

U.S. Department of the Interior



Fiscal Year 2002 Annual Report on Performance and Accountability

January 30, 2003

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An electronic version of this document is available on the Internet at www.doi.gov/pfm/par2002. The Department of the Interior's strategic and performance plans are available at www.doi.gov/ppp/gpra.

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Message from the Secretary



The Department of the Interior touches Americans' lives every day, from the family taking a vacation in one of our national parks or on our public lands to the children studying arithmetic in one of our Indian Schools.

We manage more than one of every five acres of land in the nation, including some of the most beautiful and pristine places on earth. We are entrusted with some of the most evocative symbols of our nationhood, from the Statue of Liberty to Independence Hall. From our lands, society reaps approximately one-third of America's domestic energy. We supply water to make the arid West bloom, and satisfy the thirst of millions of city-dwellers. We serve visitors from around the world who take delight in our lands, parks, and refuges through nearly half a billion visits each year.

Meeting our mission goals is an awesome task—and an increasingly complex challenge—as documented in our fiscal year 2002 Annual Performance and Accountability Report. The financial and performance data presented in this report are fundamentally complete and reliable as outlined in the guidance available from the Office of Management and Budget. This report also presents the status of the Department's compliance with certain legal and regulatory requirements. The annual assurance statement required by the Federal Managers' Financial Integrity Act (FMFIA) concludes that with the exception of the Department's concerns regarding the controls over Indian Trust Fund and other material weaknesses reported herein, the Department can provide qualified assurance that its systems of management, accounting, and administrative controls, taken as a whole, meet the objectives specified in Section 2 of the FMFIA. It also concludes that the Department is not in substantial compliance with applicable federal financial management systems and accounting standards or U.S. Standard General Ledger reporting requirements as specified in Section 4 of the FMFIA.

The year 2002 was one of significant advances for the Department of the Interior. We launched a new Landowner Incentive Program to help America's citizen-stewards preserve wildlife and habitat, taking advantage of the knowledge and energy of the people who live on, work, and love the land. We made important headway in addressing the long-term deterioration of our park and school facilities, repairing facilities at 87 different sites, and establishing working partnerships with local, regional, and state leaders to guide our management of America's lands .

Faced with one of the worst wildland fire seasons in 50 years, we strengthened an innovative partnership that unified federal, state, and local firefighting. To enhance energy security, we began refilling the National Strategic Petroleum Reserves. In fiscal year 2002, we implemented the President's Energy Plan and generated approximately \$9.4 billion in revenue from programs we administer. We shared millions of dollars of revenue from the mineral leasing program with the states. We increased the educational opportunities for 48,000 students in Bureau of Indian Affairs' schools, improved the coordination and effectiveness of our 4,300 law enforcement professionals, and built one of the largest volunteer teams in America, some 200,000 strong, nearly three times our number of full-time employees.

What unites all these accomplishments is our proposed new Government Performance Results Act (GPRA) Plan engendered by a more unified and integrated Interior planning approach. This approach is shifting

attitudes and organizational culture to emphasize results, inter-bureau cooperation, and accountability in the service of our citizens. This citizen-centered focus means we are listening more—and listening more effectively—to the views and perspectives of the Americans whose lives are affected by our decisions.

Our vision for effective stewardship is centered on the “4 C’s”—*consultation, cooperation, and communication, all in the service of conservation*. The better we communicate, consult, and cooperate with the American people, the better we can serve our shared conservation mission. Working together, Americans can conserve our environment and benefit from it at the same time; we can preserve our wild places while maintaining healthy communities and helping ensure America’s prosperity and security.

The Department’s enhanced citizen-focus is also reflected in our governance and our ongoing commitments to become more responsive and cost-effective. Starting with improving our performance plan, we have charted a course for achieving results and devised an organizational and workforce plan to align our resources to meet our goals. Taken together, these tools create a blueprint for more effective and efficient mission performance, greater benefit for the communities we serve, and strengthened transparency and accountability.

No matter how the Department touches your life, I invite you to read this report. It will show you how we use the resources entrusted to us; explain the connections between our mission, strategies, and programs; and describe how we are working to serve you better. It will introduce you to the work of our 70,000 employees and let you hear from Department leaders on such critical issues as Alternative Dispute Resolution, Budget and Performance Integration, and Homeland Security. It details how we measure our successes, where we are falling short, and how we are working to improve.

Most of all, it will show you a Department in the midst of fundamental change, with significant accomplishments to celebrate and significant challenges yet to overcome. We welcome our continuing opportunity to meet those challenges in service to the American people.



Gale A. Norton
Secretary of the Interior

January 30, 2003

Message from the Chief Financial Officer



This FY 2002 Performance and Accountability Report summarizes efforts of the Department of the Interior and its approximately 70,000 employees to protect and manage the Nation's natural and cultural heritage, provide scientific and other information about those resources, and honor special responsibilities and commitments to American Indians, Alaska Natives, and affiliated island communities. Through the publication of this report, we share with you our efforts to improve our accountability and performance consistent with the Department's GPRA Plan, provide a discussion of our accomplishments and most serious challenges, and present our audited financial statements.

The Department is committed to excellence in mission performance, efficiently using the resources entrusted to us in accordance with applicable laws and regulations. The Secretary's "Citizen-Centered Governance Plan" is the blueprint that links key elements of the Department's management reform agenda. The Plan advances the President's Management Agenda for improving the federal government's financial management and performance and provides an integrated approach for conducting our mission, improving delivery of programs and services, implementing new technologies, and maintaining accountability throughout the Department.

The Department has made significant progress in FY 2002. For a sixth straight year, we have achieved an unqualified ("clean") audit opinion on the Department's consolidated financial statements. This is the second year that our financial statements have been audited by an independent accounting firm selected by the Office of Inspector General. Furthermore, in FY 2002 the Department required that all bureaus prepare financial statements, which were also subject to audit. Of Interior's nine subunits preparing financial statements, six received an unqualified audit opinion. Sound financial management is a basic building block of good government. We plan a major initiative in 2003 and beyond to enable all of Interior's operations to meet high financial management standards.

During FY 2002, the Department met or exceeded 55% of the 351 performance measures monitored. Although the Department did not fully meet 35% of the goals in accordance with its stringent criteria for success (within 0.5% of the goal), we met an additional 18.5% at the 80% or greater level. Nine percent of our measures were not reportable because of insufficient data at this time. Performance information for these measures will be reported in the FY 2003 Annual Report on Performance and Accountability.

The Department is addressing the critical issue of workforce management. We are facing key challenges: an aging workforce; an insufficient number of employees with pivotal business and information technology skills; a growing need for enhanced law enforcement capability; and the depletion of senior management staff due to retirement. In FY 2002, the Department developed a Strategic Human Capital Management Plan that provides a framework for addressing these issues and guiding human capital management decisions throughout the Department.

The resolution of audit weaknesses is critical to maintain the integrity and accountability in the Department's programs and operations. Interior corrected or downgraded 8 of the 17 material weaknesses carried forward from FY 2001. The Department has 11 material weaknesses, including two material weaknesses

identified in FY 2002. Our plans provide for correcting 7 of the 11 material weaknesses by the end of FY 2004 and the remaining four material weaknesses by the end of FY 2006.

We are also committed to ensuring the quality and accuracy of the Department's data. Our goal is to provide current and reliable information for better decisionmaking and improved financial performance. In pursuit of this goal, Interior plans to link all of the Department's financial systems electronically, migrating over time to a single, integrated accounting system. In addition, we have developed a remediation plan to correct the material weakness in information technology systems security and other controls as well as compliance with federal accounting standards. We plan to correct this material weakness by the end of FY 2004.

Management improvement is an ongoing, iterative process. We anticipate many leadership and technical challenges as well as opportunities. As we benefit from our financial system integration efforts and system security improvements, we plan to enhance our bureau practices, particularly through activity-based costing, and performance measurement. Such changes will enable the Department to better serve America's citizens more effectively and efficiently while sustaining our dedication to fulfilling our mission. Through continuous improvement, we can achieve the high performance necessary to fulfill our critical mission goals.



P. Lynn Scarlett
Chief Financial Officer

January 30, 2003

From Mission to Measurement: How to Read this Report

The Annual Report on Performance and Accountability will reach many people who have specific needs for the information it contains. We have designed our presentation to serve multiple audiences, with varied approaches, points of view, and levels of detail.

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

The pressures on those resources have never been greater and will continue to grow in the years ahead. Our response must be a relentless focus on their efficient and careful use and management. Only by effectively measuring the results we achieve, as documented in this report, can we adjust the tactics and strategies we use to meet our goal of mission excellence, and deliver the best possible performance for our customers, the American people.

Part 1: Management's Discussion and Analysis is a high-level overview of the Department's performance in FY 2002. It is designed for interested citizens and customers, members of the public, and officials from federal, state, and local government—anyone who does not need the full detail of each individual bureau's performance results.

Starting with a discussion of the growing challenges of 21st century stewardship, section one then highlights accomplishments for each of the Department's six strategic goals identified in our 2002-2005 Strategic Plan. For each goal, we provide a brief narrative and a set of charts that summarize expense and performance results for the year. In addition, this section features a series of articles from senior Department officials on issues that they deemed particularly timely, including homeland security, wildfire protection and prevention, and volunteerism.

This section also discusses the Department's compliance with legal and regulatory requirements, including the Federal Managers' Financial Integrity Act (FMFIA), the Federal Financial Management Improvement Act (FFMIA), Inspector General Act

Amendments (Audit Follow-up), biennial review of user fees, and other key legal and regulatory requirements. An analysis of financial statement data concludes this part of the report.

Part 2: Financial Statements, along with Part 4, will interest anyone who is concerned with tracking the Department's financial performance. This section comprises consolidated financial statements, footnotes, deferred maintenance data, intra-governmental transaction disclosures, stewardship information, and other supplementary information.

Part 3: Independent Auditors' Report contains an assessment of the Department's consolidated financial statements by an independent certified public accounting firm. The objective of a financial statement audit is to determine whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by management, as well as an evaluation of the overall financial statement presentation.

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

Part 4: Appendices presents the Department's performance in comprehensive detail. This section charts all bureau performance targets as tied to the Department's long-term and strategic goals. It compares FY 2002 targets with FY 2002 actual results, explaining in each case why performance exceeded or fell short of plans. This level of detail will be most useful to members and staff in the Congress, program examiners with the Office of Management and Budget, analysts with the Office of Inspector General and General Accounting Offices, and interested citizens and customers.

Part 4 also contains an organization chart for the Department, a glossary of acronyms, and a list of figures and charts.

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

We are interested in your feedback regarding the content of this report. Please feel free to email your comments to us at www.doi.gov/ppp/feedback.html or write to us at the address listed on the "Talk Back" page at the end of the report.