for the thirsty West.

#### Potential Pre-Rinse Spray Valve Savings

	Water Savings		
	CCF	Gallons	Acre-Feet
Annually	66.4	50,000	0.153
5-year Life of PRSV	332	250,000	0.765



FIGURE 1-31



in processing APDs. In FY 2006, out of everything received, BLM reported 2,310 (Ref #57) pending applications (against a target of 1,226) in backlog status for fluid energy minerals such as oil and gas, and 33 (Ref #58) (against a target of 33) for solid energy minerals such as coal. The number of APDs in backlog over 60 days was 1,675. Although BLM was short of its performance targets, it did improve from FY 2005, when it reported 2,461 pending cases for fluid energy minerals and 35 for solid energy minerals. Changes in administrative processes will likely need some time to mature before benefits of these changes are manifested in terms of quantitative performance.

### Providing Water and Hydropower

Interior is a major provider of water to the Nation's western States. The Department's Bureau of Reclamation manages 472 dams and 348 reservoirs that serve the water needs of over 31 million people and irrigate 10 million acres of farmland, contributing to the production of 25% of the Nation's fruits and nuts and 60% of our vegetables. This water is also used to

FIGURE 1-32

How Interior Performed at a Glance: FY 2005-2006		
Selected Performance Measures from Resource Use Mission Area		
Performance Measure	FY 2005	FY 2006
Legend: □ = No Report   ■ = Target Not Met   ■ = Target Met   ■ = Target Exceeded		
#50: Implement National Energy Policy by holding 17 offshore sales consistent with the Secretary's 5-Year Program (MMS)	4	2
#56: Percent of revenues disbursed on a timely basis per statute (MMS)	98%	95%
#57: Number of pending cases of permits and lease applications that are in backlog status for fluid energy minerals (APDs) (BLM)	2461	2310
#58: Number of pending cases of permits and lease applications that are in backlog status for solid energy minerals (Leased Backlog Applications or LBAs) (BLM)	35	33
#61: Number of targeted basins with oil and gas resource assessments available to support management decisions (USGS)	7	6
#78: Water infrastructure area in fair to good condition as measured by the Facilities Reliability Rating (FRR) (Reclamation)	96%	98%
#83: Reclamation base operation and Maintenance (O&M) costs for power, expressed as \$/MW, will not increase annually beyond the 5-year rolling average percent increase in cost, +/-5% (Reclamation)	<b>New for 2006</b>	7.15% E
#84: Percent of time in forced outage equal to or better (lower) than the industry average (Reclamation)	.40%	1.2%
#86: Hydropower facilities are in fair to good condition as measured by the FRR (Reclamation)	98%	100%
#87: Percent of time that Bureau of Reclamation hydroelectric generating units are available to the interconnected Western Electrical System during daily peak summer demand periods (Reclamation)	93%	93%

generate enough hydroelectric power to make BOR the second largest producer in the western United States.

Ongoing drought and burgeoning western populations have made the Bureau of Reclamation’s job of delivering water throughout the western States more challenging in recent years. Despite these challenges, Reclamation is finding ways to improve water delivery systems through better water management strategies and operations. For instance, through its Water 2025 Challenge Grants, Reclamation is funding a variety of projects to make more efficient use of existing water supplies through water conservation and marketing. The projects focus on effective, low-cost options for increasing water.

Projects funded in FY 2006 include effective, low-cost options for increasing water supplies such as on-the-

FIGURE 1-33

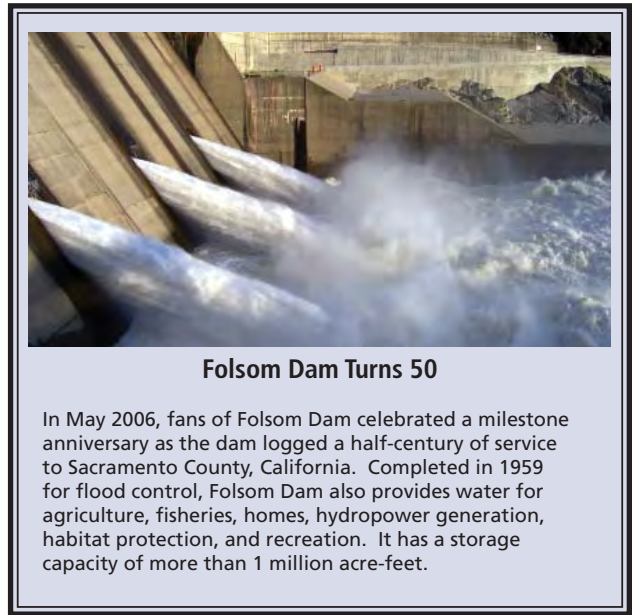


FIGURE 1-34

Resource Use—Manage natural resources to promote responsible use and sustain a dynamic economy				
Performance and Cost Scorecard				
End Outcome Goal	Number of Goals Met	Number of Unmet Goals	Number of No Reports*	Goal Activity Costs (rounded to thousands)
Goal #1: Energy—Manage or Influence Resource Use to Enhance Public Benefit, Promote Responsible Use, and Ensure Optimal Value	13	1	0	\$2,518,666
Goal #2 Non-Energy Minerals—Manage or Influence Resource Use	4	1	0	\$172,823
Goal #3: Forage—Manage or Influence Resource Use	2	0	0	\$76,834
Goal #4: Forest Products	1	3	0	\$75,826
Goal #5: Water—Deliver Water Consistent with Applicable Federal and State Law, in an Environmentally Responsible and Cost-Efficient Manner	8	1	0	\$898,153
Goal #6: Hydropower—Generate Hydropower Consistent with Applicable Federal and State Law	5	0	0	\$200,337
TOTAL	33	6	0	3,942,639
Percentage of Total Number of Measures Out of 39	85%	15%	0%	

\* For the purpose of this chart, preliminary data are considered a “no report.”

ground improvements to existing irrigation facilities and installation of water management tools such as computerized water measurement and canal control devices; increasing water marketing opportunities; and making water purification more affordable. Increasing the efficiency of existing water delivery systems across the West is one strategy that will help reduce crises and conflicts and help make more water supplies available for farms, cities, people, and the environment.

In addition to its core mission to deliver water, the Bureau of Reclamation is among the lowest-cost hydropower producers. On the average, Reclamation generates about 44 billion kilowatt-hours of hydroelectricity, enough to meet the annual needs of 9 million people.

In FY 2006, Reclamation's power operation and management (O&M) costs did not increase annually beyond the 5-year rolling average increase in cost plus 5% (Ref #83). Reclamation estimates that it met the target of 7.15% for the year.

The Bureau of Reclamation operates and maintains reliable, safe, and secure power facilities. In FY 2006, 98% of Reclamation's water infrastructure was in fair to good condition as measured by the Facilities Reliability Rating (FRR), exceeding its target (Ref #78). One hundred percent of its hydropower facilities were in fair to good condition against a target of 95% (Ref #86).

Reclamation has an outstanding record of reliable power delivery, with a forced outage factor equal to or better than the industry average of 2.5% (Ref #84). In FY 2006, Reclamation's forced outage rate was lower than the industry average at 1.2%, in part because of its focus on preventive maintenance. Forced outage refers to the number of hours that hydropower facilities are out of service per 8,760 total operating hours in the year, weighted for plant size and capacity. Reclamation's hydroelectric generating units are available to the interconnected Western Electrical System during daily peak summer demand periods 93% of the time (Ref #87).

This page  
intentionally  
left  
blank

# RECREATION: PROVIDE RECREATION OPPORTUNITIES FOR AMERICA

The merchant John Wanamaker once said, “People who cannot find time for recreation are often obliged sooner or later to find time for illness.” Complementary to Mr. Wanamaker’s observation, Webster defines recreation as a means “to refresh strength and spirits after toil.” Every year, close to 500 million people from all over the world renew their spirits on lands and waters managed by the Department of the Interior. Interior maintains and manages thousands of recreation areas, including 390 units within the National Park Service, 547 National Wildlife Refuges, 308 Bureau of Reclamation recreation areas, and close to 3,500 public land recreation sites administered by the BLM. These areas offer countless ways to renew the spirit and energize the body as well as mind. Boating, hiking, mountain climbing, hunting, fishing, swimming, wildlife viewing, bicycling, and horseback riding—the opportunities are endless and diverse—and many are available within only an hour’s drive.

FIGURE 1-35

## Not Just for the Birds: Factoring Customer Input into Wildlife Management Decisionmaking

Results of the first ever National Duck Hunter Survey suggest that the majority of the hunting public agrees with recent waterfowl season lengths and bag limits set by the U.S. Fish and Wildlife Service. The independent survey was commissioned by the National Flyway Council and the Wildlife Management Institute. Responses were received from more than 10,000 duck hunters representing 49 States.

Waterfowl hunting is regulated by the FWS in cooperation with State fish and wildlife agencies. These agencies work through structures called flyway councils, which geographically represent the general north-south migration patterns of waterfowl. Together, these agencies, along with non-profit organizations and conservation organizations, will review and discuss the survey findings to inform future decisions regarding waterfowl hunting and management.



FIGURE 1-36

### Take a Virtual Vacation: Check Out a National Park Webcam

Did you know that you can visit several units of the National Park System without even leaving your arm chair? Check out Interior's park webcams at <http://www.doi.gov/webcam.html>. You can take a "virtual" trip to Glacier National Park in Montana for real-time vistas from six different park locations. Zoom over to the Grand Canyon in Arizona for an entirely different experience—the expanse of a water-carved canyon with its large buttes, rocky spires, and towering cliffs. Visit Point Reyes National Seashore and the scenic panorama of rugged ocean coastline, thundering waves, and foggy horizons. Go east to North Carolina and Tennessee to the Great Smoky Mountains National Park for a relaxing glimpse of ancient mountains, endless forests, and the simple pleasures of nature. Each of the webcam sites provides links to the National Park Service website for additional information, current weather, including air quality measurements, and park maps showing the camera field of view. It's a cyber vacation that makes you want to be there in person!



In FY 2006, we met 100% of our performance targets for our Recreation Mission Area (Figure 1-41). This compares with 87% of targets met, and 13% of targets for which we had preliminary data or no reports in FY 2005. There were no unmet targets in FY 2005. Of the measures against which we reported performance in FY 2006, four exceeded performance targets by 5% or more. In one case, this is attributable to our increased emphasis on educating the public regarding Interior on-line recreation systems (Ref. #92), resulting in a milestone number of on-line recreation transactions supported by Interior in 2006. In another case, Interior was able to exceed the percent of universally accessible facilities we targeted for 2006, in relation to our total number of recreation areas (Ref. #91), by making this a priority goal.

### Measuring the Quality of Visitor Services

One of Interior's goals is to improve visitor services at national parks, refuges, and other public lands in response to growing visitation and use. Interior's NPS has conducted over 150 in-depth visitor studies in more than 130 units of the National Park System through its Visitor Services Project (VSP). The studies provide park managers with accurate information about visitors—who they are, what they do, and their needs and opinions (Figures 1-37 and 1-38). Park managers use this information to improve visitor services, protect resources, and manage parks more efficiently. The VSP produces an annual report, *Serving the Visitor*, which describes how well the NPS is serving its customers. Copies of that report and survey instruments are available at <http://www.psu.uidaho.edu/vsp.htm>. In FY 2006, an estimated 93% of visitors responding to surveys indicated they were satisfied with the quality of their experience (Ref. #88).

### Providing and Receiving Fair Value in Recreation

Late in 2005, Interior transitioned its recreation fee operations from the Recreational Fee Demonstration Program to the Federal Lands Recreation Enhancement Act (REA), enacted in December 2004. The Fee Demo Program enabled agencies to charge user fees for recreation sites and to retain revenues collected to improve those sites. The Act extends the recreation fee authority for 10 years and makes a

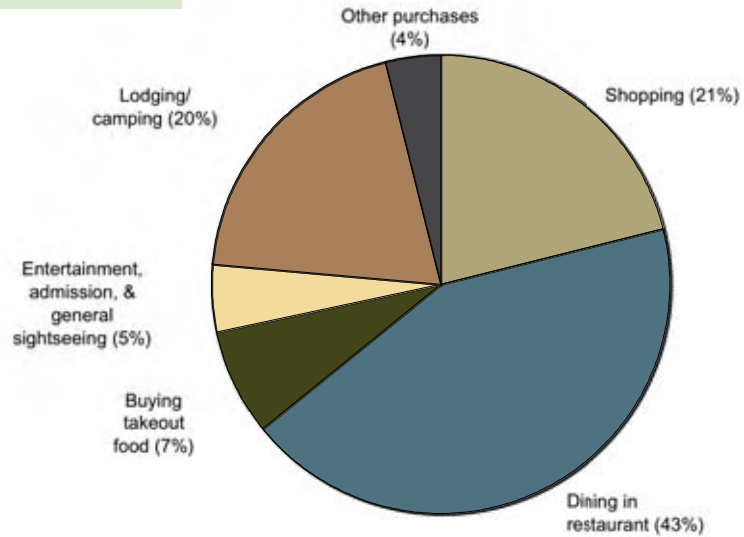
FIGURE 1-37/38

## Cuyahoga Valley National Park visitor study results

Study dates: July 23-31, 2005  
79% response rate from  
1,294 visitor groups contacted

**Proportions of total expenditures within park and nearby communities**

N=409 visitor groups\*\*



## Harpers Ferry National Historic Park visitor study results

Study dates: July 23-31, 2005  
61% response rate from  
645 visitor groups contacted



**Visitor ages**

N=1252 individuals\*

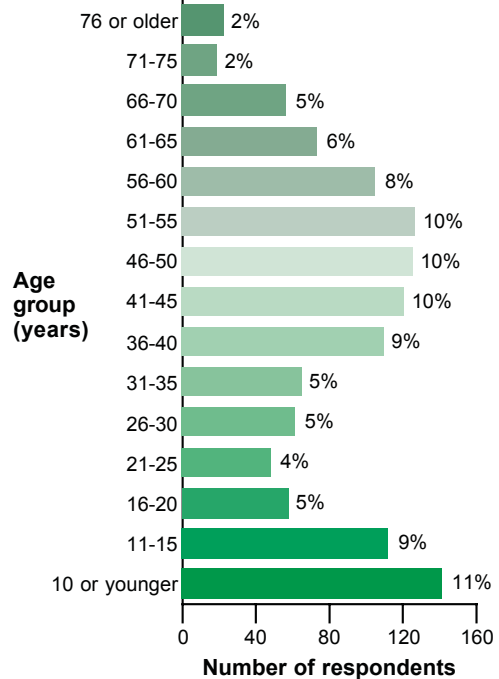



FIGURE 1-39

**Jewel Cave Just Got Longer**

Far below the Black Hills of South Dakota and Wyoming lies a gem of nature aptly named Jewel Cave. A unit of the National Park System, Jewel Cave National Monument features the world's second longest cave—and it just got longer. Modern day explorers of this dark, mineralized world recently pushed its known length to just more than 135 miles after 4-day expedition. Their journey of discovery took these cavers “where no man (or woman) has gone before, ” and into an awesome world of flower-like mineral deposits, crystal-crusted walls, and even a mummified bat, hanging still and alone from a roof filled with fossils from the even more distant past.

As a recreational activity, caving is not for everyone. Cavers often must crawl hundreds of feet on their bellies, carrying critical equipment like head lamps, food, and special equipment. And they pack out any waste. But for many, the thrill of discovery more than makes up for discomfort associated with this hobby.

The exploration of Jewel Cave will continue as scientists and National Park Service managers work to understand the lost world tucked away beneath the splendors of Mount Rushmore, Black Hills National Forest, and Custer State Park.



number of adjustments to the program. For example, the Act establishes additional parameters to ensure that fees are charged only in appropriate locations and assures revenues are appropriately spent on infrastructure and services that directly benefit the public. It also authorizes the creation of a new pass, which will cover entrance and standard amenity fees for the five Departments of the Interior and Agriculture bureaus authorized under the Act. The pass, once established, will replace the existing Golden Eagle, Golden Age, Golden Access, and National Park Pass. The new pass should be available to the public by January 1, 2007.

In FY 2006, 20% of recreation fee program receipts were spent on fee collection (Ref #102), meeting our target for the year. The remainder was reinvested to improve visitor services and facilities. Visitors surveyed reported an estimated 87% satisfaction level with value for the fee they paid, just shy of our target of 88% (Ref #99).

FIGURE 1-40

**Which Park Is It?**

This was America's first National Park. It was established in 1872 by President Ulysses S. Grant. It sits in the middle of a large caldera, the remains of a huge volcano that exploded more than 640,000 years ago. Which park is it?

Answer: Yellowstone

FIGURE 1-41

Recreation—Provide recreation opportunities for America				
Performance and Cost Scorecard				
End Outcome Goal	Number of Goals Met	Number of Unmet Goals	Number of No Reports*	Goal Activity Costs (rounded to thousands)
Goal #1: Provide for a Quality Recreation Experience, Including Access and Enjoyment of Natural and Cultural Resources on DOI Managed and Partnered Lands and Waters	<b>11</b>	<b>0</b>	<b>0</b>	<b>\$1,641,905</b>
Goal #2: Provide for and Receive Fair Value in Recreation	<b>4</b>	<b>0</b>	<b>0</b>	<b>\$138,789</b>
TOTAL	<b>15</b>	<b>0</b>	<b>0</b>	<b>\$1,780,694</b>
Percentage of Measures Out of a Total of 15	<b>100%</b>	<b>0</b>	<b>0</b>	

\* For the purpose of this chart, preliminary data are considered a “no report.”



FIGURE 1-42

How Interior Performed at a Glance: FY 2005-2006		
Selected Performance Measures from Recreation Mission Area		
Performance Measure	FY 2005	FY 2006
Legend: □ = No Report ■ = Target Not Met ■ = Target Met ■ = Target Exceeded		
#88: Satisfaction with quality of experience	94%	93% E
#99: Customer satisfaction with value for fee paid	89%	87% E
#102: Percent of recreation fee program receipts spent on fee collection	17%	20% E

This page  
intentionally  
left  
blank

SERVING  
COMMUNITIES:  
SAFEGUARD  
LIVES, PROPERTY  
AND ASSETS;  
ADVANCE SCIENTIFIC  
KNOWLEDGE; AND  
IMPROVE THE  
QUALITY OF LIFE FOR  
COMMUNITIES  
WE SERVE

Interior is responsible for protecting lives, resources, and property; for providing scientific information for better decisionmaking; and for fulfilling the Nation's trust and other special responsibilities to American Indians, Alaska Natives, and residents of our affiliated island communities. We protect communities from catastrophic wildland fires; safeguard public land visitors from illegal activities; and provide scientific information to reduce risks from earthquakes, landslides, tsunamis, and volcanic eruptions. The Department's USGS also provides scientific assessments on the quality and quantity of the Nation's water resources and conducts multi-purpose natural science research.

FIGURE 1-43



**A Whole Lotta Shaking: Virtual Tour Marks Centennial of Great San Francisco Earthquake**

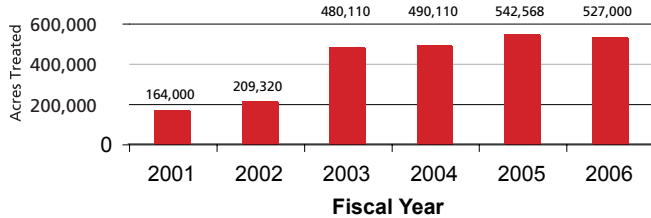
April 18, 1906, lives on in history as the date of America's most damaging earthquake. One hundred years ago this year, San Francisco and surrounding cities in Northern California were violently rocked by a magnitude 7.8 earthquake. The Great San Francisco earthquake woke up scientists to significance of the San Andreas fault and gave birth to the science of earthquake prediction and measurement.

To mark this earth-shaking event and to add to the body of scientific knowledge and awareness, the USGS launched an on-line "virtual tour" that can help all of us better understand and visualize the causes and effects of earthquakes. The interactive tour uses the three-dimensional geographic mapping tool Google Earth –beginning with a view from space and then zooming in on the 300-mile rupture of the 1906 earthquake along the San Andreas fault. The historic and scientific significance of the 1906 earthquake is told by overlays of ground-shaking intensity and damage maps, historic photos, and first-hand accounts. Users can also explore the present day earthquake hazard in the San Francisco Bay Area with maps and other on-line resources.

To see the virtual tour, visit <http://earthquake.usgs.gov/regional/nca/virtualltour/>.

FIGURE 1-44

**Interior Triples Amount of Wildland-Urban Interface Acres Treated Since FY 2001**



In FY 2006, we met 48% of our performance targets for our Serving Communities Mission Area (Figure 1-50). We did not meet 13% of our targets. This compares with 69% of our targets met and 18% of our targets not met in FY 2005. Thirty-nine percent of our measures remain unreported in FY 2006. Due to the discontinued use of select performance measures by the Bureau of Indian Affairs, Serving Communities experienced an increase in No Reports for 2006, 13% to 39%. This resulted in a decrease within Serving Communities of goals met or exceeded from 69% in 2005 to 48% in 2006.

**Safeguarding Communities from Hazards**

At Interior, we take seriously our responsibility to protect our employees and visitors to our lands and the communities we serve. In FY 2006, we limited the number of serious injuries on lands and waters that we influence or manage to an estimated 7,242 injuries (Ref #115). Our efforts have reduced safety risks to 393,728 people exposed to abandoned mine land hazard. This far exceeds our target of 160,000 people (Ref #111) in part due to the sites' proximity to communities, recreational areas, schools, and a portion of a national park. Our science agency, the USGS, reports that in FY 2006, an estimated 48% of communities used DOI science on hazard mitigation, preparedness, and avoidance for each of our hazard management activities (Ref #110). One hundred percent of sampled users reported that the science data they received was adequate to help inform their decision-making for managing hazards (Ref #124).

Interior's law enforcement officers, firefighters, and scientists contribute to the safety and well-being of the communities we serve. Over the past 6 years, Interior has actively participated in and supported the National Fire Plan. The plan, combined with tools under the President's

Healthy Forests Initiative and Healthy Forests Restoration Act, has provided strategies and tactics to battle or prevent wildland fires. In FY 2006, thanks to the hard work of our wildland fire program managers and firefighters, Interior limited the number of acres burned by unplanned and unwanted wildland fires to an estimated 3,074,232 acres against a target of 5,135,013, controlling 98% of unplanned and unwanted wildland fires during initial attack (Ref #116 and 117). We plan our performance targets regarding the number of acres burned based on a highly variable 10-year average. Actual acres burned can vary significantly based on where fires actually occur and how quickly they are contained. We treated 49% or an

FIGURE 1-45

**Preventing Wildland Fires While Benefiting Local Community Economies and Providing An Alternative Energy Source**

The Healthy Forests Restoration Act gives Federal agencies statutory authorization to increase their use of biomass. Biomass is the term used to describe the by-products of restoration and wildland fire treatments of forested areas—the limbs, tops, leaves, needles, and other parts of trees and woody plants removed to help reduce hazardous wildland fire fuels and create healthier forests. Biomass is used to produce paper and pulp, furniture, and bio-energy and bio-based products such as ethanol and diesel fuel. Agencies, such as Interior's BLM, are offering thousands of tons of biomass through stewardship contracts that benefit local communities. An example of a successful Stewardship project is the 10-year Gerber projects in south central Oregon. When completed, it will have treated 10,000 acres to improve forest and woodland health, improve rangeland health, reduce hazardous fuels, improve wildlife and fisheries habitat, and enhance riparian areas. In its third year, with 1,500 acres under contract, the project has sold 750 million board feet of timber and 15,000 tons of biomass for energy development.



FIGURE 1-46



### Keeping the Public Informed About Avian Flu

Next to homeland security, few issues have appeared to dominate the news headlines recently as much as Bird Flu. The Departments of Interior, Agriculture, and Health and Human Services continue to work together to monitor the spread of the highly pathogenic H5N1 (a subtype of the influenza A virus capable of causing illness in many animal species, including humans) since it first appeared in Hong Kong in 1997. These agencies have conducted thousands of tests on migratory birds in the Alaska, Pacific, and Atlantic flyways since 1998, and no highly pathogenic avian influenza isolates have been identified. Efforts continue because as we intensify monitoring of migratory bird populations, we increase the likelihood of early detection—a key to controlling the spread of the virus, particularly in domestic poultry.

Within Interior, both the USGS and FWS are actively monitoring bird mortalities to detect the virus and provide an early warning to agricultural, public health, and wildlife communities. USGS recently released a new book titled, "Disease Emergence and Resurgence: The Wildlife-Human Connection." The 400-page publication focuses on concepts associated with disease emergence in wildlife, the general importance of wildlife as sentinels for disease emergence, and critical issues engaging wildlife as sources for zoonotic disease (diseases that are transmittable between humans and animals). The report and the latest information about avian flu research and monitoring can be found online at [www.nwhc.usgs.gov](http://www.nwhc.usgs.gov).

estimated 527,000 acres in the wildland-urban interface that had been identified as high priority through collaboration with other agencies and communities (Ref #118, #119), consistent with the 10-Year Implementation Plan. An estimated 3,985 acres were treated per million dollars gross investment against a target of 3,553 acres (Ref #120).

Interior's law enforcement officers protect against illegal activities on our lands. In addition to providing for the safety and security of residents and employees, volunteers, and Indian Country citizens and visitors, our law enforcement programs protect natural and cultural resources

and facilities in every State. Interior is in its fourth year of reforming its law enforcement operations and activities, responding to 25 specific areas of improvement identified by a 2002 Inspector General report and mandated for reform by the Secretary of the Interior. We continue to make strategic investments in our law enforcement and security programs, improve oversight of related budgets, and ensure accountability through effective performance goals and measures.

## Using Science for Decision-Making

Science informs land management and conservation decisions made by the Department of the Interior. It helps us protect employees and visitors to our lands and helps safeguard the lives of those in the communities that we serve. The USGS is Interior's principal science agency. Founded in 1879, the USGS serves the Nation by providing reliable scientific information to describe and understand the earth; minimize loss of life and property from natural disasters; manage water, biological, energy, and mineral resources; and enhance and protect our quality of life.

In FY 2006, USGS continued its long history of serving communities with accurate and reliable scientific data. It provided temporal and spatial monitoring, research, and assessment/data coverage to meet land use planning and monitoring requirements for 80% of the Nation's surface area (Ref #131).

In FY 2006, 96% of partners surveyed, against a target of 90%, reported that the data provided by USGS helped them to achieve their goals (Ref #130). Eighty-seven percent of those using USGS data reported improved access to needed scientific information during the year (Ref #129).

## Fulfilling Our Trust Responsibilities

While we continue to address challenges related to our trust beneficiary assets, Interior has made progress toward improving trust operations and management. Some noteworthy accomplishments include:

- 100% of financial information was accurately processed in Trust beneficiary accounts against a target of 98% (Ref #134);
- 100% of financial account information was provided to Trust beneficiaries in a timely manner against a target of 100% (Ref #135); and


FIGURE 1-47

### Helping Alaska Native Communities Meet Their Energy Needs

In 2006, the Department of the Interior awarded a grant to the Aleutian Pribilof Islands Association, Inc. (APIA) to develop a wind energy system to supplement diesel-driven electrical generators. APIA is a non-profit tribal organization in Anchorage, Alaska, that is working with Alaska Native communities of the State's Aleutian Island chain to assist in their sustainable economic development. The grant enables APIA to continue its Alternative Energy Development Program, which was started with a grant from Interior in 2005.

Residents of the villages of False Pass, King Cove, Nikolski, and Sand Point and the Pribilof Island Communities make their living largely from fishing. Because of their insular and remote locations, they must import diesel fuel for their energy-producing generators. The rising cost of diesel fuel has significantly increased the villages' costs for producing electricity. Supplementing the diesel-driven generators with wind power may provide the villages with more affordable energy sources.

Interior's 2006 grant to APIA will help pay for many of the technical steps needed before wind turbines can be installed in targeted communities. This includes collecting of wind resource data. Using the U.S. Department of Energy's rating scale for commercial wind energy, which ranges from Class 1 to Class 7—with 7 being the highest—wind speeds within APIA's monitoring area have been measured within the Class 7 category of 8.8 meters per second or higher, making wind power appear quite viable.



- An estimated 33% of missing owner information (accounts) was recovered, exceeding a target of 20% (Ref #154)

### Advance Quality Communities for Native American Tribes and Alaska Natives

Interior also promotes Tribal community economic development opportunities, contributing to improvements in the quality of life of 1.5 million Native Americans and Alaska Natives across the Nation who live on or near federally recognized reservations. Efforts range from supporting education programs to promoting self-governance and self-determination.

Dramatic economic developmental advances have come to Indian Country over the past 4 years in areas such as energy, minerals, forestry, water, agriculture, range and grazing, and wildlife and recreation. Achieving thriving Tribal economies will create a dynamic synergy of jobs, financial resources, and personal fulfillment. More than ever before, tribes and Tribal members have the opportunity to engage in America's free enterprise system. Stronger Tribal economies will strengthen Tribal government, and contribute to a stronger America.

During the last 5 years, Interior has heightened its commitment to the education of American Indian children and adults. Through these efforts, 46% of BIA school children were able to read independently by the 3rd grade in FY 2006, an increase of 5% over FY 2005 performance (Ref #174). Priority attention is being given to repairing and replacing BIA elementary and secondary schools. Between 2001 and 2006, BIA made progress toward replacing 38 schools on the Education Facilities Construction Priority Ranking List. Interior is continuing to ensure that facilities are in fair to good condition as measured by the FCI.

In FY 2006, Interior also progressed toward its goals of increasing economic self-sufficiency and improving financial management practices of insular areas. Our Office of Insular Affairs reported that in FY 2006, it reduced the number of months insular general fund financial statements were late from 19 months in 2005 to 12 months (Ref #184).

FIGURE 1-48

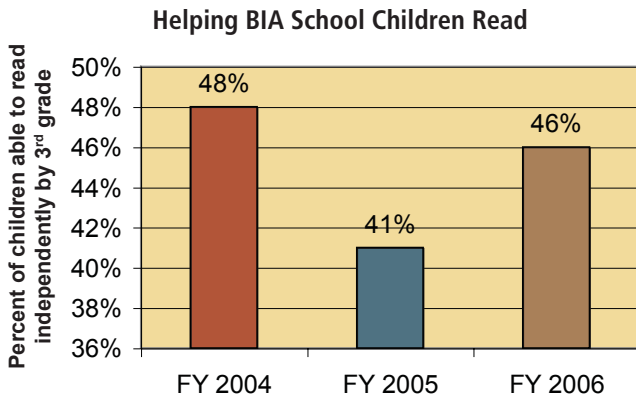


FIGURE 1-49

How Interior Performed at a Glance: FY 2005-2006		
Selected Performance Measures from Serving Communities Mission Area		
Performance Measure	FY 2005	FY 2006
Legend: □ = No Report ■ = Target Not Met ■ = Target Met ■ = Target Exceeded		
#110: Percent of communities using DOI science on hazard mitigation, preparedness and avoidance for each hazard management activity	45%	48%
#111: Number of people with reduced exposure potential to safety risks from abandoned mine lands	2,244,458	393,728
#115: Reduced number of serious injuries on DOI managed or influence lands and waters	5175	7242 E
#116: Percent of unplanned and unwanted wildland fires controlled during initial attack	97%	98% E
#117: Number of acres burned by unplanned and unwanted wildland fires	8,681,252	3,074,232 E
#118: Number of acres treated that are in the wildland-urban interface and are identified as high priority through collaboration consistent with the 10-Year Implementation Plan – in total	542,568	527,000 E
#119: Number of acres treated that are in the wildland-urban interface and are identified as high priority through collaboration consistent with the 10-Year Implementation Plan as X percent of all acres treated	43%	49% E
#120: Number of acres treated in the wildland-urban interface per million dollars gross investment	4092	3985 E
#124: Percent of sampled stakeholders reporting adequacy of science base to inform decision-making for each hazard management activity	99%	100%
#129: Improve stakeholder access to needed science information	92%	87%
#130: Stakeholders reporting that information helped achieve goal	95%	96%
#131: Percent of surface area with temporal and spatial monitoring, research, and assessment/data coverage to meet land use planning and monitoring requirements	59%	80%
#134: Percent of financial information accurately processed in Trust beneficiary accounts	100%	100%
#135: Percent timeliness of financial account information provided to Trust beneficiaries	99%	100%
#153: Average number of months that active probate cases are before the Office of Hearings and Appeals	6 months	5.7 months
#154: Percent of missing owner information (accounts) recovered	36 %	33%
#157: Number of land acquisitions to increase land use capabilities and reduce fractionation of land interests	72,547	77,577
#170: Facilities are in fair to good condition as measured by the Facilities Condition Index (FCI)	.107	.199
#174: Percent of children able to read independently by the 3rd grade	41%	46%
#184: Total average months late for all insular general fund financial statements	19	12

FIGURE 1-50

Serving Communities—Safeguard lives, property and assets, advance scientific knowledge; and improve the quality of life for communities we serve				
Performance and Cost Scorecard				
End Outcome Goal	Number of Goals Met	Number of Goals Not Met	Number of No Reports*	Goal Activity Costs (rounded to thousands)
Goal #1: Protect Lives, Resources, and Property	15	6	4	\$2,385,628
Goal #2: Advance Knowledge Through Scientific Leadership and Inform Decisions Through the Applications of Science	6	0	0	\$952,968
Goal #3: Fulfill Indian Fiduciary Trust Responsibilities	12	2	17	\$647,476
Goal #4: Advance Quality Communities for Tribes and Alaska Natives	5	3	10	\$2,140,811
Goal #5: Increase Economic Self-Sufficiency of Insular Areas	2	0	1	\$391,678
TOTAL	40	11	32	\$6,518,561
Percentage of Total Out of 83 Measures	48%	13%	39%	

\* For the purpose of this chart, preliminary data are considered a "no report."



MANAGEMENT  
EXCELLENCE:  
MANAGE THE  
DEPARTMENT TO BE  
HIGHLY SKILLED,  
ACCOUNTABLE,  
MODERN,  
FUNCTIONALLY  
INTEGRATED,  
CITIZEN-CENTERED  
AND  
RESULT-ORIENTED

As manager of over 500 million acres of land, how well Interior carries out its mission affects many aspects of American life.

Interior is accountable to the American public to provide responsive, efficient, and low-cost services. Excellence in performance requires mission clarity, good metrics, and management excellence.

Our Management Excellence Strategic Goal helps us focus on ways we can overcome the many complex challenges facing us by taking new approaches to workforce planning; improving financial and budget management tools; using more objective and comprehensive approaches to facility and asset management; improving information technology (IT) to enhance efficiency and consistency; and actively encouraging managers and employees to identify better ways to achieve desired results. It reminds us of the need to maintain and enhance program results, make wise management choices within the context of constrained resources, and to work smarter.

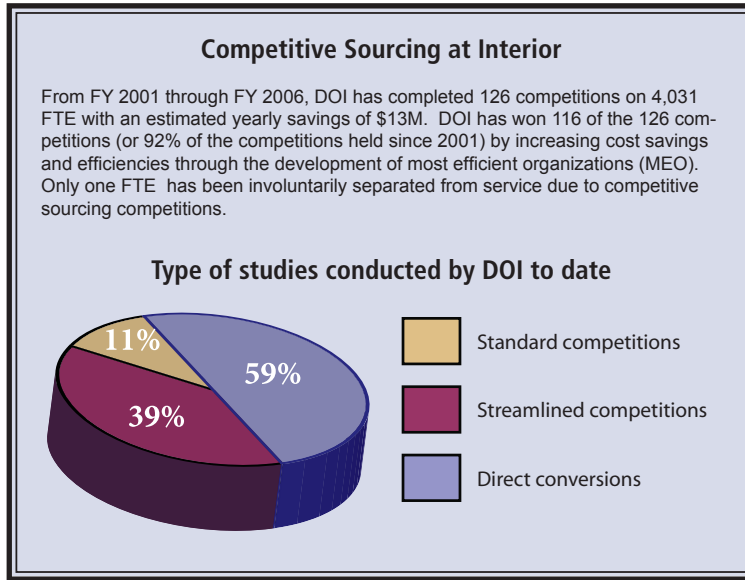
In FY 2006, we met 67% of our performance targets for our Management Excellence Area. We did not meet 17% of our targets. This compares with 73% of targets met and 27% of targets in FY 2005. While we were able to decrease our performance shortfalls for FY 2006 over those of FY 2005, we increased the number of measures for which we had no data and no reports in FY 2006 (17% unreported in 2006 versus no unreported measures in FY 2005). We attribute the increase in unreported measures, in part, to our inability to report estimated or actual data at the time of this report. Three of the four “no reports” are due to preliminary data being submitted. The Department will continue its efforts to obtain final data for these measures and report on them in the FY 2006 supplemental report.

### Ensuring Accountability

Interior holds managers and employees accountable for performance results using clear measures that link budgets to program performance and sound financial management.

We begin with our GPRA Strategic Plan, which embodies our program focus for the next 5 years. Each quarter, we review and report progress toward

FIGURE 1-51



We have linked specific GPRA and Management Excellence goals and measures to the performance of our Senior Executive Service (SES) and employees, thus making the connection between executive performance and organizational results.

An important facet of accountability is fiscal responsibility. In FY 2006, we once again completed our audit of Interior's Performance and Accountability Report within 45 days after the end of the fiscal year. We have also, once again, obtained an unqualified audit opinion, continuing a record established 10 years ago, for our consolidated financial statements (Ref #193). An estimated 66% of our material weaknesses and material non-compliance issues are corrected or on schedule. (Ref #194).

meeting our measured targets. This reporting enables us to make any mid-course adjustments before the end of the performance year. Our Plan is a "living" document. In early FY 2007, we will publish a revised GPRA Plan that will serve as the basis against which we will measure our progress through 2012. The new plan will result from close collaboration with our bureaus, offices, and external stakeholders to ensure that we are measuring the right things and that the results will be meaningful, and useful in effecting programmatic change and improvement.

Another tool used to improve our accountability is competitive sourcing. Competitive reviews provide a disciplined, periodic way to review and compare our current operations with alternatives so we can achieve the best value for the services we provide. From FY 2001 through FY 2006, DOI has studied 4,031 full-time equivalents (FTEs) through 126 competitions. In all cases, Interior has given its bureaus ability to retain cost savings to meet increasing demands related to their programs. During FY 2006, 627 FTEs were studied with an estimated cost savings of \$30 million over the next 5 years (Ref #208).

FIGURE 1-52

How Interior Performed at a Glance: FY 2005-2006		
Selected Performance Measures from Management Excellence Strategic Goal Area		
Performance Measure	FY 2005	FY 2006
Legend: □ = No Report ■ = Target Not Met ■ = Target Met ■ = Target Exceeded P = Preliminary Data		
#191: Volunteers: Number of volunteer hours per year supporting DOI mission activities (Take Pride in America Office)	9,467,427	8,231,390 E
#193: Obtain unqualified audit for DOI's consolidated financial statements (Office of Financial Management or PFM)	Yes	Yes
#194: Corrective actions: Percent of material weaknesses and material non-compliance issues that are corrected on schedule (PFM)	New FY 2006 Measure	65.6% E
#199: Percent of systems that will be certified and accredited by FY 2005, and will maintain accreditation on a 3-year recurring cycle (Office of the Chief Information Officer or CIO)	98%	98%
#200: Percent of time that networks are operational for all users (CIO)	99.91%	99.90%
#202: Percent of IT investment expenditures for which actual costs are within 90% of cost estimates established in the project or program baseline (CIO)	87%	93%
#208: Number of commercial-type FTE involved in competitive sourcing studies completed during the fiscal year	198	645
#209: Percent of facilities that have a calculated FCI.	75%	100% P

FIGURE 1-53

**Geospatial One-Stop Garners Excellence.gov Award**

In 2006, Interior and its USGS won one of five coveted Excellence.gov awards, out of a field of 80 applicants. The award, sponsored by the American Council for Technology, recognizes Interior's leadership of the Geospatial One-Stop e-gov initiative. Geospatial One-Stop offers thousands of Federal, State, and local government partners with access to geospatial data through one convenient portal: [www.geodata.gov](http://www.geodata.gov). Geodata.gov combines thousands of geospatial resources from Federal, State, local, tribal, and private sources, providing decision-makers with access to the resources they need to respond more quickly during emergencies. A panel of 23 judges, representing both industry and government, selected Interior for demonstrating best practices in information sharing for federally led IT programs.



embraces the distinct needs and strengths of Interior's bureaus. We have adopted a Federal Enterprise Architecture across Interior, and are implementing standardized policies and guidelines to help us successfully develop, implement, operate, and integrate information technology across the Department. A key component is our Enterprise Services Network (ESN), which will bring together secure telecommunications Department-wide.

The first phase of the Enterprise Services Network was completed in 2005, resulting in the creation of an integrated network backbone. Phase II is now underway. Secure telecommunications are now in place for about 650 locations. In FY 2006, efforts concentrated on establishing connectivity for smaller offices and remote locations. Bureaus and offices have completed the transition to managed services and are beginning to operate on a single, consistent system that provides access to the intranet and to a network operations and security support center. They are already seeing service improvements as a result. In FY 2006, our networks were operational 99.9% of the time for all users against a target of 100% (Ref #200), demonstrating that we are making progress toward improving IT service for Interior bureaus and offices.

### Integrating and Modernizing Our Business Practices

The integration and modernization of our business practices starts with our IT Strategic Plan. Our IT plan provides an organizational framework for an architecture that supports electronic interactions. This plan is built upon a governance framework that

The ESN is also helping us consolidate directory services, web hosting, messaging, data warehousing, help desk capabilities, and other applications and systems. Through it, we are also implementing the required new internet protocol version six (IPV6) technology.

In 2005, Interior leveraged ESN capabilities to initiate a robust vulnerability scanning process for systems

FIGURE 1-54  
Interior Information Technology Total Interior Funding by IT Category  
(in millions of dollars)

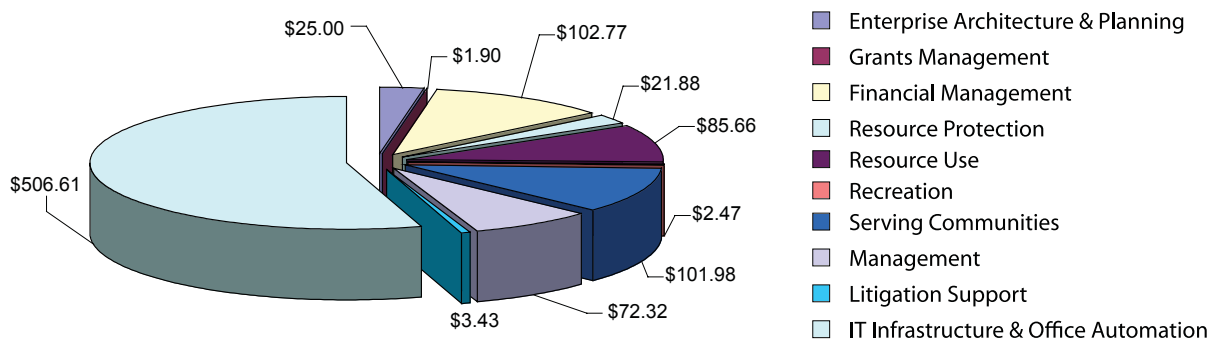
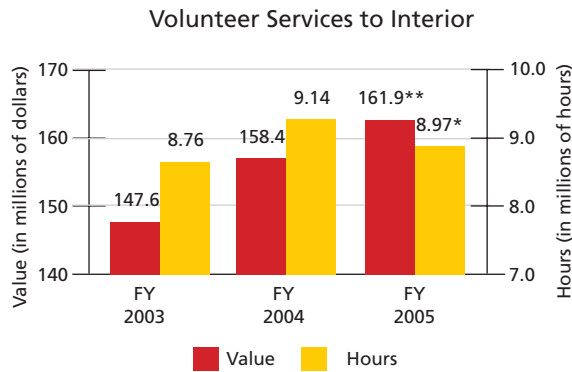


FIGURE 1-55



\*Total includes 28,620 hours of volunteer time donated to the Bureau of Reclamation.

\*\*Includes the value of the Bureau of Reclamation hours.

Data not yet available for FY 2006.

accessible from the Internet. Initial tests indicated thousands of potential vulnerabilities. By December 2005, all potential major, critical, and SANS (SysAdmin, Audit, Network, Security) Institute Top 20 vulnerabilities identified through scanning were either mitigated or determined to be false positives. In 2006, Interior tested against internal threats to its systems and applications and identified several additional opportunities for security improvements. Interior has a long-standing concern for the protection of its vital information and technology resources, dating from the issuance of the first computer security policy in 1980. Our IT security program goal is to achieve a level of security commensurate with the sensitivity of information and the risk and magnitude of harm resulting from improper use or losses. The IG has noted that while we continue to make progress toward improving security over our information systems, more work is still needed, particularly in network security and in the establishment and implementation of plans of actions and milestones (POAM) for identified weaknesses.

In FY 2006, we made progress toward achieving another of our IT strategic and GPRA plan goals by certifying and accrediting (C&A) 98% of our systems against a target of 90% (Ref #199).

One of our IT strategic goals is to align capital planning and information to appropriately invest in the future with our bureau/DOI integrated Enterprise Architecture. Interior is committed to a Capital

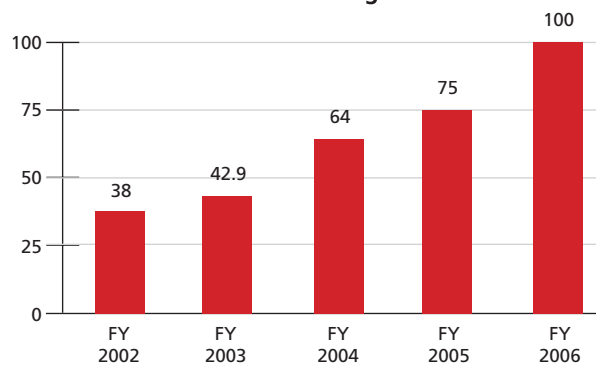
Planning and Investment Control (CPIC) framework based on best practices outlined by GAO and OMB. Enterprise Architecture modernization blueprints and IT portfolio management are key tools in identifying and reviewing these critical investments. Modernization blueprints are roadmaps for change that help identify gaps in our IT portfolio that could potentially hamper successful achievement of mission-related goals. These blueprints also highlight system redundancies and identify opportunities for data sharing. By the end of FY 2006, Interior had completed blueprints for four key business lines: wildland fire, recreation, law enforcement and financial management. Six additional blueprints are underway: land management, water management, trust responsibilities, human resources, information technology, and geospatial activities.

In FY 2006, 93% (Ref #202) of our IT investment expenditures were within 90% of their actual cost estimates established in the project or program baseline against a target of 90%.

Another key to improving our administrative practices and processes and maintaining management excellence is to move from outdated systems. Our Financial and Business Management System (FBMS) initiative will enable us to standardize business practices and retire antiquated, expensive, and disparate computer systems. FBMS will create a single system that includes functional areas for: (1) Financial Assistance; (2) Core Financials; (3) Budget; (4) Acquisition; (5) Property (personal, real, and fleet); (6) Travel; and (7) Enterprise Management Information. In 2005, Interior deployed a grants management module of FBMS, as well as much of the necessary infrastructure

FIGURE 1-56

Percent of DOI Facilities Having a Calculated FCI



needed for future deployments, including system configuration, business process standardization, and interface development.

In February 2006, DOI awarded a contract to IBM Business Consulting Services for system integration and implementation support for FBMS. In FY 2005, the project deployed the Financial Assistance (FA) functionality for MMS, OSM, and select programs at FWS. FBMS completed system security certification and accreditation for the FA functionality, as well as implementation of help desk procedures, testing and release control procedures, and implementation of the FBMS Portal for the purpose of single sign-on functionality for the end users.

Activity-Based Cost Management (ABC/M) continues to evolve across the Department of the Interior. In FY 2006, many of our bureaus and offices expanded their capability to use ABC/M data to gauge and measure performance across their organizations. They can use performance-based information to improve their allocation of funding among units and are developing the capability to use marginal cost of performance data to articulate the effects of different funding levels on performance. At the corporate level, the Department has begun to develop the model and processes for linking work activities with GPRA Strategic Plan performance measures to establish a

clear line of sight from resources, work done, accomplishment (outputs), and the effect of work done in furthering attainment of the Department's objectives (outcomes).

### Assuring Customer Value

We provide customer value, in part, by leveraging resources and fostering partnerships to help us accomplish our mission. One valuable resource is our volunteer partners. In FY 2006, volunteers continued to contribute millions of hours of their time to the Department, working with the NPS, FWS, BLM, USGS, and Reclamation. Individuals of all ages and levels of experience contribute valuable time to help us fulfill our recreation and conservation mission while promoting healthy lifestyles and outdoor recreational opportunities.

Another area in which we provide customer value is by improving the condition of our facilities and the assets that we manage. We use an industry standard metric called the Facility Condition Index (FCI) to determine the relative condition of a specific facility. The FCI then gives us a basis against which we can measure improvement to that facility's condition. We planned to inventory all of our assets and facilities using the FCI metric by the end of FY 2006. Based on preliminary data, 100% of our facilities reported a calculated FCI in FY 2006. (Ref #209).

FIGURE 1-57

Management Excellence: Manage the Department to be highly skilled, accountable, modern, functionally integrated, citizen-centered, and results-oriented <sup>1</sup> .			
Performance and Cost Scorecard			
End Outcome Goal	Number of Goals Met	Number of Unmet Goals	Number of No Reports <sup>2</sup>
Goal #1: Workforce Has Job-Related Knowledge and Skills Necessary to Accomplish Organizational Goals	3	1	2
Goal #2: Accountability	4	1	0
Goal #3: Modernization	8	1	1
Goal #4: Integration	1	1	0
Goal #5: Customer Value	0	0	1
TOTAL	16	4	4
Percentage of Total Out of 24 Measures	67%	17%	17%

<sup>1</sup>Management Excellence costs are part of Mission Area goal costs. Note that percentages do not add to 100% due to rounding.

<sup>2</sup>For the purpose of this chart, preliminary data are considered a "no report."

This page  
intentionally  
left  
blank

# LOOKING TO THE FUTURE: OUR CHALLENGES

Interior's stewardship responsibilities encompass one-fifth of the Nation's land area and all of the Outer Continental Shelf. Among the assets we manage are irreplaceable icons and cultural and historic treasures that are the legacy of millions of Americans.

This responsibility presents challenges. Our work is people-intensive. Pay and benefit costs account for about 53% of our total costs, higher than most other Federal agencies. Many of our business processes are outdated and decentralized. Our Trust beneficiary accounting systems, for example, continue to be a challenge, but are receiving particular management attention. Our physical assets, while many of irreplaceable historical and cultural value, need to be maintained, repaired and refurbished.

In an FY 2006 report, the OIG identified eight management challenges facing the Department. These include:

- Financial Management;
- Information Technology;
- Health, Safety, and Emergency Management;
- Maintenance of Facilities;
- Responsibility to Indians and Insular Affairs;
- Resource Protection and Restoration;
- Revenue Collections; and
- Procurement, Contracts, and Grants.

These issues are considered top challenges because they are important to the Department's mission, involve large expenditures, require significant management improvements, or involve significant fiduciary responsibilities. For additional details concerning the top management challenges, please see "Compliance with Legal and Regulatory Requirements," Figure 1-71.

Over the past 5 years, the Department of the Interior has continuously addressed these challenges. We are using technology to help us work smarter and reduce human resource loads. We are improving the efficiency and effectiveness of our programs using tools such as PART. We have restructured and consolidated workplaces, guided by workforce plans to improve alignment of skilled employees with anticipated needs and potential gaps that will result from baby boomer retirements. We have

deployed enterprise information technologies to reduce security risks, modernize business practices, and enhance cost efficiencies. We have inventoried our assets and have set performance measures to guide improved facilities management and prioritization of maintenance, repair, and replacement activities.

Our recent budget requests have balanced the need for fiscal discipline while continuing our commitment to overcoming several of these challenges. For example, we have asked for increased funding and resources to help BIA meet the requirements outlined in the Department's Fiduciary Trust Model while continuing to implement trust reform initiatives. These resources will be critical in helping us reduce the probate backlog, to implement recommendations of the Fiduciary Trust Model, to eliminate cadastral survey backlogs, and to reduce survey costs. The resources will support a Certified Federal Surveyor program in BLM to train State licensed surveyors to become BLM certified surveyors in accordance with the Public Lands Survey System.

In another example, we have requested resources to help us continue restoration of hundreds of acres of lands and resources damaged by the release of hazardous substances or oil. We are using science to improve and expedite the design, implementation, and monitoring of restoration projects.

Many of our challenges are complex and will remain with us for several years to come, despite incremental progress toward overcoming them. New challenges will reveal themselves as the Nation's priorities change. However, we will diligently work collaboratively with those who live on, work on, and love our lands to improve our stewardship and improve America's quality of life for generations to come.



# COMPLIANCE WITH LEGAL AND REGULATORY REQUIREMENTS

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

- Federal Managers' Financial Integrity Act (FMFIA)
- Federal Financial Management Improvement Act (FFMIA)
- Inspector General Act Amendments (Audit Follow-Up)
- Improper Payments Information Act (IPIA)
- Federal Information Security Management Act (FISMA)
- Other key legal and regulatory requirements including the following:
  - Prompt Payment Act
  - Debt Collection Improvement Act
  - Biennial review of user fees

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

- Audited financial statement results
- Financial management systems
- Financial management human capital
- Financial data stewardship
- Major management challenges facing Interior

## **Federal Managers' Financial Integrity Act (FMFIA)**

The Department believes that maintaining integrity and accountability in all programs and operations (1) is critical for good government; (2) demonstrates responsible stewardship over assets and resources; (3) ensures high-quality, responsible leadership; (4) ensures the effective delivery of services to customers; and (5) maximizes desired

program outcomes. Interior has developed and implemented management, administrative, and financial system controls that reasonably ensure the following:

- Programs and operations achieve intended results efficiently and effectively;
- Resources are used in accordance with the mission;
- Programs and resources are protected from waste, fraud, and mismanagement;
- Laws and regulations are followed; and
- Reliable, complete, and timely data are maintained and used for decision-making at all levels.

Interior's management control program is designed to ensure full compliance with the goals, objectives, and requirements of the FMFIA and Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Internal Control, including Appendix A of OMB Circular A-123 on Internal Control over Financial Reporting; OMB Circular A-127, Financial Management Systems, and OMB Circular A-130, Management of Federal Information Resources.

#### Management Assurances

The FMFIA requires agencies to provide an annual statement of assurance regarding the effectiveness of management, administrative, and accounting controls over financial systems. This year, agencies are also required to provide an assurance statement on management's assessment of the effectiveness of internal control over financial reporting as of June 30 of this fiscal year and for each subsequent year. Interior's FY 2006 Annual Assurance Statements are provided in Figure 1-58 and 1-59. The basis for the two assurance statement conclusions are discussed in the following sections.

#### Internal Control Assessments

Interior conducted an annual assessment of the effectiveness of management, administrative, and accounting systems controls in accordance with FMFIA and OMB guidelines. The conclusions in the

FIGURE 1-58

### FISCAL YEAR 2006 ANNUAL ASSURANCE STATEMENT

*Interior's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives and requirements of the Federal Managers' Financial Integrity Act (FMFIA). Interior conducted its annual assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with the requirement of the Office of Management and Budget Circular No. A-123, Management's Responsibility for Internal Control (OMB A-123). Interior can provide, based on the results of this assessment, reasonable assurance that its control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2006, was operating effectively and that no material weaknesses were found in the design or operation of the internal controls.*

*In addition, Interior conducted an assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Interior can provide, based on the results of this assessment, reasonable assurance that its internal control over financial reporting as of June 30, 2006, was operating effectively and no material weakness were found in the design or operation of the internal control over financial reporting. Further, subsequent testing through September 30, 2006, did not identify any reportable changes in key financial reporting internal controls. Also, Interior can provide reasonable assurance that its financial systems substantially comply with the component requirements of the Federal Financial Management Improvement Act.*



**Dirk Kempthorne**  
Secretary of the Interior  
November 15, 2006

FIGURE 1-59

**ASSURANCE ON INTERNAL CONTROLS OVER FINANCIAL REPORTING AS OF JUNE 30, 2006**

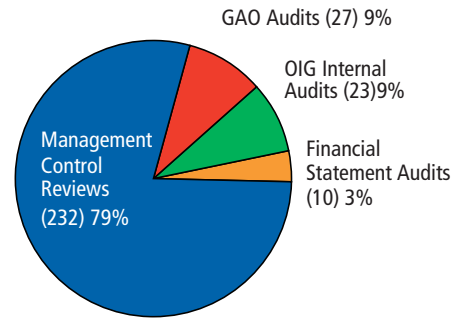
*Interior's management is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations. Interior conducted an evaluation of the effectiveness of its internal control over financial reporting in effect as of June 30, 2006, in accordance with the requirements of OMB Circular A-123, Management's Responsibility for Internal Control, dated December 21, 2004, and the CFO Council's Implementation Guide dated July 31, 2005. Based on the results of this evaluation, the Department can provide reasonable assurance that its internal control over financial reporting as of June 30, 2006, was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting.*

*R. Thomas Weimer*

R. Thomas Weimer  
Assistant Secretary, Policy,  
Management, and Budget, and CFO  
November 15, 2006

FIGURE 1-60

**Basis for FY 2006 Assurance Statement**



Secretary's Annual FMFIA Assurance Statement are based on the results of 232 internal control reviews of programs and administrative functions conducted by bureaus and offices (79%); 23 Office of the Inspector General internal program audits (9%); 27 Government Accountability Office program audits (9%); and the 10 financial statement audits (3%) conducted by the independent public accounting firm, KPMG LLP, under the auspices of the Chief Financial Officers Act (CFO Act) of 1990 and the Government Management Reform Act (GMRA) of 1994 (see Figure 1-60). As in

FIGURE 1-61

**Crosswalk of Activities Related to Major Management Challenges**

Management Accountability and Integrity Program Activities in FY 2006 Related to Interior's Major Management Challenges and President's Management Agenda	Interior's Major Management Challenges								President's Management Agenda									
	Financial Management	Information Technology	Health, Safety, & Emergency Management	Maintenance of Facilities	Responsibilities to Indian & Insular Affairs	Resource Protection and Restoration	Revenue Collections	Procurement, Contracts, and Grants	Competitive Sourcing	Strategic Management of Human Capital	Expanded Electronic Government	Improved Financial Management	Budget and Performance Integration	Federal Real Property Asset Management	Research and Development	Energy Management	Transportation (Fleet)	Environmental Management
Management Control Reviews/Management Studies and Initiatives	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
OIG Audits																		
- Program Audits Completed	✓	✓	✓	✓	✓		✓	✓				✓		✓				
- Financial Statement Audits Completed	✓						✓	✓	✓		✓	✓	✓					
GAO Audits Completed	✓		✓	✓	✓	✓	✓	✓	✓		✓		✓		✓			✓
FMFIA Material Weaknesses																		
- Corrected or Downgraded During FY 2006	✓			✓		✓						✓						
- Pending and Carried Forward to FY 2007			✓		✓							✓						

FIGURE 1-62

Number of FMFIA Material Weaknesses Reported and Corrected or Downgraded			
Reporting Period	Reported	Corrected or Downgraded	Pending at Year End
Prior Years	172	161	11
FY 2003	0	1	10
FY 2004	1	7	4
FY 2005	1	0	5
FY 2006	0	5	0
Total	174	174	0

prior years, internal control reviews performed by the Department and its bureaus provided the majority of the support (79%) for the Annual FMFIA Assurance Statement. In addition, many of Interior's internal control reviews and related accountability and integrity program activities focused on areas identified as major management challenges and on components of the President's Management Agenda. Figure 1-61 presents a crosswalk of those activities.

#### FMFIA Material Weaknesses and Accounting System Nonconformances

OMB Circular A-123, Management's Responsibility for Internal Control, requires that each agency identify and report on material weaknesses affecting the agency. Interior has adopted the OMB guidelines for material weakness designations. These guidelines are noted in Figure 1-65. Interior recognizes the importance of correcting material weaknesses in a timely manner. The Department and senior program management officials continuously monitor corrective action progress for all material weaknesses. Prior to FY 2006 and since the inception of the FMFIA in 1982, Interior identified and reported 174 material weaknesses and 65 accounting system nonconformances. Prior to FY 2006, Interior corrected 169 of the material weaknesses (98%) and all of the accounting system nonconformances. At the beginning of FY 2006, Interior had five FMFIA material weaknesses pending correction carried forward from the previous year.

The Department is instituting a reporting practice in FY 2006 consistent with the December 2004 revision to OMB A-123 and OMB A-136 Financial Reporting Requirements, to only report Department-level ma-

FIGURE 1-63

Number of Material Non Conformances Reported and Corrected or Downgraded			
Reporting Period	Reported	Corrected or Downgraded	Pending at Year End
Prior Years	65	64	1
FY 2003	0	0	1
FY 2004	0	1	0
FY 2005	0	0	0
FY 2006	0	0	0
Total	65	65	0

terial weaknesses. Bureau-level material weaknesses will continue to be reported internally and actively monitored for timely corrective action. Therefore, as shown in figure 1-64: 2 FMFIA material weaknesses were corrected (Inadequate Department-wide Maintenance Management Capability and Controls Over Implementing New Accounting Policies and Procedures); 1 FMFIA material weakness was downgraded to a reported condition (Indian Trust Assets); 2 FMFIA material weaknesses are being carried at the bureau level (Inadequate Wireless Telecommunications and Indian Detention Facilities). As a result, Interior has no Departmental FMFIA material weaknesses to carry over to FY 2007 for Management's reporting purposes, but will continue to monitor their implementation internally.

The Department's progress in correcting FMFIA material weaknesses and accounting system nonconformances is presented in Figures 1-62 and 1-63. These figures present the number of material weaknesses and accounting system nonconformances reported and corrected by fiscal year-end.

#### Departmental Goal for Timely Correction of Material Weakness.

Interior is committed to the timely correction of material weaknesses in order to improve integrity and accountability in its programs, organizations, and functions. To ensure that the material weaknesses identified and reported in the FMFIA program are corrected in a timely manner, the Department established a performance goal for FY 2006 to complete 100 percent of the material weaknesses targeted for completion in FY 2006. Based on the correction of the two FMFIA material weaknesses scheduled for

**FIGURE 1-64**  
**FMFIA Material Weaknesses as of September 30, 2006**

Bureau	Date First Reported	Description	Corrective Actions	FY 2006 Progress	FY 2005 PAR Target Date	Status
OST BIA OS/OHTA	FY 1991	<p>Indian Trust Assets: The OST's conversion to a commercial trust fund accounting system and the implementation of enhanced OST management controls ensure that all collected trust funds are properly accounted for. The remaining items to correct this material weakness include: OHTA's historical accounting; and strengthening the existing system of controls to ensure that BIA ownership and distribution information is correct.</p>	<p>Departmental trust policies, procedures, systems and internal control will continue to be improved and training provided to achieve the goals of the Comprehensive Trust Management Plan.</p>	<p>Bureau of Indian Affairs (BIA) - has: (1) closed 9,400 probate cases; (2) assisted the Department's regulatory initiative team in drafting regulations for probate, owner managed leasing, consolidation by sale, and ownership information; (3) deployed TAAMS and data conversion at 45 agency field offices in 12 regions; (4) published program procedural handbooks for the Trust land and natural resource management programs; and (5) issued policies on Life Estates/Dowers, Witnesses, Timber Sales, Minerals, and Rounding.</p> <p>Office of Historical Trust Accounting (OHTA) has completed to date, historical accounting that supports several significant conclusions: 1.) a very high percentage of records exist and can be located; (2) differences between supporting records and recorded transactions are few in number, small in size, and not systemic; (3) there is no evidence historical records have been altered; and (4) there is ample evidence that monies collected were distributed to the correct recipients.</p> <p>Office of the Secretary (OS) coordinated efforts with BIA, OHTA, and OST to access the Trust weaknesses identified as potential findings in subsequent audit reports.</p> <p>Office of the Special Trustee for American Indians (OST) completed the implementation of a centralized commercial lockbox process that was initiated in FY 2005; this process included policies, procedures and training. OST Regional Trust Administrators are taking the lead in concert with BIA regional directors to oversee the leasing module conversions to the Trust Asset and Accounting Management System (TAAMS). Regarding these conversions 81% of recurring Individual Indian Monies (IIM) income and 73% of IIM accounts were converted to the leasing module of the TAAMS.</p> <p>Beneficiaries serviced by the various agencies that have been converted to the leasing module for TAAMS are receiving quarterly performance statements that provided information regarding source of funds, encumbrance information (who is leasing their property, duration and payment terms of lease), and a listing of the trust property they own.</p>	FY 2008	Downgraded to Reportable Condition — Pending OIG Verification

FIGURE 1-64

FMFIA Material Weaknesses as of September 30, 2006						
Bureau	Date First Reported	Description	Corrective Actions	FY 2006 Progress	FY 2005 PAR Target Date	Status
DOI BIA NPS	FY 2000	Inadequate Wireless Telecommunications: Effective critical to employee and public safety and to the efficient management of parks and public lands. The current wireless telecommunications program in some bureaus does not effectively support bureau and public safety operations and does not comply with Department Management Directives.	The Department will develop and implement a plan to meet employee and public safety objectives and to restore the program to efficiency by reviewing bureau narrowband capital investment and implementation plans; revise plans to maximize supporting infrastructure requirements; and ensure maximum use of alternative wireless services.	<p>The Department has developed an overall plan to increase the efficiency and accountability of the Radio Program through various strategic and tactical goals. During FY 2006, the Strategic Plan will be finalized and an Operational Plan developed. In doing so, the Department will institute a Governance Structure, a comprehensive capital investment business case, baseline analysis, and increased sharing with Federal, State, and local cooperators.</p> <p>Bureau of Indian Affairs (BIA) is completing its South Dakota Statewide Trunk migration project, performed site surveys to determine equipment needs, and purchased and consolidated radio equipment.</p> <p>National Park Service (NPS) continues to make progress on the narrowband conversion project. To date, 110 park units (31%) have been completed and 232 park units (62.2%) have begun the transition process. The remainder of the park units will be addressed and scheduled accordingly.</p>	FY 2010  FY 2009	Downgraded in FY 2004 — Pending OIG Verification — However this is no longer considered a department-wide issue but rather a bureau-specific matter.

FIGURE 1-64

FMFIA Material Weaknesses as of September 30, 2006						
Bureau	Date First Reported	Description	Corrective Actions	FY 2006 Progress	FY 2005 PAR Target Date	Status
BIA	FY 2004	Indian Detention Facilities: Serious safety, security, and maintenance deficiencies exist at most of BIA detention centers. These deficiencies are a hazard to inmates, staff, and the public.	<p>BIA will immediately commence the implementation of the following corrective actions that will improve the security, safety, management, and operating efficiency of detention facilities.</p> <ul style="list-style-type: none"> <li>- The Deputy Assistant Secretary for Law Enforcement and Security will become actively engaged in managing the detention program.</li> <li>- The Department's Office of Law Enforcement Security and Emergency Management will conduct frequent scheduled and unscheduled compliance inspections.</li> <li>- Clear "serious incident" reporting and follow up protocols will be established and implemented.</li> <li>- Facility staffing models will be developed, and shortages related to officer safety should be immediately identified and corrected.</li> <li>- Recruiting standards and guidelines for detention officers will be developed and adhered to.</li> <li>- A system for identifying and prioritizing facilities repairs impacting inmate and officer safety will be implemented.</li> <li>- Internal controls and other improvements for budgeting, cost tracking, and reporting purposes will be developed and implemented.</li> <li>- Strategic plans for jail replacement and renovation based on comprehensive condition assessments will be developed.</li> <li>- Training standards and models for detention offices will be developed and compliance/certification reviews will be conducted.</li> <li>- Regular regional meetings of detention administrators will be held to identify best practices and address and resolve emerging issues.</li> </ul>	<p>The National Policy Memorandum Serious Incident Reporting (SIR) has been approved and distributed in Indian Country. Staffing models have been developed, identifying offices shortages which resulted in increased staffing levels at all BIA-run facilities. In FY 2005, a separate budget was implemented to ensure that expenditures are tracked and justified on a routine basis and that Associate Director and Chief of Detention maintain constant oversight of the budget for each BIA program. Accounting and tracking of contracted bedspace occurred in FY 2006; and District/Regional meetings occurred at District I – Fort Yates, N.D.; Districts II/IV/VI – Towaoc, CO; District III – Maricopa, AZ; and at District V – Polson, MT.</p> <p>Further training for correctional officer armed transport was developed and delivered and recruitment is ongoing at the District/Agency levels based on a plan developed and delivered at Truxton Canon, Blackfeet and Lower Brule agencies.</p>	FY 2007	Downgraded — However this is no longer considered a deepartment-wide issue but rather a bureau-specific matter.  Delayed. A targeted correction date of FY 2008 has been assigned by BIA.

**FIGURE 1-64**  
**FMFIA Material Weaknesses as of September 30, 2006**

Bureau	Date First Reported	Description	Corrective Actions	FY 2006 Progress	FY 2005 PAR Target Date	Status
USGS NPS FWS	FY-1999	Inadequate Departmentwide Maintenance Management Capability: Interior lacks consistent, reliable, and complete information to plan for budget and to account for resources dedicated to maintenance activities.	U.S. Geological Survey (USGS)— Identify and implement a comprehensive maintenance management system with an appropriate linkage to the accounting.  NPS and FWS— Conduct comprehensive condition assessments; make determinations to repair, replace, or relocate facilities; repair, replace, and relocate facilities to "good condition"; and reduce deferred maintenance to established goals (5% or less of replacement cost).	Interior adopted MAXIMO as the core management enterprise software system to manage its facilities inventories, condition assessments, work management, and reporting requirements. Interior established the Facility Condition Index as a standard performance measure for bureau management programs. This enables Interior to effectively determine at what pace its facilities condition is improving and how effectively the bureaus are using their maintenance funding. Interior has also developed a 5-Year Deferred Maintenance Plan and Capital Improvement Plan. Based on these plans, condition assessment is under way in all bureaus. All bureaus have completed 100% implementation of the Facilities Maintenance Management System. In FY 2005, this weakness was downgraded to the bureau level for USGS, NPS, and FWS. The bureaus have corrected this weakness.	FY 2006	Corrected
BOR DO	FY 2005	Controls Over Implementing New Accounting Policies and Procedures: Interior had not fully developed accounting policies and procedures to change its processes for recognizing the transfer of funds between Federal entities and had not fully developed posting models by September 30, 2006.	During FY 2005, Interior had developed some accounting policies and procedures. Interior will further develop the policies and procedures and implement them once approved.	Interior applied significant resources and efforts, including coordinating with the U.S. Treasury and OMB to implement OMB's guidance in a relatively short time period.	FY 2006	Corrected



correction in FY 2006, the Department met its 100% goal (see Figure 1-64).

### Internal Control over Financial Reporting

The revised Circular A-123, Management's Responsibility for Internal Control, Appendix A, strengthens internal control requirements over financial reporting in Federal agencies. The revised circular provides updated internal control standards and new requirements in FY 2006 for conducting management's assessment of the effectiveness of internal controls over financial reporting. To prepare for FY 2006 compliance with Appendix A, the Department developed an implementation plan that was reported in the FY 2005 Performance and Accountability Report.

In FY 2006, the Department completed an assessment of the effectiveness of internal controls over financial reporting utilizing the plan. The results of the assessment revealed that adequate controls exist and that financial reporting can be relied upon by senior management when used in conjunction with other decisionmaking processes. Also, the assessment did not disclose any material weaknesses in the Department's financial reporting activities. Although minor deficiencies were found in some financial reporting business processes, the deficiencies were corrected by the end of the fiscal year. The Department's internal controls over financial reporting do assure the safeguarding of assets from waste, loss, and unauthorized use or misappropriation, as well as assure compliance with laws and regulations pertaining to financial reporting (See Figure 1-58, Annual Assurance Statement, paragraph 2 ).

Departmental policymakers and program managers continuously seek ways to achieve missions, meet program goals and measures, enhance operational processes, and implement new technological developments. The new OMB financial reporting requirement strengthens accountability of Departmental managers over internal controls, and improves the quality and reliability of the Department's financial information.

## Federal Financial Management Improvement Act (FFMIA)

The Federal Financial Management Improvement Act builds upon and complements the CFO Act, the GPRA, and the GMRA. The FFMIA requires that Federal agencies substantially comply with applicable Federal accounting standards, the government-wide Standard General Ledger (SGL), and Federal financial management system requirements that support full disclosure of Federal financial data, including the costs of Federal programs and activities.

Federal agencies are required to address compliance with the requirements of the FFMIA in the representation letter to the financial statement auditor. The auditor is required to report on the agency's compliance with FFMIA requirements in the Independent Auditor Report. If an agency is not in compliance with the requirements of the FFMIA, the agency head is required to establish a remediation plan to achieve substantial compliance.

Although the FY 2006 Department financial statement audit report did identify reportable conditions concerning applicable Federal accounting standards, the Department substantially complies with Section 4 of the FFMIA and the FFMIA.

### Highlights of FFMIA Improvement Plan.

In our view, the issues identified by the auditors are not substantial or represent a different interpretation of the standard. We have been working with the Federal finance community to draft interpretations and establish consistent criteria for determining substantial compliance.

## Inspector General Act Amendments (Audit Follow-up)

Interior believes that the timely implementation of OIG and GAO audit recommendations is essential to improving efficiency and effectiveness in its programs and operations, as well as to achieving integrity and accountability goals. As a result, Interior has instituted a comprehensive audit followup program to ensure that audit recommendations are implemented in a timely and cost-effective manner and that disallowed costs and other funds due from contractors and grantees are collected or offset. In FY 2006, Interior

FIGURE 1-65

**Material Weakness Guidelines**

OMB and the Department define a material weakness as follows:

A control deficiency, or combination of control deficiencies, that in management's judgement, should be communicated because they represent significant weaknesses in the design or operation of internal control that could adversely affect the organization's ability to meet its internal control objective which the agency head determines to be significant enough to report outside the agency.

The Department will report a material weakness corrected or downgraded when the following occurs:

- Senior management has demonstrated its commitment to resolving the material weakness as evidenced by resource deployment and frequent and regular monitoring of corrective action progress;
- Substantial and timely documented progress in completing material weakness corrective actions is provided;
- Corrective actions have been substantially completed, and the remaining actions are minor in scope and will be completed within the next fiscal year;
- Implemented corrective actions have eliminated or minimized the root cause(s) of the material weakness; and
- Substantial validation of corrective action effectiveness has been performed.

monitored a substantial number of new Single Audit (319), OIG (23), and GAO (27) audits. Audit follow-up actions include analyzing audit reports referred; advising grantors of audit findings; tracking, reviewing, and validating audit recommendations; developing mutually acceptable and timely resolution to disputed audit findings and recommendations; and monitoring the recovery of disallowed costs.

#### Departmental Goal for Timely Implementation of Audit Recommendations

To further demonstrate the importance of timely implementation of OIG and GAO audit recommendations, Interior established an aggressive performance goal of implementing 85% of all GAO and OIG prior year recommendations where implementations were scheduled to occur within the year. We also included audits conducted under the CFO Act issued in FY 2006 that were completed in FY 2006. In addition, our methodology also reflects the number of FY

2006 report recommendations in both the numerator and the denominator that were scheduled for completion after FY 2006 but were implemented in FY 2006, including the FY 2006 CFO recommendations classified as completed by the OIG.

In FY 2006 Interior exceeded its performance goal with a composite implementation rate of 94% (Figure 1-66). The primary reason for Interior's success in achieving the performance goal for the fourth consecutive year is the aggressive progress monitoring process. Monthly and quarterly follow-up program management control and monthly audit followup program progress scorecards are prepared for each bureau and office to ensure that audit recommendation implementation commitments are being met, and that senior management attention is directed immediately to slippage when it occurs. This same aggressive progress monitoring will continue in FY 2007 to ensure achievement of the performance goal.

#### Single Audits

Interior provides over \$2 billion each year in funding for grants, cooperative agreements, Indian self-determination contracts, and self-governance compacts to State and local governments; Indian tribes, colleges and universities; and other nonprofit organizations. Under the provisions of the Single Audit Act, the grantees' financial operations, management control structure, and level of compliance with applicable laws and regulations must be audited each year. All Single Audit reports are forwarded to and screened by the Federal Single Audit Clearinghouse. Those Single Audit reports, with findings and recommendations requiring audit followup, are forwarded to the Department for distribution to the appropriate bureaus for audit followup, resolution, and tracking. Each bureau is responsible for meeting with grantees and negotiating a resolution to the deficiencies identified in the audit reports, as well as for determining the allowability of any expenditure of Federal funds that has been questioned by the auditors.

### Collecting and Offsetting Disallowed Costs in Single Audits

As shown in Figure 1-67, Interior closed 21 of 67 (31%) audits in tracking during FY 2006. There were 19 audits referred for tracking with \$4.8 million in disallowed costs. The \$4.8 million in disallowed costs recovered represented about 17% of total disallowed costs in tracking during the year. Of the 46 audits in tracking at the end of the year, 16 (35%) had management decision dates greater than 1 year old. As in previous years, the Department plans to continue its aggressive monitoring and followup activities during FY 2007 to close the number of audit reports with disallowed costs.

### Internal Audits

Internal audits are OIG-conducted audits of Interior's programs, organizations, and financial and administrative operations. During FY 2006, 43 audits were being tracked (20 audits carried over from FY 2005 and 23 new audits were referred for tracking during FY 2006), and 24 (55%) of those audits were closed. A total of 539 recommendations from OIG internal audit reports were in tracking during the year, of which 437 (81%) were completed or closed during FY 2006. For the 19 audits pending at the end of FY 2006, 138 recommendations await final implementation action.

One category of OIG internal audits, FBU audits, presents recommendations to improve efficiency and where funds can be put to better use. Interior tracks the successful implementation of FBU audit recommendations and FBU dollar estimates, which are agreed to by management. As noted in Figure 1-68, there were three audits with \$48.4 million in FBU dollars tracked during FY 2006.

### GAO Audits

GAO audits are a major component of Interior's audit followup program workload and cover a variety of programs, operations, and activities. A total of 22 GAO reports with 69 recommendations were carried over from FY 2005. During FY 2006, GAO issued a total of 27 new reports with 23 recommendations.

FIGURE 1-66

FY 2006 Departmental Performance Goal for Implementation of OIG and GAO Audit Recommendations			
Bureau/Office	Number of Recommendations Meeting Dept. Goal Criteria	Number of Recommendations Implemented Within Planned One Year Target	Percentage Implemented
BIA	89	84	94
NPS	101	101	100
FWS	24	24	100
BLM	25	22	88
MMS	10	9	90
OSM	4	4	100
BOR	34	32	94
USGS	25	25	100
OS (Dept)	188	169	90
PIA (Dept)	1	1	100
OST (Dept)	10	9	90
<b>TOTAL</b>	<b>511</b>	<b>480</b>	<b>94</b>

The Department was successful in closing 36 of the 67 reports in tracking during FY 2006 (Figure 1-69).

### Audited Financial Statement Results

As required by the GMRA, Interior prepares consolidated financial statements. Beginning in FY 2001, these financial statements have been audited by KPMG LLP, an independent public accounting firm (the OIG audited the financial statements prior to FY 2001). Additionally, each individual bureau prepares financial statements that are also audited.

The preparation and audit of financial statements are an integral part of the Department's centralized process to ensure the integrity of financial information maintained by Interior.

The results of the FY 2006 and FY 2005 financial statement audit process are summarized in Figure 1-70. As shown in the table, Interior again achieved an unqualified audit opinion for the Department's consolidated financial statements.

In one instance, internal control over financial reporting was noted as a material weakness (Figure 1-71). The Department does not concur and believes a variety of actions have been taken to significantly

improve internal control activities and systems for Indian trust. Extensive amounts of documentation were provided to the auditors. The audit identified two instances where non compliance with laws and regulations occurred. The department concurs with one of the findings (See Figure 1-72) .

**Status of Resolution of Internal Control Weaknesses and Noncompliance Issues Reported in FY 2006 and FY 2005 Audited Financial Statements**

Figures 1-71 and 1-72 summarize the status of material weaknesses and noncompliance issues reported in the FY 2005 audited financial statements. As noted before, based on OMB Circulars A-123 and A-136, for FY 2006, we will report only Department-level material weaknesses and noncompliances. Implementation of bureau-level material weaknesses and noncompliances will continue to be monitored internally. The Department has established an internal goal of completing corrective actions for material weaknesses and noncompliance issues by the end of the following fiscal year, unless the magnitude of the corrective action involves a multiyear effort.

The Department made progress in correcting material weaknesses reported in the FY 2005 audits. In summary, one of two Department-level material weaknesses reported in FY 2005 financial statements were corrected during FY 2006.

The Department made progress in correcting noncompliance issues reported in the FY 2005 audits. In summary, two of four noncompliance issues reported in FY 2005 financial statements were corrected during FY 2006.

Figures 1-71 and 1-72 present summaries of each of the material weaknesses and noncompliance issues reported in the Department’s consolidated FY 2006 and FY 2005 financial statement audit opinions. A total of one material weakness is

**FIGURE 1-67**

FY 2006 Summary of Actions Taken on Contract, Grant, and Single Audits with Disallowed Costs			
		Number of Reports	Disallowed Costs
(A) Opening balance as of October 1, 2005, restated		33	\$12,566,769
(B) Post FY 2005 Opening balance correction		15	\$3,908,064
(C) FY 2005 Audits		19	\$4,851,453
(D) Amounts reinstated		-	\$3,278,402
Total tracked during FY 2006		67	\$24,604,688
(E) Final actions taken during FY 2006		21	\$4,261, 726
Collected	9*		(\$2,211,977)
Written Off	1*		(\$24,140)
Offset	3*		(\$245,177)
Reinstated	6		(\$3,278,402)
Referred to Treasury for Collection Action noncollectable	8		(1,780,432)
(E) Ending balance as of September 30, 2006		46	17, 064, 560
Mgmt Dec < 1 yr old	30		11,803,394
Mgmt Dec > 1 yr old	16		\$5,261, 166

Note - Data on opening balances for number of reports and disallowed costs as of October 1, 2005, was restated to present information only on reports with sustained costs.

\* During FY 2006, final actions taken for some of the 21 reports with disallowed costs were cross-cutting—instances occurred where amounts were collected, offset, reinstated, and/or waived for the same report.

**FIGURE 1-68**

FY 2006 Summary of Actions Taken with Funds to be Put to Better Use (FBU)			
		Number of Reports	FBU Dollars
(A) Reports on hand at beginning of report period		2	\$38,219,271
(B) New reports received during report period		1	10,200,000
Total reports in tracking		3	\$48,419,271
(C) Reports closed during report period		0	0
(D) Reports in progress at end of report period		3	\$48,419,271
Mgmt Dec < 1 yr old	1		10,200,000
Mgmt Dec > 1 yr old	2		\$38,219,271

Note - Includes only audits with monetary impact to Federal funds (excludes audits of non-Federal funds for insular area governments and indirect cost proposals negotiated).

reported. As mentioned above, the department does not concur with the material weakness.

A total of two noncompliance issues were reported, with none carried over from FY 2005. As mentioned earlier, the Department does not concur with one of the noncompliance issues.

## Major Management Challenges Confronting Interior

The OIG and the GAO annually advise Congress on what they consider to be the major management challenges facing the Department. Figure 4-2 presents a summary of the major management challenges identified by the OIG and GAO and actions taken to address these challenges to date.

### Improper Payments Information Act of 2002

The Improper Payments Information Act (IPIA) of 2002 (P.L. 107-300) requires Federal agencies to carry out a cost-effective program for identifying payment errors and recovering any amounts overpaid. An improper (or erroneous) payment includes any payment that should not have been made, or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirement. Incorrect amounts include overpayments; underpayments (including inappropriate denials of payment or service); any payment made to an ineligible recipient or for an ineligible service; duplicate payments; payments for services not received; and payments that do not account for credit for applicable discounts.

To implement the IPIA, OMB requires agencies to review all programs (meeting OMB's definition of "program") to determine the risk susceptibility of making improper payments and to perform more in-depth assessments for those programs meeting OMB's criteria for "significant erroneous payments." The threshold for significant erroneous payments is erroneous payments exceeding both 2.5% of program payments and \$10 million annually. For all programs meeting the criteria, agencies are required to quantify the amount of erroneous payments using a statistically valid method with a 90% confidence level.

### Summary of Risk Assessments and Payment Audits Performed during FY 2006

Based on a series of internal control review techniques, Interior determined that none of its programs is risk-susceptible for making significant improper payments at or above the threshold levels set by OMB. These reviews were conducted in addition to audits under the Single Audit Act Amendments of 1996, the CFO Act of 1990, GAO reviews, and reviews by Interior's Inspector General. Different techniques were used to arrive at this determination: (1) risk assessments of internal controls related to payments for all programs; and (2) pre-payment and post-payment audits and recoveries. Each of the two techniques is summarized in the sections that follow.

**Risk Assessments.** Interior's Management Control Guidance for FY 2006 required managers to conduct risk assessments of all programs with outlays in excess of \$100 million to determine if any were risk-susceptible for making significant improper payments. In all, 24 major programs were assessed with annual payments totaling \$10 billion. The assessments were used to establish risk profiles for these programs. The results of these reviews concluded that none of these programs pose a high-risk of making significant improper payments based on OMB's criteria. Figure 1-73 presents a summary listing of Interior program outlays reviewed by bureau, and major programs where risk assessments were performed.

**Pre- and Post-Payment Audits and Recoveries**  
*Prepayment Audit of Government Bills of Lading (GBLs).* Interior has been conducting prepayment audits of freight bills via GBL for a number of years. This effort is required by the Travel and Transportation Reform Act of 1998. Efforts have continued with our bureaus to assure that all freight bills receive pre-payment audits. During FY 2006, prepayment audit contractors identified \$101,583 in savings in the 4,324 government bills of lading reviewed; this amounts to approximately .8% in savings to the government.

The Department coordinated the hiring of an independent recovery audit contractor in May 2003 to be used by all bureaus to conduct a vendor statement review, disbursement audit, and contract compliance audit to ensure compliance with IPIA.

FIGURE 1-69

Summary of Actions Taken in FY 2006 on Reports Issued by the GAO				
		Number of Recommendations		Number of Reports
In tracking as of October 1, 2005		69		22
FY 2005 audits added to tracking system after October 1, 2005		30		18
Issued during FY 2006		23		27
Subtotal		122		67
Closed during FY 2006		(43)		(36)
In tracking as of September 30, 2006		79		31
Code	Status of final reports in tracking	No. of Recommendations	No. of Reports	
D1	Mgmt decisions < 1 yr old	20	8	
D2	Mgmt decisions > 1 yr old	59	23	
D3	Mgmt decision under formal appeal	0	0	

FIGURE 1-70

Summary of FY 2006 and 2005 Financial Statement Audits											
Dept	Unqualified Opinion on Financial Statement		Material Weakness in Report on Internal Controls		Substantial Compliance with Laws and Regulations (Non-FFMIA)		Substantial Compliance with Laws and Regulations (FFMIA)		Substantial Component Compliance with Laws and Regulations (FFMIA) Systems, Accounting, and SGL		
	FY 2006	FY 2005	FY 2006	FY 2005	FY 2006	FY 2005	FY 2006	FY 2005	FY 2006 System	FY 2006 Accounting	FY 2006 SGL
Dept	Yes	Yes	No	Yes	No (2,4)	No (1,2,3)	No	No	Yes	No	Yes

(1) DEBT COLLECTION IMPROVEMENT ACT  
(2) SINGLE AUDIT ACT

(3) OMB CIRCULAR A-25  
(4) OTHER MATTERS RELATED TO POTENTIAL NONCOMPLIANCE

FIGURE 1-71

FY 2006 and 2005 Audited Financial Statements Material Weakness Corrective Action Plan (as of September 30 2006)						
Bureau	Material Weakness Description	Corrective Action	Fiscal Year		Original Target Date	Status
			2005	2006		
DEPT BOR/DO	Control Over Implementing New Accounting Policies And Balances	Improve policies and procedures related to recording assets and liabilities in accordance with OMB Guidance.	X		09/30/06	Completed
DEPT BIA/DO/OST	Control over Trust Funds	FY 2005 - Implement and/or revise controls and procedures to ensure that the Indian Trust Funds' activity and balances are properly and timely recorded, and controls and plans are in place to resolve the other deficiencies noted.  FY 2006 - Develop and implement procedures and internal controls to address the deficiencies in controls related to Indian Trust Funds	X	X	11/30/07	Carryover

FIGURE 1-72

FY 2006 and 2005 Audited Financial Statements Noncompliance Corrective Action Plan (as of September 30 2006)						
Bureau	Noncompliance Description	Corrective Action	Fiscal Year		Original Target Date	Status
			2005	2006		
DEPT BIA/BLM BOR/FWS/ NPS/DO	Federal Financial Management Improvement Act (FFMIA)	FY 2005- Improve controls to comply with the U.S. Standard General Ledger at the transaction level.  FY 2006- Interior should improve procedures and internal controls to ensure that the financial statements and related disclosures are prepared in accordance with the federal accounting standards.	X	X	9/30/2006	Carryover
DEPT BIA/MMS	Debt Collection Improvement Act of 1996	Establish a process to ensure eligible bureau receivables are referred to the U.S. Department of the Treasury in a timely manner.	X		9/30/2006	Completed
DEPT BIA	OMB Circular A-125, User Charges	Implement policies and procedures that comply with OMB Circular A-25, develop and implement a methodology to track administration costs, and properly charge other Federal entities for the administration costs.	X		9/30/2006	Completed
DEPT USGS	Single Audit Act Amendments	FY 2005- improve grantee monitoring processes to ensure compliance with the reporting requirements of the Single Audit Act Amendments  FY 2006- Interior should obtain single audit reports and issue management decisions on audit findings in accordance with the requirements of the <i>Single Audit Act Amendments of 1996</i> and the related OMB A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i> .	X	X	9/30/2006	Carryover

The audit base during 2006 for Interior was \$5.73 billion; actual monies identified and recovered were \$520,000 through September 30, 2006.

**Interior Plans for FY 2006 – FY 2008.** Annual performance goals are established to maintain adequate controls over payment processes to ensure that erroneous payments are minimized. Figure 1-74 displays future plans and current year performance on measures to maintain a focus on recovery efforts. The Department will continue using contractor assistance to perform prepayment audits of bills of lading.

In addition to the measures listed in Figure 1-74, Interior issued management control guidance for FY 2006 requiring bureaus to conduct annual risk assessments of all programs and continued to perform recovery audits throughout FY 2006. During the third quarter of 2006, bureaus completed risk assessments resulting in no programs being identified as high risk.

*First Quarter*

- Issue management control guidance for FY 2006 requiring bureaus to conduct annual risk assessments of all programs.
- Continue to perform recovery audits.

*Second Quarter*

- Continue to perform recovery audits.

*Third Quarter*

- Complete bureau risk assessments.
- Continue to perform recovery audits.

*Fourth Quarter*

- Review and analyze bureau risk assessment reports to determine if any corrective action plans are necessary, and if so, have the appropriate bureaus provide the plans.
- Continue to perform recovery audits.
- Prepare data to fulfill the reporting requirements of the Improper Payments Improvement Act and OMB for inclusion in Interior’s Performance and

FIGURE 1-73

FY 2006 Outlays by Major Program Area	
Department Bureaus and Offices (Major Programs Listed in Parenthesis)	FY 2006 Outlays (millions)
<b>Indian Affairs</b> (Office of Self-Governance and Self-Determination, Law Enforcement and Security, Indian School Equalization, New School Construction, Facilities Improvement and Repair, Indian Reservation Roads, and Contract Support Funds)	\$1,549
<b>Land Management</b> ( Management of Land & Resources, Fire Management, and Oregon and California Grant Lands)	1,279
<b>Reclamation</b> (Water and Related Resources)	948
<b>Fish and Wildlife</b> (Resource Management, Federal Aid in Wildlife Restoration, Cooperative Endangered Species Fund, and Federal Aid in Sport Fisheries)	1,683
<b>Geological Survey</b> (Survey, Investigations, and Research)	922
<b>Minerals Management</b> (Mineral Leasing, Royalty and Offshore Management)	615
<b>National Parks</b> (Operation of NPS, Construction & Maintenance, Land Acquisition and State Assistance, Recreation Fee Permanent Appropriations, and Other Permanent Appropriations)	2,481
<b>Surface Mining</b> (Abandoned Mine Reclamation)	278
<b>Departmental Management</b> (Payment in Lieu of Taxes)	232
<b>Insular Affairs</b> (Compact of Free Association and Payments to US Territories)	138
Total	\$10,125

Accountability Report for FY 2006.

**Federal Information Security Management Act**

The Federal Information Security Management Act (FISMA) provides a framework and relevant agency roles to ensure the effectiveness of security controls with regard to information resources that support Federal operations and assets. The law gives latitude for OMB and the Department of Commerce through the National Institute of Standards and Technology (NIST) to identify minimum standards for operating information systems within the Federal Government.

During FY 2006, Interior identified the following priorities for improving its overall information security posture:

- Publish updated Certification and Accreditation (C&A) standards and IT security policies to maintain compliance with the rapidly evolving standards and guidelines issued by NIST and OMB;
- Develop the Interior Enterprise Security



Architecture (ESA) to enable standardization of network infrastructure and application security architectures across Interior;

- Improve the use of automated tools to support the IT security program, providing for greater productivity from IT security and network operations personnel; and
- Define standards and provide oversight and guidance in the implementation of Internal Control Reviews (ICRs) to ensure compliance with OMB, FISMA, and A-123 requirements across Interior.

By focusing on these priorities, Interior was able to make significant progress in improving and strengthening its overall security posture during FY 2006. In addition to addressing the priorities listed above, the following milestones were achieved:

- All bureau networks were connected to the Enterprise Services Network (ESN). Also, management of bureau networks was consolidated by transferring management responsibilities to the ESN Network Operations and Security Center (NOSC). The center provides full-time (24x7) monitoring and maintenance support for the network. Major network backbone nodes and circuits were migrated to a vendor provided service, which increased overall network performance and security;
- A consolidated, centrally managed remote access solution was developed which supports work-at-home initiatives and continuity of operations. As a result, stronger network perimeter security is achieved for all bureaus and offices within Interior;
- Extensive penetration testing was performed on all bureau networks. Robust network perimeter vulnerability scanning was also implemented. These activities provide for ongoing, proactive monitoring and improvement of Interior's IT security posture;
- Quality reviews of 54 Certification and Accreditation packages for bureau systems were conducted to

FIGURE 1-74

Erroneous Payments					
	FY 2006 Actual	FY 2006 Plan	FY 2007 Plan	FY 2008 Plan	FY 2009 Plan
Federal Assistance - Percent of Audit Disallowances	17%	5%	10%	10%	10%
Federal Assistance - Percent of Disallowances Returned to Government	99%	70%	80%	90%	90%

ensure compliance with appropriate standards and to establish a consistent level of quality in the C&A documentation of Interior systems;

- Overall awareness of IT security issues was increased by delivering security awareness training to 98% of Interior employees and contractors using IT systems. Sixty-one percent of employees having significant IT security responsibilities received specialized role-based security training;
- In order to ensure consistent interpretation and application of regulatory guidance, on-site FISMA compliance reviews of all bureau and office IT security programs were conducted;
- Interior remained free of significant data losses, breaches of confidentiality, or significant contamination due to cyber attacks or malicious code; and
- Continued integrating the IT security program with Enterprise Architecture (EA), IT Capital Planning and Investment Control (CPIC) and consolidated operations. A streamlined governance process with clearer roles and decisionmaking authority has been established. The Interior Enterprise Architecture (IEA) program was rated #1 by OMB across the Federal Government for two rating cycles in a row. In order to receive a "Green" rating by OMB, agencies must be rated a level 3 for "Completion, Use and Results" of their EAs. Interior's scores for the 2006 rating was: Completion: 4.5; Use: 4.2; and Results: 3.7.

Interior measures the progress of implementing required security controls using five levels of effectiveness as follows:

- Level 1— control objective documented in security policy
- Level 2— security controls documented as procedures.
- Level 3— procedures have been implemented.
- Level 4— procedures and security controls are tested and reviewed.
- Level 5— procedures and security controls are fully integrated into a comprehensive program.

Consistent with results from independent reviews of Interior's IT security program, the policies, processes, and procedures implemented by Interior have resulted in Interior achieving a Level 3.77 maturity when measured against the assessment criteria.

Interior's Office of the Inspector General (OIG) reviewed the OCIO IT security program and found continued improvement within the program, corrective actions addressing the FY 2005 audit issues, as well as other measures taken to achieve FISMA compliance. The OIG specifically noted that eight of ten areas audited for compliance with FISMA had improved over the past two years.

The OIG also addressed good progress made within the system inventory, POA&M, and in IT security language within contracts while stating that DOI is not yet in full compliance with FISMA. They further mentioned high degrees of commitment and dedication from IT security professionals throughout the DOI and evidence of efforts being made to institute needed improvements in the quality of C&A practices and in standardized security configurations, even without adequate resources.

Overall, DOI generally meets the basic requirements of FISMA

Specific milestones achieved or initiated in FY 2006 include:

- **Control Objectives Documented in Security Policy.** Interior has been updating the Departmental Manual (375 DM 19), IT Security Program Plan, IT Security Handbook, and OCIO

Directives relating to IT security policy to reflect new emerging policy requirements and to address new threats due to evolving challenges introduced by new technologies.

- **Security Controls Documented as Procedures.** Certification and Accreditation. Interior has been updating C&A process guides to address rapidly evolving requirements based on new NIST standards. C&A activities have resulted in 98% of systems maintaining full Authority to Operate (ATO) certification and accreditation status by September 2006, including all operational financial systems;

Senior management commitment towards ensuring FISMA compliance and continuous improvement with regard to assessing risk, demonstrating commensurate controls, and documenting agency official approval of operations is demonstrated by Interior's C&A performance metrics (Figure 1-75);

**Minimum Standards for Security Configurations.**

Interior maintains an inventory of approved STIGS for critical IT security components, such as operating systems, router configuration, database hardening, etc., and has created/revised STIGS reflecting the current "best-practices" such as securing wireless technologies and managing inventories of wireless enabled devices;

- **Implemented Procedures. Plans of Action & Milestones (POA&M).** The POA&M is the OMB-required, authoritative format for tracking identified weaknesses in IT security programs and systems. Designated Approving Authorities (DAAs), CIOs, and System Owners must review POA&Ms and determine reasonable remediation milestones, schedules, resources, and priorities within their system release plans. Interior implemented a policy for maintaining POA&M entries and has developed POA&M management standards to further strengthen this process;
- **IT Security Awareness, Education, and Training.** Ninety-eight percent of Interior employees and contractors with access to Interior IT systems completed annual IT security awareness training. Interior also deployed an IT security role-based

training capability for use by all bureaus. Sixty-one percent of Interior employees and contractors with significant IT security responsibilities received specialized training;

**Incident Response.** Policy is established within the Departmental Manual (375 DM 19). In FY 2006, Interior remained free of significant data losses, breaches of confidentiality or significant contamination due to cyber attacks or malicious code;

- **Procedures and Security Control Testing and Review.** In addition to C&A Security Test and Evaluations, Interior followed NIST guidance in conducting security self-assessment reviews (NIST SP 800-26) for all systems. Independent technical testing was commissioned via monthly scanning of perimeter network Internet-accessible systems against the SANS Top 20 vulnerability list. In September 2003, almost 100 hosts had vulnerabilities on the SANS Top 20 list. By March 2004, Interior achieved no related vulnerabilities and has maintained that status to this day. In addition, in FY 2006, Interior initiated more robust automated vulnerability scan testing of over 5,000 Internet-accessible systems and network devices against 7,400 types of known vulnerabilities, including the SANS Top 20 vulnerability list. Interior is aggressively addressing newly identified potential vulnerabilities resulting from the more rigorous monthly scanning efforts.

Ninety-three percent (162 of 175) of systems have completed annual requirements testing of contingency plans.

Independent third-party contractor reviews indicate that existing IT security policies, C&A standards, oversight reviews, and POA&M management processes are effective in improving the overall quality of C&A packages, enhancing the effectiveness of management, operational, and technical security controls, and ensuring senior management attention towards correcting weaknesses identified on the POA&Ms; and

- **Security Controls Integrated into a Comprehensive Program.** Interior includes all security program budget costs in appropriate

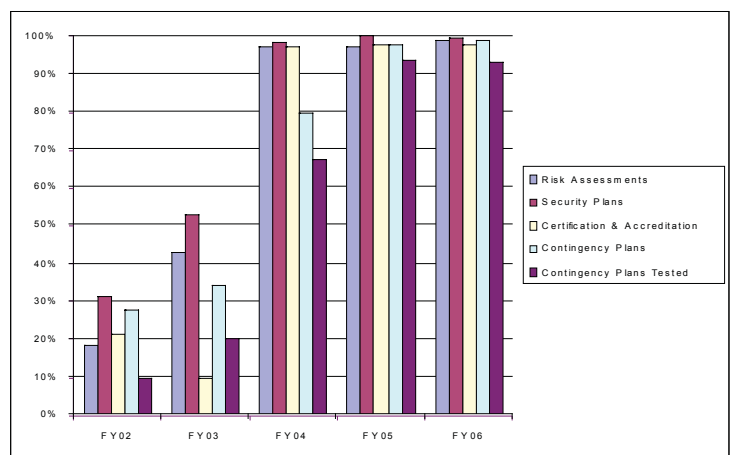
OMB submissions. Furthermore, EA is a means of capital asset control in which Interior has made substantial progress. Clean security architecture will enable system owners to build and change systems in accordance with pre-approved patterns. Benefits of architecture include operational consistency, cost-effective licensing, and ease of security control maintenance/validation. In FY 2006, Interior received the highest scores for its EA out of 25 agencies reviewed by OMB.

In FY 2006, Interior made substantial progress towards implementing a single Departmental ESN. The ESN architecture includes robust network perimeter security controls and enables Interior to manage perimeter controls more consistently, effectively, and cost-efficiently. A total of 13 bureau networks have been consolidated. This enhanced network perimeter architecture significantly reduces network attack vectors and enables security resources to focus on further enhancing perimeter security controls and monitoring for potential intrusions in a most cost-effective manner. Interior systems are also migrating to Interior’s Enterprise Directory System (Active Directory) which enables more consistent implementation of security control configurations relating to authentication, access, and authorization.

Interior has integrated IT security costs as part of the Capital Planning and Investment Control process. IT Security costs for maintenance of security patches, anti-virus, and other routine maintenance of security

FIGURE 1-75

Certification and Accreditation Activities



controls are included as part of the operational and maintenance (O&M) costs for each system. Costs for implementing planned corrective actions to resolve identified weaknesses within each system are also budgeted for as part of each investments' OMB Exhibit 53 and 300.

The nearly \$100 million identified for Interior IT security program initiatives in FY 2004— FY 2006 is focused on the right objectives and achieving lasting results. The annual FISMA evaluations of the OIG and CIO appropriately recognized that IT security at Interior is not perfect, that risks and vulnerabilities still remain, and that improvements need to be made. Nonetheless, Interior believes the policies and processes in place to address those risks are adequate, that improvements have been and will continue to be made in a timely and cost-effective manner, and that Interior substantially complies with FISMA.

## Compliance with Key Legal and Regulatory Requirements

Interior is required to comply with several key legal and regulatory financial requirements, including the Prompt Payment Act, the Debt Collection Improvement Act, and the Independent Offices Appropriation Act (User Fees).

Based on the results of the FY 2006 independent financial statement audit, Interior was determined to be compliant with legal and regulatory financial requirements and the U.S. Government SGL components of the FFMIA. As noted earlier in this section, Figure 1-70 presents a summary of the Department's areas of compliance reported in the FY 2006 financial statement audit opinions.

### Prompt Pay, Debt Collection, and Electronic Funds Transfer

The Department is continuing to improve performance under the requirements of the Prompt Payment Act and the Debt Collection Improvement Act. The Prompt Payment Act requires that payments be made within 30 days of receipt of invoice; otherwise, the Federal Government is required to pay interest, if more than \$1.

The Department's FY 2006 performance resulted in achieving goals for Prompt Payment (Figure 1-76), Debt Collection Improvement Act (Figure 1-77), and payments made by Electronic Funds Transfer (Figure 1-78).

## Financial Management Improvement Initiatives

The Department is moving forward to fully comply with the E-Gov travel initiative. During FY 2007, Interior will begin to roll out an automated travel voucher system that will complement the already automated Travel Manager Center and On-line Booking Engine. The system will be interfaced with the current finance system (FFS), as well as integrated with FBMS as it is deployed throughout the Department.

### Improved Cost Information

The Department is in the process of validating the cost data reported in the Statement of Net Cost by implementing a reconciliation process between the Statement and the cost data accumulated and reported in the managerial cost accounting system. The cost information developed and reported through this process will allow bureau managers to evaluate how well bureau programs are meeting the Department's strategic goals and objectives. The process will be implemented in FY 2007

### Financial Management Systems.

The Department shares the view of the government-wide CFO Council that a key to improved financial and program management is improved financial management systems. Improving financial management systems will provide for and strengthen decisionmaking capabilities and enable Interior program and financial managers to more effectively achieve the Department's missions. The Department recognizes the importance of its financial management systems as a part of its capital assets portfolio and uses sound information technology investment management principles to plan and monitor these systems. With FBMS, Interior's goal is to achieve and maintain the objective stated in OMB Circular A-127 for each agency to establish a single, integrated financial management system. In pursuing this goal, the Department will follow the information technology investment management practices and principles identified in the Clinger-Cohen Act of 1996.

## Financial Management Systems Improvement Strategy.

The Department's goal is to continue to improve financial transaction processing and to enhance financial management systems support through an effective partnership of program, information system, and financial managers.

The Department relies on a unified set of financial management systems planned for and managed together and operated in an integrated fashion to collectively support program and financial managers. These systems are managed at various levels within the Department. Some of these systems are managed on a Departmental level, others are maintained at a bureau or local level, and some are government-wide systems on which the Department relies. Collectively, they represent the Department's financial management systems architecture.

The Department has viewed the movement toward a single, integrated financial system as encompassing four interrelated elements: (1) migrating to and enhancing standard Department-wide systems; (2) improving or replacing financial and mixed systems to take advantage of new technological capabilities (e.g., Internet browser and smart card technology); (3) effectively interfacing or integrating financial management systems through electronic transfer of data and establishing standardized financial data classifications for movement of data to support finance and program managers; and (4) following sound investment principles in selecting and evaluating financial management systems and recognizing those systems as part of the Department's portfolio of capital assets.

The Department's current financial management system improvement efforts involve three major thrusts:

- **Financial and Business Management System.** Define, carefully plan, and implement a new generation of financial management systems to take advantage of new technology and processing opportunities;
- **Critical Programmatic/Financial Management Systems.** Continue to improve certain critical bureau-based programmatic/financial management programs: Minerals Revenue Management and Indian Trust Funds; and
- **Improve the Information Technology (IT) Infrastructure Supporting Financial Systems.** The IT infrastructure is critical to maintaining quality financial management systems. One of the major IT infrastructure efforts is the Interior Information Architecture Program.

**Financial and Business Management System.** The Department of the Interior is in the process of implementing the Financial and Business Management System (FBMS). When fully operational, the FBMS will provide Interior with standard business practices supported by a single, integrated finance and administrative system for all bureaus. FBMS is an integrated suite of software applications that will help Interior to manage a variety of business functions, including core financials, acquisition, budget formulation, personal property and fleet management, real property, travel, financial assistance, and enterprise management information.

The financial systems and tools that are in place today do not meet the needs of the employees who report on key information, make decisions based on that information, and apply the limited resources that they have to serve each bureau's mission. In many areas, redundant administrative tasks take away time that could be better spent on mission-focused activities.

The FBMS is taking a comprehensive approach to improving the current business functions in its core systems by replacing the current computer systems with state-of-the-art software. The combination of standard business practices and new computer system functionality will enable the bureaus to improve service to their customers and to operate more efficiently.

Benefits gained from implementing this suite of applications will include:

- Access and share real-time, accurate business information;
- Support effective business decisions for mission delivery;
- Issue accurate financial reports and analysis of core financial acquisition, financial assistance, and property data.

**FY 2006 Accomplishments**

- Awarded a contract for FBMS implementation to IBM Business Consulting;
- Accomplished the necessary activities to ensure successful FY 2007 FBMS implementation—including deployment of core financials, Departmental interfaces, Financial Assistance, and Enterprise Management and Reporting for OSM and MMS. Activities include, but are not limited to the following:
  - Completed all system configuration, business process procedures, and test scripts for core financials and enterprise information management.
  - Completed the development and testing of conversion and interface programs, including FPPS labor and other external interfaces.
  - Conducted integration testing;
- Finalized the FBMS cutover plan for core financials; and
- Maintained ongoing operation of Deployment 1 (Financial Assistance at three bureaus).

**FY 2007 Planned Activities**

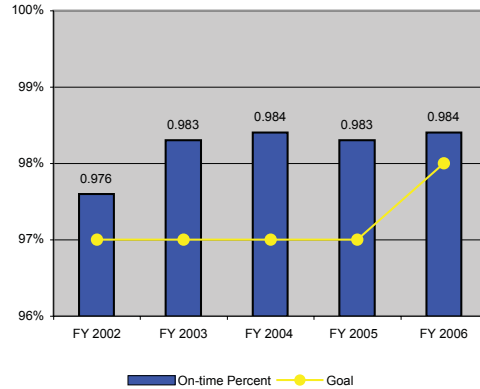
Accomplish the necessary activities to ensure successful FY 2008 FBMS implementation. Activities include, but are not limited to:

- Complete all system configuration, business process procedures and test scripts for core financials, acquisition, permanent change of station, and enterprise information management.
- Complete the development and testing of conversion and interface programs.
- Conduct integration testing.
- Conduct user acceptance testing.
- Finalize the FBMS cut over plan for core financials and acquisition.

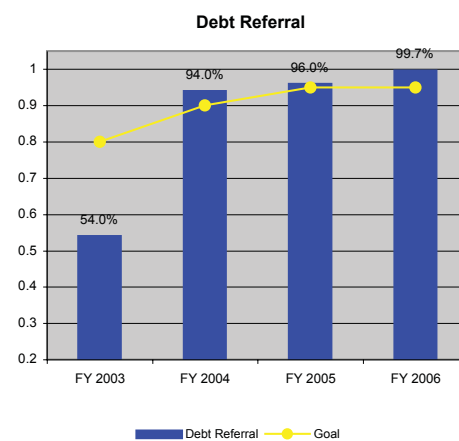
**Critical Programmatic Systems**

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

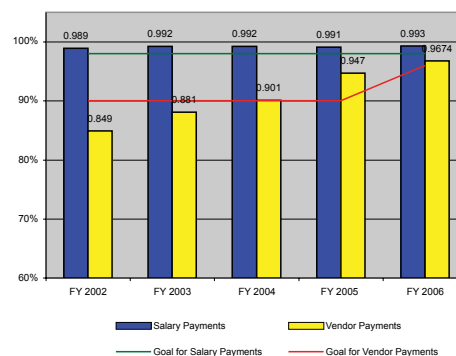
**FIGURE 1-76**  
**Prompt Payment**



**FIGURE 1-77**  
**Debt Referral**



**FIGURE 1-78**  
**Electronic Funds Transfer**



### MMS's Minerals Revenue Management System

The Minerals Revenue Management (MRM) program is responsible for ensuring that all mineral revenues from Federal and Indian lands are efficiently, effectively, and accurately collected, accounted for, verified, and disbursed to recipients in a timely manner. These revenues average more than \$8 billion annually. To ensure revenues are properly collected and disbursed, MMS utilizes a broad range of financial services, and pursues a comprehensive compliance strategy that includes an automated compliance verification program to validate the accuracy and timeliness of revenues paid. MRM also administers a robust Royalty-In-Kind (RIK) program, which utilizes an asset management approach to ensure the receipt of optimal value for mineral resources.

### FY 2006 Accomplishments

- In March 2006, MMS completed an analysis that examined the performance of the RIK program during FY 2005, the second full year the program was in an operational status following 6 years of pilot testing. Among the highlights of the report were that RIK sales of oil and gas generated a revenue gain of \$32.3 million over what would have been received if MMS had taken the royalties in value, or as cash payments. Moreover actual, measured administrative costs were from 42% to 52% less than the costs that would have been incurred under a universal royalty in value approach, an efficiency gain that translates to \$3.75 million in cost avoidance.
- MMS developed a Risk Procedures Manual in April 2006 as a guide to RIK staff in everyday implementation of the risk policy. The Manual aligns with MMS's RIK internal control and performance/ risk monitoring framework, established in FY 2005, to support the RIK operational program and MMS policy oversight functions. In August 2005, MMS released a RIK Risk Management Policy (based on two comprehensive risk assessments of the RIK Program) which identified and addressed the risks encountered in this commercial energy commodity sales program.
- Working in partnership with the Bureau of Land Management (BLM), Bureau of Indian Affairs (BIA), Office of the Special Trustee for American Indians

(OST), and the U.S. Geological Survey (USGS), the MMS is leading an effort to expand the number of Indian outreach sessions provided by developing Indian oil and gas training that covers all aspects of trust management including land ownership, leasing, drilling, production verification, lease inspection, royalty reporting, compliance, royalty disbursement, and financial trust accounts. The new training is tailored for tribes and Individual Indian Mineral Owners in the various regions where outreach is conducted as well as for Department of the Interior employees who are involved in Indian oil and gas activities. The additional outreach sessions and the joint agency training program will provide Indian communities and Interior employees opportunities to gain more knowledge of the full spectrum of Indian mineral resources.

### FY 2007 Planned Activities

- Implement an effective risk metrics program to quantitatively identify exposures and inform commercial decisionmaking within the RIK Program.
- Expand RIK portfolio through diversification, after enhancing internal controls, risk policy framework, and human resource skill sets.
- MRM will continue to implement its Strategic Business Plans.
- Publish a proposed Takes vs. Entitlements Rule.
- Publish a proposed rule for Prepayment of Royalties on Marginal Properties.
- Publish a proposed rule on Late-payment and Overpayment of Interest.

### American Indian Trust Funds Systems

The American Indian Trust Fund Management Reform Act of 1994 (the Act) identified some of the Secretary's core responsibilities for trust fund management and established the Office of Special Trustee for American Indians. The Act identified actions required for the Secretary's proper discharge of trust responsibilities, including providing adequate systems for accounting for and reporting trust fund balances; providing adequate controls

over receipts and disbursements; providing periodic, timely account reconciliations; determining accurate cash balances; and preparing periodic statements of account performance and balances. The Act also addressed the need for developing systems for accounting and investing funds, for reporting to account holders, and for maintaining accurate data on ownership and leasing of Indian lands.

In FY 2001, the Department commissioned an independent review that concluded the previous reform results were not accomplishing the intended comprehensive result. Accordingly, the Department developed a more comprehensive and integrated approach—the Comprehensive Trust Management Plan, dated March 28, 2003—that sets forth a strategic framework, including six strategic goals (and various objectives) for the Department to meet in fulfilling its obligations to its fiduciary trust beneficiaries:

- Beneficiary services that are trusted, accurate, and responsive;
- Tribal self-governance and self-determination that increase participation in managing assets;
- Ownership information that is accurate, timely, and reliable;
- Land and natural resources management that maximizes return while meeting beneficiary desires (constrained by beneficiary preferences on other factors);
- Trust fund assets management that meets fiduciary standards; and
- Administrative services that: (1) enable and empower the organization and workforce to be an effective fiduciary trustee; and (2) provide modern, appropriate systems and tools to manage the fiduciary trust.

### Legal and Regulatory Requirements

The Plan identifies primary business lines: beneficiary trust representation, trust financial management and stewardship, and management of land and natural resources. Strategic goals and specific related objectives fit within these business

lines. In addition, the Historical Accounting Plan for IIM Accounts is being implemented.

### FY 2006 Accomplishments

Through the Office of the Special Trustee for American Indians, the Department of the Interior is in its second year of implementing the Fiduciary Trust Model (FTM). An Indian Trust Funds Lockbox has been implemented that receives, processes, and deposits trust fund remittances into the U.S. Treasury. Currently, all trust fund remittances derived from non-oil and gas activity are processed by the Lockbox, which mitigates the risk of physically handling funds.

In addition, the Department has introduced new systems to process work, substantially eliminated backlogs in recording vital information into the new title system, and more efficiently processing Indian Trust estates. All eight Bureau of Indian Affairs Land Titles and Records Offices (LTRO) have converted to a new land title system. BIA agency offices are currently in the process of converting to a new leasing system which is integrated with the land title and trust funds accounting system. The BIA's goal is to have all locations successfully converted to the new leasing system by September 30, 2007. As BIA locations convert to the new leasing system, Indian trust beneficiaries will begin receiving quarterly statements that include more detailed information on trust assets and trust income.

- Continued implementation of the FTM. Migrated to automated systems that are integrated in order to support the FTM trust business processes and fulfill beneficiary needs and fiduciary requirements.
- Fully converted 45 agencies to the accounting, payment processing, data, title, and management systems.
- Utilized the MRM, an MMS program for collecting, accounting for, and distributing mineral revenues from both Federal and Indian mineral leases. BIA maintains individual Indian ownership records, and OST uses this information for disbursement of lease revenues to individual Indian beneficiaries at the pilot and converted agencies.



- Distributed \$62.9 million as of September 30, 2006, to individual Indian trust account holders who were previously on the “Whereabouts Unknown” list through collaborative efforts between OST, BIA, and tribal governments.
- Safeguarded millions of Indian trust records at the American Indian Records Repository, in Lenexa, Kansas. So far, more than 140,000 boxes containing almost 300 million pages of Indian records have been electronically indexed and stored at a state-of-the-art storage facility.
- Increased direct deposit to 2,376 IIM account holders, thus avoiding lost checks and providing timely delivery of funds.
- Published informational materials, including a new account Welcome Kit, and informational brochures, for Indian trust beneficiaries to help educate and inform them about their trust accounts and assets.
- Held outreach events, and attended Indian Country community events such as Pow Wows and meetings across the country to help inform Indian trust beneficiaries about their accounts and assets.
- Conducted assessments of business process workflows, integrated system support, and workforce plans at field locations.
- Incorporated regulatory initiatives into operating procedures, manuals and handbooks.
- Developed and incorporated standardized conveyance operating procedures into handbooks issued by BIA to streamline the process to acquire and convey ownership and beneficial interests in trust assets.
- Developed and automated standardized agricultural and range lease contracts.
- Developed training curriculum for the FTM standardized processes.
- Provided quarterly trust-related training, including Trust Fundamentals, orientation programs for OST Fiduciary Trust Officers and Deputy Superintendents, as well as new hires; TFAS, lockbox operations, and other related trust systems.
- Certified 50 Interior employees as Certified Indian Fiduciary Trust Analysts and/or Specialists.
- Aligned the Risk Management program with OMB Circular A-123 and A-130 for all OST locations.
- Completed BIA-wide implementation of the Lockbox.
- Completed DQ&I project tasks for 45 BIA agencies.
- Implemented post-quality assurance review processes at four BIA LTROs.
- Completed a directive handbook to standardize the format of various types of directives that provide guidance to program offices in the creation and maintenance of OST directives.

#### FY 2007 Planned Activities

- Continue implementation of systems and processes at BIA regions with scheduled completion in September 2007.
- Redesign and update the OST external web site ([www.doi.gov/ost](http://www.doi.gov/ost)) to be interactive and informational for Indian Trust account holders.
- Work with a contractor to communicate with Indian trust beneficiaries about the services and products available to them and how Indian trust management reforms affect them.
- Develop and implement Cannon’s Certified Indian Trust Examiner certification program.
- Certify additional Interior employees as Certified Indian Fiduciary Trust Analysts and/or Specialists.
- Develop and provide job-specific training to over 500 Interior and tribal employees in new FTM business processes, e.g., Lockbox; tribal self-governance and self-determination; and trust accounting.

- Continue implementation of the multi-phased FTM project plan, and create a unified CTM/FTM continuous improvement team with representatives from multiple bureaus and tribes.
- Distribute an aligned risk management assessment tool that provides automated assessment and corrective action plan development and maintenance.
- Enhance the lockbox operations for additional funds processing.
- Complete Regulatory Initiative Project and implement new Indian Affairs Trust-Related Regulations.
- Revise, implement, and train on standardized BIA Handbooks and OST Desk Operating Procedures in compliance with new regulations.
- Complete analysis of probate information across all trust systems and implement reconciliation recommendations.
- Eliminate Special Deposit Accounts, except in the case of issue-specific accounts that are awaiting Solicitor's opinion or policy decision, under appeal or involved in litigation, or awaiting completion of a cadastral survey.
- Move decisionmaking on selected transactions to the local level.

### Improve the Information Technology (IT) Infrastructure Supporting Financial Systems

The IT infrastructure is critical to maintaining quality financial management systems. One of the major IT infrastructure efforts is the Interior Information Architecture Program.

#### Interior Enterprise Architecture Program

For the last two consecutive enterprise architecture (EA) maturity reviews, OMB has rated Interior as the #1 Federal agency for EA maturity. Agencies were evaluated on three factors of their EA Program: completeness, use, and results. Interior demonstrated the Interior Enterprise Architecture (IEA) program has proven that

its approach is indeed an “actionable” one by demonstrating tangible results emanating from the program. For example, Interior has completed four modernization blueprints that collectively identify approximately 100 legacy/redundant systems that are targeted for retirement over the next few years. Blueprints are helpful for identifying gaps in Interior's existing IT portfolio that hamper the successful achievement of strategic and programmatic goals and objectives, as well as for pointing out system redundancies and opportunities for data sharing. In addition, Interior has realized approximately \$68 million in cost avoidance by leveraging its Technical Reference Model in the establishment of enterprise licensing agreements.

More important than the external accolades is the business transformation that has been enabled at Interior through the IEA program. Through the IEA program, Interior has completed architectures for four of its key business areas with seven additional business areas currently using the Methodology for Business Transformation (MBT) to develop their architectures. Specifically, Interior has focused on the business areas that comprise large percentages of the IT portfolio. These areas, such as Financial Management, Law Enforcement, Wildland Fire, and Recreation, have been architected to improve the overall IT portfolio, as well as the delivery of services within the organizations themselves. This segmented approach to EA ensures that Interior is applying its architecture resources against the Department's most impacting and critical business areas. Currently, there are seven additional Modernization Blueprints being produced, including: Water Management, Surface Mining, Management Planning and NEPA, Geospatial Services, Human Resources, Indian Trust, and Information Technology Management.

In addition to the OMB scores and the internal progress, the IEA program has been recognized by other organizations, including:

- Winner of the 2nd Annual E-Gov Institute award for Excellence in EA for Leadership in Government Transformation in 2004;
- Recipient of Government Computer News

Best Practice recognition for Interior's Data Architecture in 2005;

- Interior was Leveraged by the Federal Enterprise Architecture Program Management Office (FEAPMO) in its Data Reference Model as a real-life example for an implemented Data Architecture;
- Interior's Enterprise Transition Plan was referenced by the FEAPMO as a reference to other Federal agencies;
- The IEA program was featured as a two-part case study in the Journal of Enterprise Architecture in January and May 2006;
- The IEA program and MBT have also been featured as a best practice in the Federal Enterprise Architecture Certification (FEAC) Institute FEA certification course; and
- The IEA program has conducted outreach and information sharing sessions with over 25 Federal, State, and Local government agencies, as well as five foreign governments with the intent of sharing best practices and helping the EA community of practice.

The IEA program has proven that its approach is indeed an "actionable" one. Three of the four modernization blueprints, or road maps for change, developed in 2004 were approved by the Investment Review Board (IRB) and are presently in the implementation phase. In order to help business leaders within Interior conform to the OMB mandate to plan and carry out their own business transformation projects, the IEA extended its architecture methodology to encompass not only steps for the development, but also for the implementation and maintenance of modernization blueprints. This Methodology for Business Transformation provides bureau enterprise architects with a structured, logical and integrated way of ensuring that planning efforts have measurable results and that they are in step with Capital Planning and OMB requirements. As a result of these efforts, Interior was awarded the highest maturity score for its enterprise architecture program out of 25 assessed agencies in July 2005.

## FY 2006 Accomplishments

- Rated #1 of 25 Federal agencies for enterprise architecture maturity by OMB in 2005 and 2006. OMB noted Interior's Integrated Approach, Centralized EA repository, and success at implementing Modernization Blueprints for critical Lines of Business that resulted in targeting redundant systems for retirement, overall IT budget savings, and increased business efficiency. In particular, OMB praised Interior for being aligned with the OMB Federal Enterprise Architecture (FEA), for using an enterprise-wide centralized Departmental Enterprise Architecture Repository (DEAR) to support IT investment decisions, and for its success at implementing Modernization Blueprints for critical Lines of Business.
- Interior EA Program has identified more than 100 redundant IT systems for retirement. As a result of the 4 completed Modernization Blueprints which provide a detailed plan for improving internal efficiencies and end services, minimizing security and privacy risks, and reducing Interior's total cost of ownership through elimination of redundant systems and investments, approximately 100 redundant systems were identified and will be retired within the next 1-3 years, resulting in millions of dollars in savings.
- Modernization Blueprints are underway for seven key business areas. Interior and its bureaus are developing modernization blueprints for the following business areas: Water Management, Surface Mining, Management Planning and NEPA, Geospatial Services, Human Resources, Indian Trust, and Information Technology Management. Like the prior blueprints, these blueprints will define a target architecture and the road map to get there.
- Interior EA Program generates International Interest. The Interior EA program has provided information sharing sessions on its methods and achievements to the representatives from Japan, Korea, Denmark, and Singapore.
- Interior EA Program has increased integration of Information Security with EA methods and tools. Since 2004, the Interior EA program has used the

NIST 800-60 security guidelines when it examines how Interior businesses use IT systems to support business functions. Utilization of NIST 800-60 ensures the identification of all data used that requires either privacy or security protection.

- Interior EA Program has integrated IT Certification and Accreditation tracking systems with a centralized EA repository. Since the Interior EA repository contains the official IT system inventory, the Interior Security C&A tracking system has been integrated into the EA Repository ensuring that all Interior IT systems receive required C&A and maintain required C&A status.
- Interior Enterprise Information Technology Security Architecture Standard. The IEA program supported and partnered with the Cyber-Security Division in the development of this standard document which prescribes a solution-focused and actionable architecture that facilitates key information security objectives. This document is planned for release prior to the end of fiscal year 2006.
- MBT and DEAR Training. Training sessions in Denver and Washington D.C. metro area were held to train architects and other stakeholders on Interior's Methodology for Business Transformation (MBT), which is Interior's approach for creating, implementing, and maintaining modernization blueprints and the DOI EA Repository (DEAR).

#### FY 2007 Planned Activities

- Complete modernization blueprints currently underway: Indian Trust, Management Planning and NEPA blueprint, Geospatial, Human Resources, Water Resources Management.
- Update Interior's Performance Architecture and DEAR with current Interior Strategic Planning Measures.
- Update Interior's Business Architecture to define and document functions, processes, and activities, and identify opportunities for process standardization and streamlining.
- Enhance Interior's Performance Architecture

by including business areas and the criteria for prioritizing future modernization planning in the Enterprise Transition Plan.

- Improve EA Deployment by developing a business intelligence (BI) capability integrated with DEAR to provide Interior capital and strategic planners integrated EA planning and execution monitoring information.
- Improve EA Deployment by integrating Performance Monitoring and Tracking within the EA Program.
- Enhance Interior's Transition Strategy by revising the Methodology for Business Transformation to include specific reference to how the blueprint recommendations are used to update Interior's Enterprise Transition Strategy.
- Enhance Interior's Transition Strategy by revising the Methodology for Business Transformation to include specific guidance integrating capital planners and appropriate EA governance bodies in the process of creating the proposed investments for modernization blueprints.
- Improve EA Deployment by revising the Interior EA website to provide more effective communication of the business value of EA.
- Improve EA Governance and Management oversight by instituting semi-annual reporting of Bureau EA Maturity Assessments.

#### Financial Management Human Capital

The Department of the Interior's financial management community continues to face major workforce challenges. The decade of the 1990s brought significant legislation and increased responsibilities for the entire Federal financial management community. Then came the requirements of the President's Management Agenda and, more recently, OMB's revised Circular A-123 Appendix A requirements. In addition to the government-wide initiatives, Interior is also engaged in a Departmentwide effort to implement a fully integrated Financial and Business Management System (FBMS).

It is imperative that Interior have adequate numbers of highly qualified financial management personnel. These individuals must have the competencies required to successfully transition to and implement the FBMS, as well as the ability to lead a world-class finance organization in the future. The need for a highly qualified Financial Management workforce comes at the same time that many Baby Boomer supervisors, managers, and executives reach retirement age.

A financial management workforce plan was completed and published at the end of 2004. Interior's CFO Council approved the plan's major recommendations, established a Workforce Steering Committee in early 2005, and is responsible for implementing the identified recommendations. The workforce plan's four major recommendations are:

- A strategic focus on new employee recruitment;
- Retention of employees who have or can develop needed competencies;
- Career paths to develop employees at all levels of experience with "workforce of the future" skills; and
- Training and professional development opportunities for both technical/analytical skills and business/organization skills to enhance competencies and develop employees who are flexible and versatile.

**Increasing the Availability and Diversity of Qualified Accountants, Financial Analysts, and Other Personnel**  
The Financial Management Workforce Plan highlights the need for strategic recruitment and retention, with particular emphasis on using programs such as career intern programs. Interior established the R. Schuyler Leshner Financial Management Career Intern Program (FMCIP) in 2002 to recruit and train entry-level professionals in accounting and financial analysis for the Department and the bureaus. Each year Interior's financial management community partners with DOI University to recruit a new class of high potential entry-level accountants and financial analysts to participate in this career development program. The Financial Management Workforce Plan reinforces the importance of continuing the Financial Management Career Intern Program (FMCIP).

The Workforce Plan also recommends making better use of existing recruitment and retention authorities and incentives. The Workforce Steering Committee established a recruitment subgroup which developed a cross-bureau financial management recruitment strategy and implemented a recruitment schedule for the Fall of 2006.

#### FY 2006 Accomplishments

- Hired six new interns as the 2006 Class of FMCIP;
- 2005 FMCIP Class (four interns) completed the first year of training and development;
- Graduated the 2004 FMCIP Class with eight members;
- Expanded efforts to recruit for the FMCIP at various multi-school and diversity career fairs in the Northeast, the Midwest, the Southwest, and in Colorado;
- Developed and implemented a Departmentwide, cross-bureau financial management recruitment strategy; and
- Executed a Fall 2006 recruitment schedule.

#### FY 2007 Planned Actions

- Recruit a new FMCIP class of 2007;
- Research best practices among Federal agencies in using existing recruitment authorities; and
- Implement a Departmentwide, cross-bureau financial management retention strategy, providing tools for managers and supervisors.

#### Sponsoring Comprehensive Training and Career Development Programs in Financial Management

The other critical component of Financial Management Human Capital is to provide appropriate training and professional development opportunities to existing financial management personnel so that they are prepared to carry out their growing responsibilities. The Financial Management Workforce Plan noted specific competencies Interior's workforce must develop to support both the implementation of the FBMS and a successful

transformation to a world-class finance organization. The plan emphasized the need for a simultaneous focus on competency training and development for both the current transition period and for the future.

The Financial Management Workforce Plan recommends a comprehensive financial management career paths program, with career paths defined at multiple levels. Interior has already implemented an entry-level phase of the Financial Management Career Paths Program with the FMCIP. Initial work has begun on the design and development of a competency model. The competency model will be used to develop and implement the mid-level, senior-level, and executive-level components of this comprehensive program.

Interior plans to expand training and career development opportunities to support the career paths identified in the new career paths program. The program will be built on the Joint Financial Management Improvement Program (JFMIP) published core competencies, the critical competencies identified in the financial management workforce plan, and validation by a 2006 Financial Management Competencies Survey.

#### FY 2006 Accomplishments

- Conducted and analyzed a Departmentwide survey of senior financial managers and executives to identify and validate required competencies for accountants and financial analysts.
- Developed a Financial Management Competency Model which will be validated and used in the design and development of a Financial Management career paths program.
- Sponsored graduates of the FMCIP for certification in Financial Management and Leadership Development through Management Concepts, Inc.
- Sponsored courses in:
  - Working Across Multigenerational Workforces
  - Dollars and Sense
  - Governmental Budget and Accounting Concepts
  - Appropriations Law
  - Standard General Ledger
  - Process Improvement
  - Formal Mentoring

- Budget Formulation and Execution
- Effective Briefing and Presentation Skills
- FASAB Standards
- Internal Controls
- Essentials of Analysis
- CGFM series
- Leading and Managing Change
- Leadership Development

#### 2007 Planned Actions

- Conduct a Departmentwide financial management skills gap analysis based on the Financial Management Competency Model.
- Conduct a Financial Management needs assessment.
- Begin to design the Financial Management Career Paths curriculum, which will be developed in 2008.

#### Financial Data Stewardship

Financial data stewardship is the process of managing information needed to support program and financial managers, and ensuring that data captured and reported is accurate, accessible, timely, and usable for decisionmaking and activity monitoring. The objective of data stewardship policy is to synchronize data collection processes, reduce data redundancy, and increase data accessibility, availability, and flexibility in a systematic manner. Effective data stewardship requires that: (1) definitions clearly describe requirements and characteristics of data to be maintained in financial management systems; (2) data is created, recorded, and reported in compliance with definitions; and (3) feedback is provided when data are inadequate to meet user needs for information. Additionally, data assurance must provide attestation to, or comments on, the integrity of the information in the system.

The Office of Financial Management (PFM) provides overall coordination of data stewardship functions for financial data in Interior. The data stewardship function involves two levels of activities: (1) participating in setting government-wide financial data standards; and (2) setting financial data standards in coordination with the bureaus' finance operations.

PFM has dedicated one full-time staff person to focus on data stewardship functions, participate in government-wide financial data standard setting activities,

and coordinate with the Standard Accounting Classification Advisory Team (SACAT) on setting standards for financial data for use throughout Interior. Several other individuals within PFM assist the data steward on various individual projects. The PFM data steward monitors the Departmentwide data definition process, monitors data creation and compliance processes, ensures data usage relies on information derived from data consistent with the intended definition, and ensures adjustments are made to data definitions when it is inadequate to meet user needs. In addition, the PFM data steward participates in the development and implementation of the Financial and Business Management System (FBMS). This function also coordinates Departmental financial data definitions with the two key government-wide financial data standard setting groups—the Financial Management Service’s United States Government Standard General Ledger (USSGL) Board and OMB. The data steward acts as the point of contact for Continuity of Operations processes and procedures for the PFM.

To coordinate the establishment and implementation of financial data standards in Interior, the bureaus and PFM have chartered the SACAT, under the leadership of the Finance Officers’ Partnership, to establish and maintain a common approach among the bureaus for addressing USSGL issues that relate to accounting policy and procedures, reporting requirements, internal controls, and SGL maintenance. The PFM data steward is a member of the SACAT.

In addition to the SACAT, the data steward also participates on the Financial Statement Guidance Team (FSGT). The FSGT is comprised of the various bureaus of the Department and deals with issues and concerns related to the preparation of the performance and accountability report and implementation of A-136.

#### FY 2006 Accomplishments

- Analyzed and enhanced the reporting process to support performance reporting under the GPRA and the timely preparation of the Annual Performance and Accountability Report.
- Prepared Department responses to draft FASAB, OMB, and Treasury financial reporting guidance. PFM and various bureaus of the Department are

working closely with the AAPC to prepare guidelines for implementation of SFFAS 29 and 30. PFM and the Department have actively participated in the development of specific accounting standards addressing oil and gas treatment on the balance sheet. In addition, PFM leads a government-wide workgroup to respond to FASAB issues for the Chief Financial Officers’ Council.

- Coordinated the reconciliation of intra-Interior financial balances and the reconciliation of Interior transaction balances with other Federal agencies.
- Updated intra-Department financial statement preparation guidance.
- Worked closely with the FBMS Steering Committee to monitor implementation progress; address and resolve accounting and reporting issues; and ensure appropriate internal controls are planned, implemented, and functioning as intended.
- Ensured PFM compliance with National Response Plan and Continuity of Operations requirements by participation in meetings, training, and drills.

#### FY 2007 Planned Activities

- Continue to analyze and enhance the reporting process to support performance reporting under the GPRA and the timely preparation of the Annual Performance and Accountability Report.
- Continue to coordinate and prepare Department responses to draft FASAB, OMB, and Treasury financial reporting guidance.
- Continue to work with the AAPC to develop and issue guidance on the implementation and interpretation of SFFAS 29 and 30.
- Continue to coordinate the reconciliation of intra-Interior financial balances and the reconciliation of Interior transaction balances with other Federal agencies.
- Update intra-Department financial statement preparation guidance.
- Work closely with the FBMS Steering Committee to monitor implementation progress; address and resolve accounting and reporting issues; and

ensure appropriate internal controls are planned, implemented, and functioning as intended.

- Continue to participate in Continuity of Operations and emergency management meetings, training, and drills.



# ANALYSIS OF FINANCIAL STATEMENTS

Interior received, for the 10th consecutive year, an unqualified audit opinion on its financial statements. These financial statements are prepared in accordance with established Federal accounting standards and are audited by the independent accounting firm of KPMG LLP. It is Interior's goal to improve financial management and to provide accurate and reliable information that is useful for assessing performance and allocating resources.

*Figure 1-79* illustrates a condensed version of Interior's Consolidated Balance Sheet and Statement of Net Cost.

## Overview of Financial Position

### Assets

In FY 2006, Interior's assets totaled \$65,433 million. This is an increase of \$1,999 million over the prior year's assets, which totaled \$63,434 million. Intragovernmental Assets and General Property, Plant, and Equipment comprise 95% of the total assets. *Figure 1-80* summarizes Interior's assets as of September 30, 2006.

Intragovernmental Assets are primarily composed of the Fund Balance with Treasury, Investments in U.S. Treasury Securities, and Loans and Interest Receivable.

General Property, Plant, and Equipment are primarily composed of land, structures, and facilities which are used for general operations, power, wildlife enhancement, and recreation. Most of Interior's structures and facilities are composed of dams, power, and irrigation facilities managed by BOR. The remainder consists of buildings and facilities used in Interior's operations (e.g., visitor centers, fish hatcheries, and BIA schools).

### Liabilities

In FY 2006, Interior's liabilities totaled \$11,938 million. This is a decrease of \$759 million over the prior year's liabilities, which totaled \$12,697 million. Intragovernmental Liabilities, Federal Employee and Veteran's Benefits and Accounts Payable with the Public comprise 72% of the total liabilities. *Figure 1-81* summarizes Interior's liabilities as of September 30, 2006.

Intragovernmental Liabilities comprises primarily

FIGURE 1-79

Condensed Balance Sheet  
As of September 30, 2006 and 2005  
(dollars in thousands)

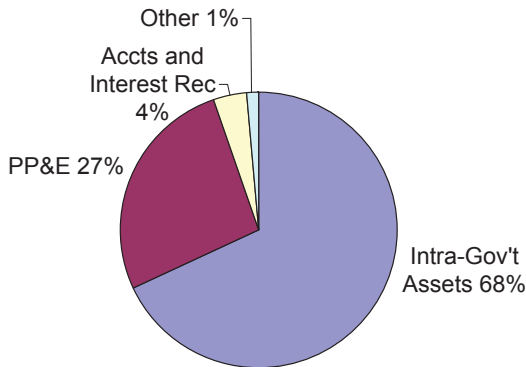
	2006	2005	% Change
<b>Assets</b>			
Intragovernmental Assets	\$ 44,577,141	\$ 42,462,958	5%
General Property, Plant, and Equipment, Net	17,491,901	17,323,778	1%
Accounts and Interest Receivable, Net	2,478,037	2,660,566	-7%
Other	885,908	986,598	-10%
<b>Total Assets</b>	<u>\$ 65,432,987</u>	<u>\$ 63,433,900</u>	3%
<b>Liabilities</b>			
Intragovernmental Liabilities	\$ 6,068,514	\$ 6,877,463	-12%
Accounts Payable	1,109,655	1,082,888	2%
Federal Employee and Veteran Benefits	1,387,423	1,367,705	1%
Contingent Liabilities	614,468	631,174	-3%
Other	2,757,915	2,737,748	Less than 1%
Total Liabilities	<u>11,937,975</u>	<u>12,696,978</u>	-6%
<b>Net Position</b>			
Unexpended Appropriations	4,227,548	4,179,242	1%
Cumulative Results of Operations	49,267,464	46,557,680	6%
Total Net Position	<u>53,495,012</u>	<u>50,736,922</u>	5%
<b>Total Liabilities and Net Position</b>	<u>\$ 65,432,987</u>	<u>\$ 63,433,900</u>	3%

Condensed Statement of Net Cost  
For the Fiscal Years Ended September 30, 2006 and 2005  
(dollars in thousands)

	2006	2005	% Change
<b>Mission</b>			
Resource Protection	\$ 2,810,075	\$ 2,298,764	22%
Resource Use	2,615,472	2,902,861	-10%
Recreation	1,410,049	1,507,425	-6%
Serving Communities	5,614,166	5,833,820	-4%
<b>Non-Mission</b>			
Reimbursable Activity and Other Costs	954,780	870,156	10%
<b>Net Cost of Operations</b>	<u>\$ 13,404,542</u>	<u>\$ 13,413,026</u>	Less than 1%
Total Cost	19,484,442	19,750,645	-1%
Total Revenue	6,079,900	6,337,619	-4%
<b>Net Cost of Operations</b>	<u>\$ 13,404,542</u>	<u>\$ 13,413,026</u>	Less than 1%

FIGURE 1-80

## FY 2006 Asset Categories



debt to the U.S. Treasury, resources payable to Treasury, and advances and deferred revenue.

Federal agencies, by law, cannot disburse money unless Congress has appropriated funds. Funded liabilities are expected to be paid from funds currently available to the Department. Interior's unfunded liabilities consist primarily of environmental and legal contingent liabilities and unfunded employee compensation costs, which include Federal Employment and Compensation Act and annual leave. These liabilities will be paid from funds made available to Interior in future years. The associated expense is recognized in the period in which the liability is established, regardless of budgetary funding considerations.

#### Ending Net Position

Interior's Net Position at the end of 2006, disclosed in the Consolidated Balance Sheet and the Consolidated Statement of Changes in Net Position was \$53,495 million, an increase of about \$2,758 million or 5% from the previous year.

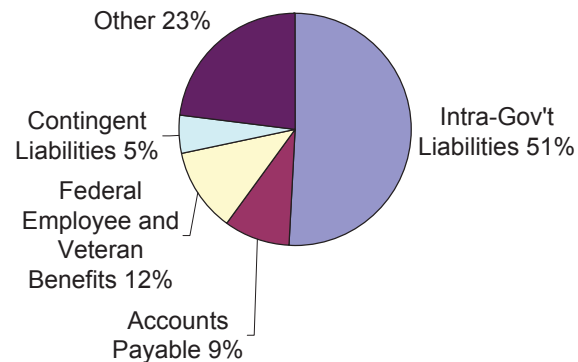
The Net Position of Interior consists of two components (1) Unexpended Appropriations of \$4,228 million and (2) Cumulative Results of Operations of \$49,267 million. The growth in Unexpended Appropriations is primarily due to the annual increase in budget authority Interior receives for its missions.

#### Results of Operations

Interior's net cost of operations for FY 2006 was \$13,404 million. This is a decrease of \$9 million from the previous year's net cost of \$13,413 million.

FIGURE 1-81

## FY 2006 Liability Categories



Most costs incurred by Interior are directly related to providing services to the public. Costs associated with earning revenue from Federal agencies are approximately 11% of total expenses.

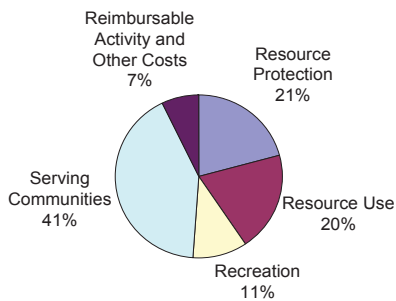
The Consolidated Statement of Net Cost is divided into the following five major program segments: Resource Protection; Resource Use; Recreation; Serving Communities; and Management Excellence, Reimbursable Activity and Other. Serving Communities represents 41% of the Department's net cost of operations (*Figure 1-82*).

#### Revenues

During FY 2006, Interior earned approximately \$2,911 million in revenue from the public and approximately \$3,169 million in revenue from other Federal entities, for a total of \$6,080 million (*Figure 1-79*). This is a decrease of about \$258 million from September 30, 2005. In FY 2005, approximately \$3,166 million was earned in revenue from the public and approximately \$3,172 million was earned in revenue from other Federal entities for a total of \$6,338 million.

Interior classifies revenue as either exchange or non-exchange revenue. Exchange revenues are those that derives from transactions in which both the government and the other party receive value, including park and wildlife refuge entrance fees, map sales, and other products and services that are directly related to Department operations. Revenue collected from other Federal agencies consists of reimbursable activities such as construction, engineering, and other technical services. Most of the revenue received from Federal

**FIGURE 1-82**  
**FY 2006 Net Cost of Operations**



agencies is generated from Interior Franchise Fund and National Business Center operations that provide shared administrative services. Interior also collects mineral lease revenues on behalf of the Federal Government. These are presented in the Statement of Custodial Activity rather than the Statement of Net Cost.

Interior collects various non-exchange revenue. Examples of non-exchange revenue are taxes, fines and penalties that the Federal Government collects as a result of its sovereign powers rather than as a result of providing goods or services for a fee. Non-exchange revenue decreased from \$1,277 in FY 2005 to \$1,250 million for FY 2006.

### Custodial Activity

In accordance with Federal accounting standards, receipts from mineral leasing revenue are presented in the Department's Statement of Custodial Activity since the collections are considered to be revenue of the Federal Government as a whole rather than the Department. Mineral leasing revenue was \$11,867 and \$12,386 million as of September 30, 2006, and 2005, respectively, and include Outer Continental Shelf and onshore oil, gas, and mineral sales and royalties.

Interior collects a portion of revenue as royalties-in-kind for transfer to the Strategic Petroleum Reserve. Interior received approximately 25.6 million barrels of petroleum as in-kind mineral lease revenues for the period ended September 30, 2005. This initiative was completed in July 2005. During FY 2006, subsequent revisions to the petroleum estimate were made based on actual data, thus decreasing the reserve value by \$18 million.

### Budgetary Resources

Interior receives most of its funding from general government funds administered by the U.S. Treasury and appropriated for Interior's use by Congress. These resources consist of the balance at the beginning of the year, appropriations received during the year, and spending authority from offsetting collections, as well as other sources of budgetary resources (*Figure 1-83*). Other resources include special and trust funds such as Conservation Funds (the Land and Water Conservation Fund, Historic Preservation Fund, and the Environmental Improvement and Restoration Fund), the Reclamation fund, and the Aquatic Resources Trust Fund. These funds are administered in accordance with applicable laws and regulations.

The Statement of Budgetary Resources provides information on the budgetary resources that were made available to Interior for the year and the status of those resources at the end of the fiscal year. Obligations of \$21,434 and \$21,114 million were incurred as of September 30, 2006, and 2005 on total budgetary resources of \$27,620 and \$26,825 million, respectively (*Figure 1-84*).

### Stewardship Assets and Investments

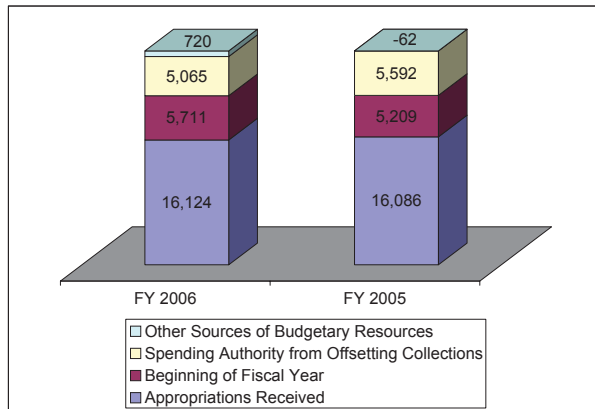
Interior is the Federal Government's largest land-managing agency, administering over 500 million acres of America's land mass and serving as steward for the natural and cultural resources associated with these lands. Each bureau within Interior that administers stewardship lands serves to preserve, conserve, protect, and interpret how best to manage the Nation's natural, cultural, and recreational resources. Some of these stewardship lands have been designated as multiple use, which Congress defines as management of both the land and use of the land in a combination that will best meet the present and future needs of the American people. The stewardship assets managed by Interior generally remain constant (*Figure 1-86*).

Stewardship investments represent expenses charged to current operations that are expected to benefit the Nation over time. Interior's Stewardship Investments include research and development programs, investments in education, and the purchase or construction of assets for which State, local, or Tribal governments and insular areas retain title. Stewardship investments are summarized in the following table.

**FIGURE 83**

**Budgetary Resources \*  
(in millions)**

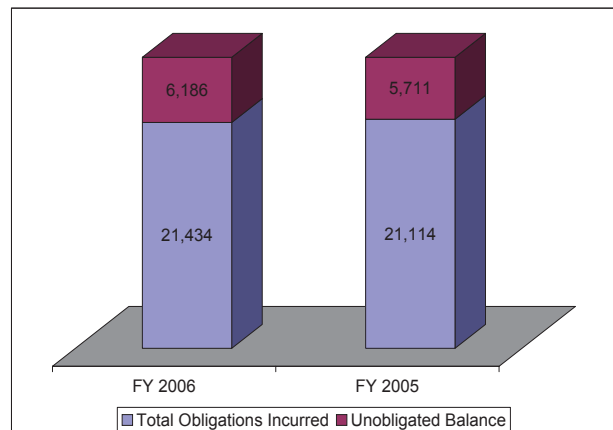
\* Excludes Non-budgetary Credit Program Financing Accounts



**FIGURE 84**

**Status of Budgetary Resources \*  
(in millions)**

\* Excludes Non-budgetary Credit Program Financing Accounts



**FIGURE 1-85**

**Stewardship Investments  
(in millions)**

	FY 2006	FY 2005	Change	% Change
Non-Federal Physical Property	665	557	108	19%
Research and Development	857	918	-61	-7%
Human Capital	605	614	-9	-1%
Totals	2,127	2,089	38	-2%

The increase in Non-Federal Physical Property can be attributed to the completion of several significant Reclamation projects.

Interior’s reported values for Property, Plant, and Equipment exclude stewardship assets because they are considered priceless and do not have an identifiable value. Therefore, monetary amounts cannot be assigned. An in-depth discussion of these assets is presented in the Required Supplementary Information section of the Performance and Accountability Report.

**Limitations of Financial Statements**

Management prepares the accompanying financial statements to report the financial position and results of operations for the Department of the Interior pursuant to the requirements of Chapter 31 of the U.S.C. Section 3515(b).

While these statements have been prepared from the records of the Department in accordance with

generally accepted accounting principles and formats prescribed in OMB Circular No. A-136, “Financial Reporting Requirements,” these statements are in addition to the financial reports used to monitor and control the budgetary resources that are prepared from the same records.

These statements should be read with the understanding that they are for a component of the U.S. Government, a sovereign entity.

**FIGURE 1-86**

**Stewardship Land  
(Federal Units)**

	Beginning Units	Additions	Withdrawals	Ending Units
BLM	126	-	-	126
NPS	388	2	-	390
FWS	668	2	-	670
BOR	146	-	-1	145
BIA	220	1	-	221
Other	1	-	-	1
Total	1,549	5	-1	1,553