

U.S. Department of the Interior • Bureau of Land Management

Annual Report on Performance and Accountability

Fiscal Year 2005

BLM



PREFACE



The Bureau of Land Management (BLM, or Bureau) is a small agency with a big mission and a lot of ground to cover. We administer more Federal lands than any other agency: 261 million acres of public lands and their myriad resources, plus a total of 700 million acres of subsurface mineral estate.

Our workforce is spread across the country in numerous state offices and field offices. Most of the public lands and resources we manage are in the western states and Alaska. Our Eastern States office in Virginia manages land and natural resources in 31 states east of and bordering the Mississippi River. We also have national centers for business, science and technology, human resource management, and information resource management in Denver; fire management in Boise; and training in Phoenix. Our headquarters is located in Washington, D.C.

In managing the Nation's vast public land holdings for multiple uses, we perform many tasks: resource inventory, land use planning, environmental impact assessment, land surveying, road construction, fish and wildlife habitat restoration, and resource condition monitoring, to name just a few.

Public lands administered by the Bureau include millions of acres of open rangelands; geological formations containing the oil, gas, and coal resources needed to sustain our economic well-being; recreation areas and remote landscapes with spectacular scenery and opportunities for solitude; over 116,000 miles of fishable streams; high forested slopes; alpine tundra; majestic canyons; and rugged badlands.

We invite you to read our 2005 Annual Report and see what we have accomplished. Take a moment to reflect on the wealth of resources and opportunities offered by America's public lands . . . and this year, think about planning a visit to your public lands!

Director's Letter	1
Message from the Chief Financial Officer	2
Cooperative Conservation	4
Management's Discussion and Analysis	5
The BLM's Mission and Organizational Structure.	5
Performance Goals and Results	8
Systems, Controls, and Legal Compliance.	29
Future Effects of Existing, Currently Known Demands, Risks, Uncertainties, Events, Conditions, and Trends	37
Discussion and Analysis of the Financial Statements	41
Financial Statements	44
Principal Financial Statements.	44
Notes to Principal Financial Statements.	50
Supplementary Statement of Budgetary Resources by Major Budget Accounts	80
Stewardship Assets.	84
Stewardship Lands.	84
Natural Heritage Assets	91
Paleontological and Cultural Heritage Properties.	97
Museum Collections	99
Investment in Research and Development.	103
Deferred Maintenance	105
Independent Auditors' Report.	109

TABLE OF CONTENTS





OUR VISION

To enhance the quality of life for all citizens through the balanced stewardship of America's public lands and resources.

OUR MISSION

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

OUR VALUES

To serve with honesty, integrity, accountability, respect, courage, and commitment to make a difference.

OUR PRIORITIES

To improve the health and productivity of the land to support the BLM multiple-use mission.

To cultivate community-based conservation, citizen-centered stewardship, and partnership through consultation, cooperation, and communication.

To respect, value, and support our employees, giving them resources and opportunities to succeed.

To pursue excellence in business practices, improve accountability to our stakeholders, and deliver better service to our customers.

The Bureau of Land Management, part of the U.S. Department of the Interior, is a small agency with a big responsibility. It manages more land than any other Federal agency—261 million surface acres, an area about the size of California and Texas combined, along with 700 million acres of sub-surface Federal mineral estate. The BLM's mandate from Congress is to manage this land for multiple uses while ensuring its health and productivity.

This is a challenging mandate, but the BLM does not try to go it alone in carrying out its multiple-use mission. To succeed in its role as a steward of the land, the Bureau works in cooperation with a host of partners: states, counties, local communities, agencies, organizations, businesses, and private individuals. This management approach, known as Cooperative Conservation, reflects President Bush's commitment to strengthening partnerships and promoting citizen stewardship. As Interior Secretary Gale Norton has put it: "*Ultimately, the people who are best able to take care of the land are those who live on the land, work on the land, and love the land.*"

Bringing a "can-do" attitude to its mission, the BLM manages and protects land that encompasses some of America's most spectacular landscapes, including 175 Wilderness Areas and numerous other special places that are part of the agency's National Landscape Conservation System. These and other BLM-managed lands, most of which are located in 12 Western states, offer myriad outdoor recreational opportunities. The public lands also support a variety of commercial-related activities, such as livestock grazing, which, besides its economic and social benefits to rural communities, helps preserve open space and wildlife habitat in the fast-growing West. Other vital public land uses—energy development, timber harvesting, and mineral production—contribute to the economy of the West and the nation as a whole.

In managing such a wide array of uses, the BLM works to reduce conflicts among the various land users while minimizing impacts on the land's resources. As part of that work, the Bureau must deal with new and complex challenges resulting from urbanization, which has brought many Western cities and suburbs closer to once-remote public lands. This phenomenon of "wildland-urban interface" is moving across the landscapes of the West, where the population of the 12 public land states, including Alaska, rose from 19.6 million in 1950 to 61.9 million in 2000.

While the challenges are formidable, the BLM, as a "can-do" agency, has made notable accomplishments in Fiscal Year 2005, and I invite you to read about them in this Annual Report. Our agency is determined to build on these accomplishments, and we will do that by continuing to strengthen and expand our partnerships at the local, state, and national level.

By succeeding in its multiple-use mission, the BLM will ensure that current and future generations are able to use and enjoy America's public lands.

Kathleen Clarke

DIRECTOR'S LETTER



Kathleen Clarke
Director,
Bureau of Land
Management



MESSAGE FROM THE CHIEF FINANCIAL OFFICER



Michael A. Ferguson
Chief Financial Officer



The BLM's mission—to sustain the health, diversity, and productivity of the public lands for the use and enjoyment of present and future generations—is both complex and challenging. Accomplishing this mission requires dedication and professionalism from our employees, as well as partnerships with others. We work together with individual citizens, communities, interest groups, Tribes, and business and industry to achieve both healthy lands and thriving communities. Secretary of the Interior Gale Norton's principle of the Four Cs: consultation, cooperation, and communication, all in the service of conservation, provides the foundation for our efforts.

The BLM continues to face significant challenges that are critical to the productivity and well-being of local communities and the Nation as a whole. These challenges include promoting responsible development of our Nation's energy resources to reduce our reliance on foreign sources; providing for the exploration and development of new or renewable sources of energy, including wind, solar, geothermal, and biomass; reducing fuel buildups in our Nation's forests and rangelands that increase the risk of wildfires; providing recreation opportunities and places of solitude for an exploding western population; improving wildlife habitat; and working toward the recovery of threatened and endangered species. While these and other challenges have sometimes proven difficult, our successes have been many.

These successes result both from effective natural resource stewardship and from a close partnership between our natural resource program responsibilities and our business and administrative functions. We continually strive to provide the business tools and capabilities needed to accomplish our natural resource and public land management mission as efficiently as possible. We have a state-of-the-art management information system that provides all employees and managers with current information on spending, performance, and the cost of doing business. This system increases our efficiency and productivity.

As part of our continual search for new and better ways of conducting business and delivering services, we have expanded E-Government initiatives to improve service and accessibility to our customers. For example, we continue to make available to the public our most-used forms on the Internet through an E-Forms initiative. We are also planning a release of Version 2 of our E-Planning system in late 2006 that will allow the public to review and comment on environmental impact statements and other land use planning documents via the Internet. We will continue to develop these and other E-Government efforts, providing more electronic services to the public in other business areas.

BLM employees are vital to our success. To continue to be successful, we must ensure that we have a highly trained, motivated workforce that can meet the challenges the BLM faces today, as well as those that lie ahead. We are addressing a variety of human resource issues, including developing worker competencies and appropriate skill levels, expanding work capability, retaining vital knowledge in the face of an aging workforce (knowledge management), and improving business practices to enhance efficiency and effectiveness.

We are continually exploring new ways to improve the way we conduct business. This includes taking advantage of new technologies; establishing and maintaining partnerships with other Federal, state, and local government agencies as well as industry and nonprofit groups; continuing to expand our broad base of volunteers; and using the expertise and resources of the private sector.

We are also always exploring greater opportunities for cost sharing and cost recovery to leverage our resources and ensure that users pay an equitable cost for the services we provide. We continue to expand our highly successful Challenge Cost Share program and to implement the Secretary's Cooperative Conservation Initiative. This Secretarial priority provides for matching contributions from conservation groups, state and local governments, industry, and others to complete critical on-the-ground conservation projects.

I am pleased to report that the BLM is in a sound financial position as Fiscal Year (FY) 2005 ends and we move forward to face the opportunities of the coming fiscal year. For the eleventh consecutive year, the BLM has obtained an unqualified ("clean") audit opinion on its financial statements.

We are continuing pre-implementation activities for the Department of the Interior's Financial and Business Management System (FBMS)—a new system that will significantly change how we do business and replace our current Federal Financial System (FFS). During FY 2005, we worked on system configuration, system interfaces, and data conversion/verification issues. We also completed a role mapping process that defines workload, responsibilities, and access to the new system, based on the nature and requirements of individual positions. A key element was a change management process that addressed the human side of the equation by increasing employee awareness of the new system and providing organizational support. The BLM's implementation date for FBMS has been revised from October 2005 to October 2006.

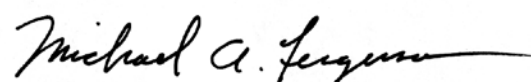
In 2005, we added a new "Standard Billings Interface" to the BLM's Collections and Billings System (CBS). This new interface receives billings data and transactions from a remote system and processes them in CBS. The new interface is

intended to have the flexibility to interface with a variety of different systems with minimal changes to existing CBS programs and data structures. The first remote system to use this new interface was the Lands and Realty Authorization Module (LRAM), previously known as the Automated Lease Management System, maintained by the Lands and Resources Project Office. LRAM can now print all of their bills in CBS instead of having to use multiple distributed systems. This allows LRAM bills to be sent to FFS via CBS for the first time.

The BLM is in the process of re-competing several consolidated acquisitions for the Department of the Interior. The resulting contracts will continue to provide significant cost savings and streamlined purchasing procedures. Acquisitions will include Department-wide acquisitions for personal computers, laptop computers, servers, printers, monitors, consumables (cartridges, disks, etc.), and hazardous fuels reduction.

Given the above strengths and accomplishments, we remain in an excellent position to implement the President's Management Agenda, allowing us to ensure the health and productivity of the public lands in the most effective manner possible. The BLM has proven to be a leader in government in integrating performance and budget by developing a sophisticated cost management system that is helping to improve performance and on-the-ground program delivery. We are ensuring that products and services are delivered to the public in the most cost-efficient manner by applying competitive sourcing procedures to our commercial program functions. We are making our services more available to our customers and the public electronically through E-Government initiatives. Our workforce plan has been completed and is being implemented. And we are providing accurate and timely financial information that is useful to managers in executing the BLM's programs.

The Bureau of Land Management is meeting the challenge President George W. Bush set forth for all agencies of the United States Government: ". . . ensuring that the resources entrusted to the federal government are well managed and wisely used."



COOPERATIVE CONSERVATION



The Bureau of Land Management works with numerous partners—states, counties, local communities, other agencies, organizations, businesses, and individuals—to meet its stewardship responsibilities for our Nation’s vast public land holdings. This partnership approach promotes citizen involvement and stewardship, known as Cooperative Conservation.

Aldo Leopold, noted 20th century conservationist, envisioned a Nation of citizen stewards. Simply put, each of us needs to care for local landscapes and environments. Our individual actions in our own backyards, at our places of work, on our farms and ranches, and in our communities can make a crucial difference. Cooperative Conservation seeks to recognize and take full advantage of the knowledge, wisdom, talents, and enthusiasm that local people, communities, and governments bring to the table.

Cooperative Conservation is far more than just a clever catch phrase or slogan. The Department of the Interior has already made over \$500 million available in conservation grants for a variety of Cooperative Conservation programs. Two of these, the Private Stewardship Grant and Landowner Incentive programs, provide assistance to private landowners in their voluntary efforts to protect threatened, imperiled, and endangered species.

Almost \$13 million was given to the BLM and other Interior bureaus in Cooperative Conservation challenge cost-share grants to fund 256 projects. These range from eradicating invasive species to restoring wildlife habitat and providing stable water supplies for elk. The grants cover 40 states, involve 749 partners, and leverage \$24 million in partnered dollars.

Everyone benefits from Cooperative Conservation—especially our environment. The voices of local people and communities are heard and their actions count. BLM efforts and expenditures are multiplied through partnerships and cost sharing. Everyone benefits as we work together to sustain the health, diversity, and productivity of the public lands for the use and enjoyment of both present and future generations.

The BLM'S Mission and Organizational Structure

The BLM's Mission and History

The Bureau of Land Management's (BLM's) vision is to enhance the quality of life for all citizens through the balanced stewardship of America's public lands and resources. Its mission is to sustain the health, diversity, and productivity of the Nation's public lands for the use and enjoyment of present and future generations.

The BLM manages 261 million acres of surface estate on public land, about one-eighth of the land in the United States. The BLM also administers approximately 700 million acres of on-shore Federal mineral estate on or underlying both Federal surface ownerships and some privately owned surface. In addition, the BLM has trust responsibilities on 56 million acres of Indian trust lands for approval and supervision of mineral operations and cadastral (land) survey.

BLM-managed public lands contribute to the quality of life of the American people and to our national interests in many different ways. The public lands offer boundless opportunities for recreation and adventure in some of the most spectacular landscapes on the continent. These public lands also support economic activities that are vital to the health of local economies and to our national economy.

The way of life we Americans take for granted every day depends on a stable and abundant supply of affordable energy. Oil and natural gas supply 65 percent of the energy we use in our country, and BLM-administered lands provide 5 percent of the nation's current oil supply and 10 to 11 percent of the nation's natural gas supply. America contains large reserves of natural gas and coal.

Through its leasing and permitting program, the BLM is encouraging the development of alternative energy sources such as hydropower, wind, geothermal, biomass, and solar. At the same time, the Bureau encourages Americans to use energy wisely—not waste it—thus reducing future demand.

The BLM administers some of the most ecologically and culturally diverse, and scientifically important, lands belonging to the Federal government. Among its varied responsibilities for managing and protecting our Nation's priceless natural and cultural legacy is stewardship for:

- Commercial activities
- Conventional energy sources (oil, natural gas, coal, etc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS



- Renewable energy (wind, solar, geothermal, biomass, etc.)
- Minerals (gold, zinc, precious metals, etc.)
- Public land survey system plats and field notes
- Rights-of-way
- Transportation systems (roads, trails and bridges)
- Fish and wildlife habitat
- Range management and grazing
- Wild free-roaming horses and burros
- Rare, vulnerable and representative habitats, plant communities, and ecosystems
- Threatened, endangered, and special status species
- Invasive and noxious weeds
- Wildland fire activity and the wildland-urban interface
- Paleontological resources and archaeological and historical sites, including museum collections derived from those areas
- Interpretive activities to meet scientific and educational needs
- Wild and scenic rivers
- Wilderness and wilderness study areas
- Recreation opportunities

The BLM was created in 1946, when the Grazing Service was merged with the General

Land Office to form the Bureau of Land Management within the Department of the Interior. When the BLM was initially created, there were over 2,000 unrelated and often conflicting laws for managing the public lands. The Bureau had no unified legislative mandate until Congress enacted the Federal Land Policy and Management Act of 1976 (FLPMA).

In FLPMA, Congress recognized the value of the remaining public lands and declared that these lands would remain in public ownership. FLPMA also gave us the term “multiple use management.” This is defined as “the management of the public lands and their various resource values so they are utilized in the combination that will best meet the present and future needs of the American people.”

The needs of a growing and changing West are increasing and we must address them. The American West, home to most of our BLM-managed public lands, is now the fastest growing region of the Nation. Eight of the 12 fastest-growing states are in the West, and the rate of growth in these western states averaged 30 percent from 1990 to 2000—more than twice the national average of 13 percent during the same period. Millions of people in rapidly growing western communities are now within an hour's drive of formerly remote public lands.

As a result of these and other changes, public lands are increasingly viewed from the perspective of their diverse recreational opportunities, their cultural resources and, in an increasingly urban world, their vast open spaces. However, the more traditional land uses of grazing, timber production, and energy and mineral extraction also remain important, especially to the economic and social well-being of many rural western communities.

Livestock grazing on public lands is an integral part of the lifestyle in the American West. Many ranchers point proudly to the generations before them who have managed the lands for productivity and continuity. They have not only supported their families and

enriched their communities, but they have conserved the quality of the rangelands while providing food for the world.

Wild horses and burros, traditional icons of the Old West, are also key factors for successful range management. The BLM and the Forest Service received authorization in 1971 to manage, protect, and control these animals on the nation's public lands to ensure healthy herds and healthy rangelands. The BLM monitors rangelands and herds of wild horses and burros to determine the number of animals, including livestock and wildlife, the land can support. Each year the BLM gathers excess wild horses and burros from areas where vegetation and water could become scarce if too many animals use the area.

Many diverse partners—the general public, various constituent groups, and other agencies and levels of government—have eagerly joined the BLM in collaborative decision-making

and on-the-ground projects. These cooperative efforts continue to greatly benefit the public lands and everyone who relies on them. We appreciate the Tribes, the States, the counties and local communities—our many partners, volunteers, friends, and neighbors. We are grateful for their many contributions and valuable help.

The current Administration is placing more faith and trust in the people, their knowledge, their experience, and their respect for the land. The BLM ensures **consultation** with those most affected by the Bureau's decisions, open **communication** with everyone affected by or involved in our programs, and **cooperation** with all stakeholders as we solve problems creatively. These actions result in effective **conservation**, the cornerstone of our efforts to manage healthy public lands for the benefit of current and future generations.

BLM's Headquarters and Field Organization

ALASKA STATE OFFICE

State Director Henry Bisson
222 West 7th Avenue, #13
Anchorage, AK 99513-7599
(907) 271-5080
Public Room: (907) 271-5960

ARIZONA STATE OFFICE

State Director Elaine Zielinski
One North Central Ave.
Phoenix, AZ 85004
(602) 417-9500
Public Room: (602) 417-9300

CALIFORNIA STATE OFFICE

State Director Mike Pool
2800 Cottage Way,
Room W-1834
Sacramento, CA 95825
(916) 978-4600
Public Room: (916) 978-4400

COLORADO STATE OFFICE

State Director Sally Wisely
2850 Youngfield Street
Lakewood, CO 80215-7093
(303) 239-3700
Public Room: (303) 239-3600

EASTERN STATES OFFICE

State Director Mike Nedd
7450 Boston Blvd.
Springfield, VA 22153
(703) 440-1711
Public Room: (703) 440-1600

IDAHO STATE OFFICE

State Director K. Lynn Bennett
1387 S. Vinnell Way
Boise, Idaho 83709-1657
(208) 373-4001
Public Room: (208) 373-3889

MONTANA STATE OFFICE

State Director Marty Ott
5001 Southgate Drive
Billings, MT 59101
(406) 896-5012
Public Room: (406) 896-5004

NEVADA STATE OFFICE

State Director Ron Wenker
1340 Financial Way
Reno, NV 89502
(775) 861-6590
Public Room: (775) 861-6500

NEW MEXICO STATE OFFICE

State Director Linda Rundell
1474 Rodeo Rd.
P.O. Box 27115
Santa Fe, NM 87502-0115
(505) 438-7501
Public Room: (505) 438-7471

OREGON STATE OFFICE

State Director Elaine Brong
P.O. Box 2965
Portland, OR 97208-2965
(503) 808-6026
Public Room: (503) 808-6001

UTAH STATE OFFICE

State Director (vacant)
P.O. Box 45155
Salt Lake City, UT 84145-0155
(801) 539-4010
Public Room: (801) 539-4001

WYOMING STATE OFFICE

State Director Bob Bennett
5353 Yellowstone Road
P.O. Box 1828
Cheyenne, WY 82003
(307) 775-6001
Public Room: (307) 775-6256

NATIONAL BUSINESS CENTER

Director Thomas Boyd, BC-600
Denver Federal Center, Building 50
P.O. Box 25047
Denver, CO 80225-0047
(303) 236-8857

NATIONAL SCIENCE and TECHNOLOGY CENTER (NSTC)

Director Lee Barkow, ST-100
P.O. Box 25047
Denver Federal Center, Building 50
Denver, CO 80225-0047
(303) 236-6454

NATIONAL HUMAN RESOURCES MANAGEMENT CENTER

Director Annette Martinez
HR-200
P.O. Box 25047
Denver Federal Center, Building 50
Denver, CO 80225-0047
(303) 236-6503

NATIONAL INFORMATION RESOURCES MANAGEMENT CENTER (NIRMC)

Director Ken Wilbert
NI-100 (Bldg. 40)
P.O. Box 25047
Denver Federal Center, Building 50
Denver, CO 80225-0047
(303) 236-6965

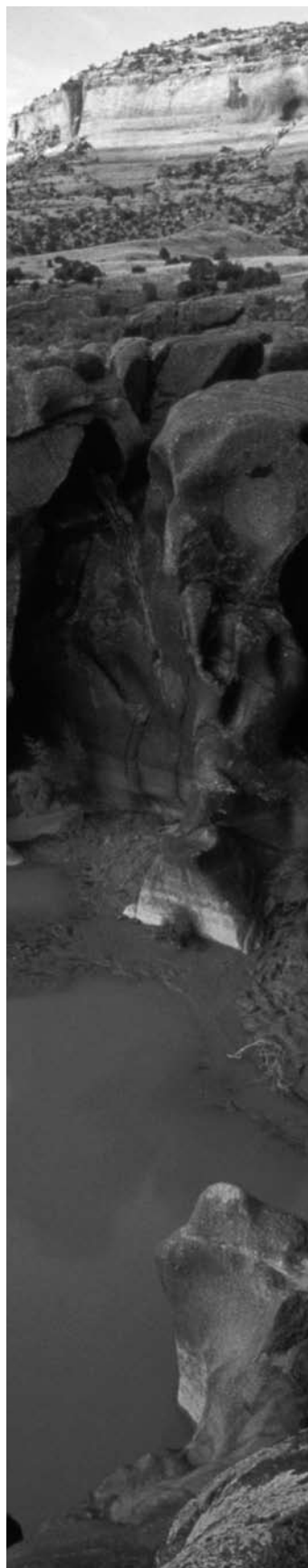
NATIONAL INTERAGENCY FIRE CENTER (NIFC)

Director Larry Hamilton
3833 South Development Ave.
Boise, ID 83705-5354
(208) 387-5446

NATIONAL TRAINING CENTER (NTC)

Director Don Charpio
9828 North 31st Avenue
Phoenix, AZ 85051
(602) 906-5500

(A) = Acting



Performance Goals and Results

Implementing the Government Performance and Results Act in the BLM

The Government Performance and Results Act requires Federal agencies to set priorities and goals, determine strategies for reaching those goals, measure their performance, and report on progress each year. In 1997, the BLM developed and published its first strategic plan for the period 1997-2002. In 2000, the Bureau revised its strategic plan for the period 2001-2005 by simplifying its structure and refining its goals.

In 2004, the BLM developed a totally revised strategic plan, now referred to as an operating plan, for the period 2004-2008. This operating plan tiers directly off of the Department of the Interior's strategic plan, which is available on the Internet at http://www.doi.gov/ppp/strat_plan_fy2003_2008.pdf. The Department's plan was released in September 2003.

The BLM's annual performance reporting requirements under the Government Performance and Results Act are now handled as part of the Department of the Interior's Annual Report on Performance and Accountability. This report outlines both long-term and annual goals. It also shows planned and actual performance levels for the current year, as well as actual performance in recent years to show trends. A discussion section gives background information and explains how and why goals were met, not met, or exceeded.

In addition to the annual performance reporting noted above, we publish this Annual Report at the end of each fiscal year to assist the Department of the Interior in complying with the Chief Financial Officers Act of 1990 and the Governmental Management Reform Act of 1994. Our BLM Annual Report is designed to:

- Provide a management discussion and analysis of performance goals and results, systems and controls in place to ensure legal compliance, and future effects of current risks and uncertainties.
- Present our financial statements and notes, along with an overview of the information presented.
- Present our "Stewardship Assets" report, which describes the fulfillment of our stewardship responsibilities for public lands/resources, natural heritage assets, museum collections, and paleontological and cultural heritage properties.

- Discuss deferred maintenance issues for the BLM's buildings, roads, bridges, recreation facilities, and other infrastructure assets.

The "Overview of Performance Goals and Results" narrative presented later in this section serves as a general overview and discussion of the BLM's performance goals and results for Fiscal Year (FY) 2005.

Evaluations to assess performance are an important aspect of complying with the Government Performance and Results Act. We are responding to this need by implementing a new approach to conducting evaluations for our offices and programs.

To detect and prevent problems, our new system uses two interlocking components: local self-assessment and national validation. Best performance practices are identified and shared with others, resulting in productivity and efficiency gains over time and helping to ensure that American taxpayers are receiving the best value for their money.

Overview of Performance Goals and Results

The Bureau has aligned its goals and outcome measures under four overarching mission areas:

- Resource Protection
- Resource Use
- Recreation
- Serving Communities

The following paragraphs present selected performance information for the BLM's long-term goals and highlight some important milestones used for measuring our performance.

Resource Protection

The health of BLM-administered public lands continues to be of paramount

importance. Healthy lands are more resilient to environmental fluctuation and disturbance, and can better sustain increased use by the public. Based on projections in the BLM's 2006 Budget Justification document, the Bureau expends approximately 31 percent of its total funding on its resource protection mission.

Effective restoration requires complex, multi-faceted actions that may include investments in land treatments, as well as project construction and maintenance. Because knowing the existing condition of public lands is critical to implementing appropriate treatment schemes, the inventorying and monitoring of resources is a major component of the BLM's resource protection efforts.

The BLM's resource protection mission is divided into three areas:

- Improving, restoring, and maintaining the health of watersheds and landscapes.
- Sustaining biological communities.
- Protecting cultural and natural heritage resources.

During the next few years, the BLM will focus on restoring and conserving sagebrush habitat, which is home to over 350 plants and animals classified as BLM species of concern, including the greater sage-grouse. The Bureau is focusing its efforts on limiting the fragmentation of habitat, restoring areas that have lost their productivity, and conserving sagebrush habitat that is in proper functioning condition.

The BLM will continue to support prairie grassland habitat restoration projects. Prairie grasslands on BLM-managed lands support 136 species of birds, mammals, amphibians, and reptiles, as well as 42 species of plants, considered to be sensitive.

Alaska, Oregon, Washington, Idaho, and California all provide habitat for a variety

of Pacific salmon species. Thirteen specific populations of salmon are listed under the Endangered Species Act. Collaboration with riparian/wetland, soil, water, and air program priorities will accelerate habitat restoration in important watersheds where both fish and water quality are primary concerns. Appropriate management of these important aquatic resources will allow continued commercial, sport, subsistence, and tribal use.

An additional area of focus for the BLM will include conservation and recovery plan implementation. By implementing conservation and recovery plans, the BLM will increase the percent of species of management concern that are managed to self-sustaining levels. Additionally, implementation of these actions can reduce or eliminate the need for listing and can ultimately reduce Endangered Species Act-related costs over the long term. This will be especially important with the anticipated increase in uses.

The BLM will continue to promote citizen-based stewardship of our public lands. Resource managers will look for opportunities to work with ranchers, conservationists, and other partners to achieve healthier western rangelands while providing for sustainable resource uses. An example of this effort is the integration of ecological, economic, and social factors and participation of affected interests that is occurring through the National Riparian Service Team and the extended riparian coordination network, which are focusing their efforts on cooperative riparian restoration. Through this collaborative effort, we are monitoring and accelerating the restoration and improvement of the riparian-wetland areas in the western United States.

Initiatives the BLM has undertaken also harness the power of partnerships in restoring and protecting our resources. By building our Challenge Cost Share (CCS), Cooperative Conservation Initiative (CCI), and Application

of Science Initiative (ASI), the BLM will be able to leverage resources to benefit the public lands.

The BLM is also focusing on managing wild horse and burro populations for healthy animals and herds that are in an ecological balance with other uses of forage. Proper management will ensure that these icons of the American West can survive on the range. When herd sizes are too large for the range they inhabit, excess wild horses and burros are gathered and removed from the public lands and then made available to private owners through the BLM's Wild Horse and Burro Adoption program. The BLM has placed over 33,000 animals over the last five years through its adoption program.

The BLM carries out myriad activities on a day-to-day basis to ensure the protection and health of public land resources. These activities include the following examples:

- Completing watershed assessments on millions of acres of public lands and evaluating hundreds of grazing allotments as part of the Healthy Lands initiative.
- Pursuing water-quality-based abandoned mine lands cleanup projects on dozens of sites.
- Developing ground-water monitoring plans to monitor shallow ground-water resources in areas of natural gas development.
- Developing water quality/riparian improvement projects, restoration actions, or monitoring studies.
- Drilling water wells for livestock to protect nearby riparian vegetation areas.
- Completing gathers in Wild Horse and Burro Herd Management Areas to maintain herds at appropriate management levels and ensure healthy rangelands.

- Increasing the number of forest health restoration treatments and updating forest inventories to better track forest condition and identify insect and disease infestations.
- Reducing hazardous fuels to protect communities and the environment.
- Preventing substantial amounts of salts in the form of dissolved solids from entering the Colorado River system (over 11,000 tons as of the end of 2003).
- Controlling soil erosion through watershed maintenance work; for example, riverbank stabilization projects, tamarisk or sagebrush removal coupled with seed plantings of perennial grasses and forbs, and other activities.
- Conducting multistate regional analyses to support species conservation, wildlife program planning, and land use planning activities.
- Stabilizing abandoned mine tailings to prevent surface and ground water contamination as well as the airborne spread of toxic dust.
- Conducting soil surveys using advanced technology and developing predictive models using Landsat 7 satellite images, 10-meter digital elevation models, etc.
- Completing multistate analyses to address air quality impacts, using state-of-the-art air quality dispersion modeling techniques.
- Participating in interagency visibility and atmospheric deposition monitoring networks to evaluate current air quality conditions, establish trends, and ensure that conditions remain within applicable thresholds.
- Encouraging public participation in protecting archaeological and historical resources through an umbrella program promoting public education and awareness called "Adventures in the Past."
- Managing numerous properties for their paleontological values and promoting the use of fossils in research, education, and recreation.

The public lands contain exceptional geologic formations; rare and vulnerable plant and animal communities; wild free-roaming horse and burro herds; wilderness areas and wild and scenic rivers; and innumerable paleontological, archaeological, and historic sites. These resources are scientifically, ecologically, educationally, culturally, and recreationally important, representing a significant part of our Nation's natural and cultural heritage.

BLM-administered public lands encompass an estimated 4 to 4.5 million potential archaeological and historical properties. These resources represent the tangible remains of at least 13,000 years of human adaptation to the land and include sites ranging from 12,000- to 13,000-year-old mammoth kill sites associated with Paleo-Indian hunters to World War II and Cold War military sites. Please refer to the Stewardship Assets section (presented after the financial statements in this Annual Report) for specific information on the BLM's cultural resource and paleontological programs.

Day-to-day management activities continue for wilderness areas, wilderness study areas, national wild and scenic rivers, herd management areas (for wild free-roaming horses and burros), national natural landmarks, and numerous other special management areas. The BLM also manages national monuments and Congressionally designated national conservation areas in the western states. Please refer to the Stewardship Assets section

(presented after the financial statements in this Annual Report) for more specific information on all of these areas.

National monuments and national conservation areas, along with wilderness and wilderness study areas, national wild and scenic rivers, national historic/scenic trails, the Steens Mountain Cooperative Management and Protection Area, the White Mountains National Recreation Area, the Yaquina Head Outstanding Natural Area, and the Headwaters Forest Reserve in California, make up the BLM's National Landscape Conservation System.

In Fiscal Year 2005, the Bureau continued its efforts to protect our Nation's cultural heritage by inventorying 607,128 acres for cultural resources, recording 7,474 properties, and issuing or continuing in effect 599 study or management permits (excluding permits for paleontological collecting). To date, the Bureau has inventoried a total of 17.2 million acres

and "unofficially" recorded 278,948 cultural resource properties. Of these properties, 4,473 are included under the BLM's 406 National Register of Historic Places listings, helping ensure that they will be protected and preserved for future generations. Additionally, 21 of these 403 National Register listings, encompassing a total of 160 properties, are designated as National Historic Landmarks.

Development related to increasing needs for goods and services, the natural weathering process, and the increased use of public lands for recreational activities are all contributing to a decline in the condition of cultural and paleontological resources. In addition, some sites continue to be targeted by pothunters, looters, and commercial collectors. The BLM is addressing these issues through a number of public education and outreach programs, including its "Adventures in the Past" website, *Heritage Education* and *Project Archaeology* (school programs), and others. Additionally, the

Table 1. Resource Protection: Selected Goals and Accomplishments

FY 2005 Annual Goal	Target	Actual
Percent of wetland areas achieving desired conditions	98%	98%*
Percent of riparian areas (stream miles) achieving desired conditions	89%	89%*
Percent of upland areas achieving desired conditions	56%	58%*
Percent of surface waters (stream miles) that meet EPA approved (State) water quality standards	89%	91%
Cumulative percent of acres degraded by wildland fire with post-fire treatments underway, completed, or monitored	20%	21%
Percent change in baseline in the number of acres infested with invasive plant species	0.9%	0.9%
Number of acres restored or enhanced to achieve habitat conditions to support species conservation	9,000	9,158
Number of stream/shoreline miles restored or enhanced to achieve habitat conditions to support species conservation	1,300	1,015
Cumulative percent of cultural properties on DOI inventory in good condition	81%	81%**
Percent of museum collections in BLM facilities in good condition	100%	100%
Percent of paleontology localities in good condition	90%	90%*
Percent of acres of designated wilderness achieving wilderness character objectives as specified by statute	86%	92%

* Estimated based on FY 2004 actual performance data; final data to be provided with the FY 2007 Budget Justifications.

** Based on a subset of 47,302 cultural properties that are monitored.

BLM has been using cooperative management agreements and challenge cost share arrangements for the past 15 years to leverage resources and maximize efficiency. More details can be found in the Stewardship Assets section of this Annual Report.

Table 1 portrays selected goals/targets and actual accomplishments for the resource protection mission area.

Resource Use

Americans have developed a quality-of-life standard that depends on a stable and abundant supply of renewable resources and affordable energy. The ranching culture of the American West has been the backbone of our country, but as the Nation's population has expanded, energy has become increasingly important. The public lands of the West contain great reserves of oil, natural gas, coal, and minerals that maintain our quality of life. Energy keeps our homes warm in the winter and cool in the summer and is critical to producing, processing, transporting, preparing and preserving our food. Energy powers our communication and computing networks and allows us to move people and goods safely and quickly to all corners of the world.

Renewable resources allow our country to be the breadbasket for the world and provide economic opportunities for rural families and business developers. The BLM's goal in managing the public lands is to achieve a balance among all the uses that contribute to the high living standards presently enjoyed by Americans.

America's public lands provide myriad resources that provide opportunities for commercial activities. Commercially valuable natural resources include energy and mineral commodities, forest products, grazing forage, and special uses such as rights-of-way for pipelines and transmission lines. Recognizing the Nation's need for a domestic source of minerals, food, timber and fiber from the public

lands, the BLM expends approximately 24 percent of its funding to carry out its resource use mission.

The BLM's resource use programs fall under four primary headings that seek to balance the use of renewable resources with nonrenewable resources:

- Managing the use of energy resources; for example, oil and gas, as well as renewable resources (wind, solar, and biomass).
- Managing the use of non-energy mineral resources; for example, potassium, lead, zinc, sand, and gravel.
- Managing the use of forage resources; for example, domestic livestock grazing.
- Managing the use of forest and woodland products; for example, timber, Christmas trees, posts, and poles.

The BLM also manages a significant helium operations program.

Managing the Use of Energy Resources

In recent years, the on-shore Federal mineral lands have produced about 35 to 40 percent of the Nation's coal, 10 to 11 percent of its natural gas, and 5 percent of its oil. Coal and natural gas production has been increasing, while oil production from on-shore Federal lands has experienced a slight decline.

The BLM has approximately 52,000 oil and gas leases, 400 geothermal leases, 300 coal leases, 440 other solid leasable mineral leases, and about 220,000 mining claims in effect. Applications for permit to drill (APDs) have nearly doubled in recent years, while oil and gas leasing has remained static. The number of coal leases has remained relatively stable over the past few years. Among the energy and mineral leases on the public lands, about 23,500 oil and gas leases, 55 geothermal leases, and an estimated 130 coal leases are in producing status.

Renewable energy resources on the public lands include wind, geothermal, biomass, solar, and hydropower resources. The BLM and the Department of Energy National Renewable Energy Laboratory (NREL) established a partnership effort in FY 2002 to assess renewable energy resources, excluding hydropower, on public lands in the western states and to identify BLM land use planning units with the highest potential for renewable energy development. The final report, which was published and distributed in February 2003, provides a foundation for the BLM's future renewable energy program. Biomass resources on BLM lands are discussed below under Managing the Use of Forest and Woodland Products.

The BLM currently administers some 22 wind energy right-of-way authorizations for wind energy production on public lands in California and Wyoming that encompass a total of approximately 5,000 acres and generate a total of about 500 megawatts of electrical power. An additional 63 right-of-way authorizations have been issued for wind energy site testing and monitoring activities in Idaho, Nevada, Oregon, California, Washington, Wyoming, and Montana.

The BLM currently manages geothermal leases that provide geothermal energy to 34 power plants. These have a total rated capacity of over 2,000 megawatts of power. In addition, the BLM manages a small number of direct-use leases, which provide an alternative source of energy for greenhouses, spas, warm-water fish farms, and other commercial uses.

Solar energy is the most cost-effective approach to supplying power to most of the BLM's remote facilities, which operate only in the summers when longer days provide plenty of sunshine. The BLM generated 196 megawatts of electricity from photovoltaics (solar panels) in 2005 from over 600 installations. Photovoltaics provide power for water pumping, outdoor lighting, communication sites, weather and

water monitoring, remote field stations, visitor centers, and other uses. Since 1995, over 130 systems have been installed. These systems have focused on replacing fossil-fueled engine generators with photovoltaics.

Many of the dams and power plants in the West authorized under the Federal Power Act of 1920 are on public lands formerly administered by the BLM, now withdrawn by the Federal Energy Regulatory Commission (FERC). Most of the projects involving public lands are located in California, Oregon, Washington, and Idaho. FERC published a final regulation on July 23, 2003, that revises procedures for hydroelectric licensing under the Federal Power Act. The new regulation, which became effective on October 23, 2003, provides for expanded public participation and streamlines the licensing process, particularly with respect to compliance with the National Environmental Policy Act (NEPA).

Since the publication of the President's National Energy Policy in May 2001, the BLM has been taking steps to implement its provisions. Consistent with the high priority for energy development, the BLM divided its Long-Term Strategic Goal for Energy and Minerals on the Federal lands into two separate goals: one for energy minerals and one for non-energy minerals. These two goals have been adopted as separate goal areas in the Department of the Interior's Strategic Plan under the Resource Use section.

Managing the Use of Non-Energy Mineral Resources

The number of leases in the "other solid leasable minerals" category (combined hydrocarbons, phosphate, sodium, potassium, gilsonite, asphalt, some hardrock, and some sand and gravel) has declined slightly in recent years. The number of active mining claims appeared to reach its lowest level in 2001 and 2002, followed by increases in 2003 and 2004.

The public lands produce a large portion of the Nation's fertilizer minerals, as well as mineral materials, gold, silver and other critical metals. About 13 million cubic yards of sand and gravel and other mineral materials were extracted during FY 2004.

Managing the Use of Forage Resources

Livestock grazing is an important use of the public lands, central to the economic livelihood and culture of many rural communities. A significant portion of the cattle and sheep produced in the West graze on public rangeland. Among all commodities, livestock grazing has the highest indirect effect as dollars recirculate through local communities, resulting in an economic multiplier effect of 4.3. In FY 2005, permittees and lessees were billed for about 6.8 million animal unit months (AUMs) of forage out of the 12.7 million AUMs that are permitted/leased; the BLM collected approximately \$14.5 million in grazing fees. These figures have been running significantly lower than in past years because of a severe drought throughout the western United States.

Managing the Use of Forest and Woodland Products

The BLM's forests and woodlands are managed to sustain, maintain, and restore ecosystem integrity, diversity, and productivity, thus providing long-term ecological and economic benefits. Forest products are an important economic component in western Oregon, which contains some of the most productive forest lands in Federal ownership. Many communities in California, eastern Oregon, Idaho, Montana, Wyoming, and Colorado also rely on the steady flow of public sawtimber.

Woodland products are another important component of the BLM's forest management program. Woodland management is a primary component in Arizona, Nevada, Utah, New Mexico, and Colorado. The BLM continues to

respond to the local demand for firewood, posts, poles and other wood or vegetative products.

The BLM developed a biomass utilization strategy in 2004 and updated this strategy in 2005. The strategy addresses forest health and restoration concerns from the President's Healthy Forests Initiative, reduces hazardous fuels identified in the National Fire Plan, and diversifies the Nation's energy portfolio consistent with the Energy Policy Act of 2005.

Biomass thinning removes small-diameter trees and residues that result from the scientific application of forest and woodland restoration treatments. Biomass can then be converted into transportation fuels, such as bio-ethanol, bio-diesel and bio-gas, or used in combined heat and power plants for electricity generation. The BLM is exploring proposals for converting pinyon and juniper trees to chipped fuel to be used as a biomass source for generating electricity.

A memorandum of understanding among the U.S. Departments of Agriculture, Energy, and the Interior seeks to develop and apply consistent, complementary policies and procedures to encourage the use of woody biomass by-products harvested from forest, woodland, and rangeland restoration projects and fuel treatments.

Congress has enacted legislation expanding stewardship contracting authority with communities, the private sector, and others, allowing the BLM to enter into long-term contracts (up to 10 years) to meet land management objectives (for example, to reduce wildland fire risk and improve forest and rangeland health). Stewardship contracts focus on producing desirable results on the ground that improve forest and rangeland health and provide benefits to communities. Among other things, the new stewardship contracting authority allows forest products to be exchanged for ecological restoration services, which may include thinning and removing brush.

Helium Operations Program

The 1996 Helium Privatization Act directs the Secretary of the Interior to commence offering for sale 30.5 billion standard cubic feet (bscf) of the Federal Helium Reserve at any time after January 1, 2003, and to complete offering it for sale no later than January 1, 2015. The Act requires that the amount to be sold annually be determined by dividing the amount in storage as of the first sale by the number of years sales will be conducted and then adjusting the amount by expected Federal usage.

Using the Act's formula, 2.1 bscf of helium is offered for sale annually. Ninety percent of that amount is allocated to the refiners along the crude helium pipeline, while 10 percent is apportioned to other qualified buyers. If the refiners do not request the full amount of helium allocated to them, the excess can be sold to other qualified buyers; conversely, if other qualified buyers do not request the full amount allocated to them, the refiners can purchase the excess. Purchasers obtain a bid right for \$1,000 and specify to the BLM the amount of helium they would like to buy for the year. The total purchase is distributed and paid for in quarterly increments. The first open-market helium sale was conducted during March 2003 and the total sold to date through these sales is 3.1 bscf.

The legislation also stipulates that all pure helium bought by government agencies must derive from government-owned crude helium. Since the BLM's refining facilities have been dismantled in response to the Helium Privatization Act, suppliers of helium to Federal agencies are required to purchase an equivalent amount of helium from Federal storage. The BLM calls this type of sale an in-kind sale.

Studies have shown that because of the complexity of the helium storage field, the 30-plus bscf of helium in storage cannot be completely recovered at helium concentration levels required by contract with private industry companies. By 1999, the helium concentrations from the injection wells were already showing

deterioration. A private industry partnership in cooperation with the BLM decided that a helium enrichment unit (HEU) was needed at the Cliffside location to process gas from the field and enrich it to pipeline quality crude helium. The HEU was completed in 2003. As part of the enrichment process, hydrocarbon gases are extracted and sold.

The BLM has entered into agreements with El Paso Natural Gas to transport the gas and pays a small fee to the Minerals Management Service (MMS) to market the gas. Currently, the gas is sold to Cinergy Corporation. Additionally, the enrichment process produces some liquid hydrocarbons that are sold under a separate contract to SemCrude. The revenue from liquid hydrocarbons is about \$750,000 per year.

In FY 2005, the BLM received approximately \$88.7 million in total helium program revenue. These receipts consisted of storage and transmission fees, crude helium sales, natural gas sales, fee sales of helium rights, and royalties from Federal lands where helium is produced.

At current operating rates, the HEU processes approximately 9,000 thousand cubic feet per day (Mcf/d) of pipeline natural gas approximately 350 days per year. This translates into approximately 3.15 bscf per year. At \$5.00 per Mcf, the BLM receives an average of approximately \$15.75 million of gas revenues per year. The cost of the transportation agreement associated with these sales is approximately \$500,000 per year, while the marketing agreement with the MMS costs about \$.03 per Mcf (less than \$100,000 per year).

The BLM also adjudicates helium ownership rights, collects fees and royalties from Federal lands where the helium is produced and sold, and audits those revenues for compliance. Federal oil and gas leases contain a clause that excludes helium from the lease. Therefore the BLM enters into an agreement, separate from the oil and gas lease, for the sale of helium

from Federal lands and collects those revenues under 50 USC 167. The BLM is also in charge of tracking where helium reserves are located throughout the nation and to a lesser extent the world, quantifying those reserves, and keeping up with the status of the reserves (depleting or nondepleting).

Other Commercial Uses

Rights-of-way actions are processed and grants or leases are issued to companies so they can use public lands for roads, pipelines, transmission lines, and communication sites. Many of these provide for the basic infrastructure of society, meeting the needs of local cities and towns.

Table 2 presents goals/targets and actual accomplishments for the resource use mission area.

Table 3 summarizes the commercial activities that occurred on BLM-administered public lands during FY 2004, the most recent year for which data is available.

Recreation

Recreation and leisure activities are major contributors to a healthy lifestyle for millions of Americans as well as international visitors. BLM-administered public lands play an important role in providing these outdoor recreational experiences. The Bureau expends about 13 percent of its funding to contribute to the Department of the Interior's goals for recreation.

BLM-administered public lands and waters provide visitors with a vast array of recreational opportunities. While most of the visits to BLM-managed public lands involve camping in either developed recreation sites or dispersed-use areas, many visitors come simply to view landscapes and other unique natural or cultural heritage features of public lands. Other important activities include hunting, fishing, wildlife viewing, hiking and backpacking, motorized and non-motorized boating, off-highway vehicle (OHV) driving, and mountain bicycling.

Table 2. Resource Use: Selected Goals and Accomplishments

FY 2005 Annual Goal	Target	Actual
Number of onshore acres available for energy mineral exploration/development	Surface: 224 million; sub-surface: 366 million Total: 590 million	Surface: 224 million; sub-surface: 366 million Total: 590 million
Number of pending permits/lease applications in backlog status for fluid energy minerals	2,040	2,461
Number of pending permits/lease applications in backlog status for solid energy minerals	28	35
Number of pending permits/lease applications in backlog status for rights-of-way	1,127	1,117
Number of acres available for non-energy mineral resource exploration and development	Establish new baseline	New baseline being established
Number of acres reclaimed to appropriate land condition and water quality standards	8,000	12,131
Percent of acres with DOI range improvements resulting in sustainable grazing	9.0%	6.3%
Percent of permitted acres maintained at appropriate land conditions and water and air standards	100%	100%
Volume of wood products offered for sale in millions of board feet (MMBF)	223	257

Table 3. Commercial Activities Summary

Public/Federal Land Commercial Activity	Value FY 2004 (millions \$)	Output Impact FY 2004 (millions \$)	Federal Revenue Generated¹ FY 2004 (millions \$)
Oil & Gas, Geothermal, and Helium ²	14,217	26,159	1,620
Coal	3,645	9,478	545
Other Leasable ³ and Salable Minerals	943	2,452	46
Grazing	62	267	9
Timber	33	111	22
Realty ⁴	NA	NA	NA
Total ⁵	18,900	38,467	2,242

Note: Table does not include the economic value of commercial and non-commercial recreation activities on the public lands. Recreation is discussed in another section. NA means data was not available at time of publication.

Special notes for the 2004 table:

¹ Leasable revenues are generated by the BLM through its land use planning, minerals leasing, permit approval, and inspection and enforcement programs, including production verification. However, most of these revenues are actually collected and distributed by a separate agency, the Minerals Management Service.

² Beginning in FY 1999, dollars from geothermal, CO₂, and helium were added to oil and gas. Previously, geothermal and CO₂ were included with other leasable minerals.

³ Leasable minerals are those disposed under the Mineral Leasing Act of 1920, including oil and gas, coal, and other leasable minerals such as phosphate, sodium, potassium, gilsonite, and some hard rock minerals. Salable minerals are those disposed under the Materials Act of 1947 and include sand, gravel, stone, and clay.

⁴ Rental fees include rights-of-way and communication sites. In previous years, only right-of-way fees were shown.

⁵ The BLM does not collect locatable minerals production data. In previous years, the production value shown was extrapolated from a 1995 estimate and adjusted for production on lands that left Federal ownership through the patent process. There have been dramatic changes in mineral prices and the amount of production taking place on Federal lands since the original estimate was prepared. This estimate is no longer thought to be reliable, so it has not been included this year. Locatable minerals include gold, silver, other metals, and some industrial commodities. The BLM has collected about \$30 million in location and holding fees for locatable minerals in FY 2004. This is not shown in the table above.

The BLM's recreation mission encompasses two primary areas of emphasis:

- Enhancing the quality of recreational opportunities and improving access.
- Providing value in recreation and promoting quality services.

Most recreational activity on public lands occurs in dispersed non-fee areas. While public lands represent a place to have quality recreational experiences at a relatively low cost to visitors, the economic impact is still significant, especially to gateway communities.

Recreation on BLM public lands provides significant benefits to local, regional, and state economies. The total economic impact of

travel-related expenditures for recreation on BLM lands is estimated to run into the billions of dollars. These travel-related expenditures for recreation on public lands support tens of thousands of jobs and contribute significantly to the viability of thousands of small businesses, especially outfitting, guiding, and tourism-related companies and community service providers that depend on both access to, and the availability of, the public lands.

The BLM focuses on providing quality recreation opportunities and adventures on the Nation's vast western landscapes. The public has the freedom to pursue unstructured recreation opportunities, but people are asked to respect other visitors and local cultures, and to practice stewardship principles and ethics, while using and enjoying the public lands. The BLM, in turn, focuses on preserving natural and cultural resources, resolving user conflicts, and providing for public health, education, and safety.

Leave No Trace is an outdoor ethics program centered on ways and means to minimize impacts on natural resources, wildlife, and other users. The BLM is a major supporter and sponsor of the program, which is one of the Bureau's outdoor ethics education tools. BLM publications and staff taught the principles of Leave No Trace to numerous public land users during the year. The program has been adopted as the official outdoor ethic of the human-powered outdoor recreation industry, with over 300 manufacturers and retailers joining with Federal agencies to bring the message to the American public and international visitors.

The Leave No Trace program has been embraced by recreation users across the spectrum, from wilderness to OHV enthusiasts. It is the only program of its kind that has been universally adopted, administered, and used in a unified, joint effort by the BLM, U.S. Department of Agriculture Forest Service (USDA-FS), National Park Service (NPS), and U.S. Fish and Wildlife Service

(USFWS). Whenever possible, it is taught by this interagency group with no differentiation among agencies or private partners. The BLM has teamed up with these partners to bring the message in recent years to such diverse groups, events, and venues as the National Trails Conference, Outdoor Writers of America Association (OWAA), Outdoor Retailers Show, Rocky Mountain Elk Expo, National Boy Scouts of America (BSA) Philmont Scout Camp, and Western Region BSA "Camp School."

Tread Lightly! is another program supported by the BLM. Through education, restoration and research, this program aims to empower outdoor enthusiasts to recreate responsibly. The BLM is a major supporter and sponsor of the program, along with the USDA-FS, Bureau of Reclamation (BOR), NPS, and Corps of Engineers. Originally geared toward responsible use of motorized and mechanized use on public and private lands, the principles of the program have been expanded to provide an outdoor ethics message for a wide variety of user groups.

Activities related to comprehensive travel management have been a central focus for over 85 percent of the Bureau's field offices. Roads and trails found on public lands consist of multilane roads, primitive roads, or single-track trails. Many of these are "legacy" roads and trails, created incidentally over the last century (rather than designed and constructed) as a result of mining, grazing, or other public land activities. Today, these roads and trails are widely enjoyed by recreation enthusiasts. While the Bureau maintains approximately 80,000 miles of roads and over 15,000 miles of trails in a systematic way, other primitive roads and most trails receive little or no maintenance or management attention. An estimated 600,000 miles of these routes exist on BLM-managed public land.

To further address trails management, the Bureau continues to participate on the Federal Interagency Council on Trails and

offers the Interagency Trails Management Course. In addition, the Bureau participated on an Interagency Trails Data Standards Team and used a BLM National Trails and Travel Management Team with participants from each state. Both the National Mountain Bicycling Strategic Action Plan and the National Management Strategy for Motorized Off-Highway Vehicle Use on Public Lands are being implemented.

Beginning this fiscal year, the Bureau collected recreation fees under the authority of the recently passed Federal Lands Recreation Enhancement Act (REA), which allows public land visitors to be charged a fee to use many of the Bureau's campgrounds, day-use areas, other developed recreation sites, and permitted special recreation uses. All of the money collected is reinvested at the site of collection to improve its physical infrastructure and enhance customer satisfaction, directly benefiting those who pay for and use the site.

The BLM Recreation Program also participates in National Trails Day activities and National Public Lands Day (NPLD) projects, which draw thousands of volunteers to BLM sites across the Nation. Each year, NPLD events promote environmental awareness and ethical outdoor behavior, as well as enhancing BLM recreation sites by providing needed maintenance and improvements. Volunteers typically build trails, transform sites into universally accessible areas, renovate buildings, and make numerous other contributions to recreation opportunities and amenities on the public lands. Leave No Trace, a national sponsor of NPLD, donates educational materials and other items and provides no-cost training to site coordinators.

The BLM's interpretive program fosters an appreciation for public land resources and an understanding of the relationships between people and the public lands. Interpretation tells the story of how the BLM manages resources and provides opportunities for public use.

The Bureau's interpretive program gives the public the information they need to be more environmentally responsible while enjoying their public lands.

The BLM has approximately 35 full-time interpreters. Most are located in the five major visitor centers: Nevada's Red Rocks Canyon Visitor Center, Colorado's Anasazi Heritage Center, Oregon's National Historic Oregon Trail and Yaquina Head Interpretive Centers, and Wyoming's National Historic Trails Interpretive Center. The Bureau also increased its interpretive staff in the National Landscape Conservation System areas. In June, the Bureau opened its fourth and final interpretive center at the Grand Staircase-Escalante National Monument.

The BLM expanded interpretive opportunities along nationally designated Byways through the use of brochures and wayside exhibits. BLM staff, volunteers, and partners (such as cooperating associations) involved both individual visitors and community groups through such activities as special events, tours, temporary exhibits, and interpretive planning.

One issue for the Bureau is finding opportunities to reach out to widely dispersed recreational visitors. To meet this challenge, the BLM has increased the number of wayside exhibits on public lands to provide interpretive information.

Table 4 portrays selected goals/targets and actual accomplishments for the recreation mission area.

Serving Communities

The BLM expends approximately 32 percent of its funding to serve the Nation's citizens and communities, to ensure that people and property are protected from hazards associated with the BLM's land management programs, and to fulfill the government's Indian trust responsibilities. To achieve these goals, the BLM collaborates with many constituents,

Table 4. Recreation: Selected Goals and Accomplishments

FY 2005 Annual Goal	Target	Actual
Percent of recreation users satisfied with the quality of their recreation experience on the public lands	94%	91%*
Number of acres made available for recreation through management actions and partnerships	260 million	260 million
Number of river and shoreline miles made available for recreation through management actions and partnerships	14,500	14,500
Percent of universally accessible facilities	9%	7%
Percent of recreation areas with community partnerships	21%	21%*
Number of visitors served by facilitated programs	83,500	13,397,902**

* Estimated.

** The initial target (83,500) for 2005 was developed based on the number of interpretive products and programs produced, not the number of participants at facilitated programs as shown in the "Actual" column above; data for 2006 will address both participants and products.

applying the Secretary of the Interior's Four C's Vision: "Conservation through Consultation, Cooperation, and Communication."

The BLM's goals under this mission have been organized into three main areas:

- Improving fire management and safety.
- Improving public safety and security and protecting public resources.
- Improving information management.

Providing Fire Protection

The Bureau provides fire protection on 388 million acres of public and state lands. The BLM's fire and aviation program works cooperatively with its Federal and state land management partners to suppress and manage wildland fire, conduct prescribed fires, and promote fire safety awareness through education and prevention programs. The Bureau's fire program also works closely with the BLM's other resource programs to improve the health of the land, reduce the risks of hazardous buildup of fuels, protect communities at risk, and improve wildlife habitat.

The BLM's National Office of Fire and Aviation is headquartered at the National Interagency Fire Center in Boise, Idaho, where fire experts develop policy, conduct wildland fire research, and coordinate with fire managers from other firefighting organizations, both nationally and internationally. Because wildland firefighting is a demanding and hazardous profession, the BLM takes every measure to ensure firefighter safety and protect life, property, and natural resources.

The public lands and their myriad resources—soil, vegetation, wildlife habitat, and human structures/improvements—are frequently at risk, particularly during a drought year. Much of the western United States is experiencing a multi-year drought, which has caused the fire danger to be much higher than normal.

Funding for the wildland fire program is managed centrally by the Department of the Interior, and performance measures and results are also reported centrally in the Department's *Annual Report on Performance and Accountability*. The Department provides consolidated and integrated performance reporting, rather than having individual bureaus

report their accomplishments. Accordingly, the wildland fire performance measures and results as reported in the Department's *Annual Report* are incorporated into this report by reference.

Reducing Threats to Public Health, Safety, and Property

The BLM addresses a wide range of public land situations posing risks to public land users. BLM-owned facilities represent a substantial public investment in roads, bridges, dams, administrative sites, campgrounds, and firefighting stations. Maintaining these facilities in a safe condition and operating them in compliance with all safety, health, and environmental requirements is a key goal.

Historic and documented public land uses such as mining and milling operations; oil and gas production; landfills; military operations; and rights-of-way for powerlines, pipelines, and other commercial activities have resulted in environmental contamination from spills, leachate, emissions, exposure to the elements, and other types of releases. More recently, toxic releases have come from unlawful activities such as wire burning, illegal dumping of highly toxic wastes from drug production, and intentional dumping of toxic materials. Collectively, these activities represent a substantial potential for soil, water, and air pollution as well as threats to public health, safety, and property.

The BLM works to reduce environmental threats and to protect employees, visitors, and other public land users in many ways. The Bureau evaluates safety concerns, identifies hazards and risks, studies past experiences and responses, trains employees, and educates the public. Regular inspections, maintenance, and repairs are completed for BLM-owned facilities, including administrative sites, campgrounds, other recreation sites, buildings, roads, bridges, trails, and dams. The BLM annually pursues funding for these response and cleanup activities through appropriate avenues.

The BLM conducts Compliance Assessment—Safety, Health, and the Environment (CASHE) audits at all of its facilities on a recurring basis to identify facility compliance issues and assist the field's efforts to provide safe visits for the public. The last baseline audit was completed in FY 2005. Audits were completed at 36 organizational units in FY 2005, the vast majority of which were third-round audits. The audits have resulted in the BLM making significant improvements in drinking water systems and hazardous materials storage.

The CASHE Program, working with the BLM's Space Leasing staff, provided revisions to the standard leasing contract to eliminate typical facility compliance issues identified in leased space. Approximately 90 percent of the BLM's offices are in leased office space, so the root cause of many facility compliance issues has been addressed.

BLM law enforcement officers work with partners both inside and outside the Bureau to protect lives, resources, and property. Initiatives to protect delicate and irreplaceable resources, safeguard visitors and employees, and recover losses to the government have been implemented.

Improving Land, Resource, and Title Information

The BLM holds extensive historical records and maintains current land title information for determining land ownership, condition, location, rights, and authorized uses on most of the private, public, and tribal lands in the United States. The agency performs cadastral surveys and completes land transactions, producing voluminous amounts of information that supports land management and scientific activities for many government agencies, as well as the private sector. Historical data on patented lands, along with current information on the mineral estate, resource conditions, and

permits or leases on Federal lands, is updated and provided on a daily basis.

The BLM responds to thousands of requests for information every year and has improved customer access to and use of this information. Cadastral survey information for over 31,000 townships and almost 4.2 million General Land Office (GLO) land title records has been converted to digital form; 3 million of these records have also been scanned and imaged for viewing on the GLO website. These records are now more readily accessible to decision makers as well as the public, thanks to Internet and GIS technologies.

In recent years, data for millions of townships have been downloaded into multiple databases across the country to support applications ranging from wilderness, open space, planning, recreation, and commercial activities (oil and gas, timber, coal, etc.), to tax assessment and 911 emergency dispatch. The BLM's cadastral and land records provide a critical foundation for addressing energy development and urban growth throughout the United States.

Cadastral and land records are used to manage wildland fires. These records are used to determine the most efficient deployment of fire support personnel by sending them to areas that have real estate and real property requiring protection.

The BLM continues to integrate its boundary records with the USDA Forest Service, with other Federal agencies, and with tribes, states, counties, and the private sector to build a common cadastral/lands information base across the landscape that can serve multiple stakeholders. The BLM national website established for downloading Geographic Coordinate Data Base data has proven to be successful and is providing the most accurate digital portrayal of parcel boundaries.

The BLM is working hand-in-hand with states, counties, and other federal agencies to standardize digital data representing the Public

Land Survey System (PLSS) in support of the Western Governors' Association (WGA) policy, National Spatial Data Infrastructure, and Geospatial One Stop E-Gov initiative. This effort has been recognized and endorsed by the WGA as supporting livable communities, encouraging economic development, and enabling community leaders to better manage both. The WGA has also urged the BLM, in collaboration with states, counties, and tribal governments, to complete, enhance, and maintain the Geographic Coordinate Data Base (GCDB) as the standard representation of the Public Land Survey System in the western states. Using the GCDB to standardize the PLSS directly supports the BLM's responsibilities as defined in Office of Management and Budget (OMB) Circular A-16.

The public is performing on-line Internet searches for information and subsequently downloading digital data (counted as a "request"), or filing requests for historical information for historical information directly with BLM offices. One example is the Bureau's General Land Office Records website, <http://www.glorerecords.blm.gov>. Since going on-line in May 1998, this site has filled more than 119 million requests for land records. The site was disconnected from the Internet in April 2005 to protect Indian Trust-related information currently in litigation. The demand for the Bureau's land title records remains high, and despite the shutdown, the website filled 9.9 requests in 2005. The website is currently closed pending reconnection and court notification.

The BLM has the lead responsibility for the National Integrated Land System (NILS). This system is a collaborative project with the USDA Forest Service, states, counties, tribes, and other Federal agencies to provide a business solution for land managers. These individuals face an increasingly complex environment of complicated transactions, legal challenges, deteriorating and difficult-to-access records, and

a deteriorating system of property boundaries. NILS will provide the tools needed to collect, manage, and share survey data, cadastral data, and land records information.

Updating Land Use Plans

Accurate, up-to-date land use plans are integral to the effective management of the Nation's public lands because planning decisions form the basis for most of the BLM's on-the-ground management actions. Over the past two decades, the magnitude and the complexity of resource issues relating to the management of public lands have grown. Dramatic population growth in the West has resulted in increasing demands on the 261 million acres of surface lands and 700 million acres of mineral estate managed by the BLM. Changing demands and conditions have included a recent emphasis on the need to develop renewable and nonrenewable domestic energy supplies; additions to the National Landscape Conservation System; new Endangered Species Act listings; and new regulations and policies that require the BLM to invite other Federal, state, and local agencies to participate in the BLM's land use planning activities.

Land use planning helps the Department of the Interior achieve its mission of protecting and managing the Nation's natural resources and cultural heritage, providing scientific and other information about those resources, and honoring its trust responsibilities or special commitments to American Indians and Alaska Natives. The land use planning process is community based and requires cooperation with Federal, state, tribal, and local governments; the general public; user and environmental groups; and industry. Through close collaboration and partnerships, the BLM determines how best to manage public lands to meet the needs both of local communities and of the Nation as a whole.

The BLM uses a cyclical planning process to ensure that land use plans and implementation decisions remain consistent with applicable laws,

regulations, orders, and policies. In addition to public participation, the process involves resource assessment and analysis to make plan decisions, followed by plan implementation, monitoring, and evaluation. This process allows for continuous adjustments to respond to new issues and changed circumstances and to amend or revise plans based on ongoing monitoring and evaluation activities.

In February 2000, the BLM submitted its *Report to the Congress: Land Use Planning for Sustainable Resource Decisions*. This report provided the basis for increasing the land use planning budget to update or revise many of the BLM's original 162 land use plans that were developed in the 1970s and 1980s. Beginning with the 2001 Appropriations for the Department of the Interior and Related Agencies, Congress increased funding to the BLM to develop new plans and amend or revise its existing land use plans, where appropriate, to address changing resource demands, growth in the West, and new laws.

The BLM has completed 33 land use plans and major amendments since the initiative started in 2001. In 2005 and 2006, the BLM is continuing to develop and amend land use plans and to address priority and emerging issues, such as conservation of sagebrush communities for sage grouse and other sagebrush-dependent wildlife and plant species, the Healthy Forests Initiative, recreation, and travel management (including off-highway vehicle use). The BLM anticipates that it will complete over 45 additional land use plans through FY 2007.

Providing Economic and Technical Assistance

The BLM carries out the Secretary's trust responsibility for several Indian programs, including approval and supervision of post-lease mineral operations on Indian trust lands, cadastral survey of Indian lands, and the issuance of patents for trust allotments.

The BLM provides technical assistance to Tribes by supervising post-lease mineral

operations on 56 million acres of Indian trust lands. These operations generate royalty incomes for Indian mineral owners and economic impacts for communities, as well as providing local employment to Tribal members.

Under the Act of April 6, 1884 (25 USC §176), the BLM is charged with statutory responsibility to survey Indian lands and Indian Reservations held in Trust by the Federal government. In addition to conducting surveys, the Bureau provides other cadastral survey services, such as preparing or interpreting legal descriptions, consulting on boundary management issues, conducting field or records investigations, collecting Geographic Coordinate Data Base (GCDB) data, and providing support for appeals, protests, and litigation on Indian lands.

In Fiscal Year 2005, the BLM provided essential cadastral surveys and services requested and funded by the Bureau of Indian Affairs (BIA) or tribal governments. These services included surveying 2,829 miles of land boundaries and setting 5,055 survey monuments. BLM surveyors worked with the BIA and tribal employees, as well as contractors, to enhance the Geographic Coordinate Data Base for Indian Trust lands. This benefits land management, land status depiction, mapping projects, GIS applications, and BIA and tribal cadastral coverage efforts.

In August 2004, the Secretary approved and initiated the Fiduciary Trust Model (FTM). The FTM is a business model created to provide a new and streamlined structure from which to accomplish specific trust objectives and provide reliable trust services for American Indian and Alaska Native beneficiaries.

The BLM cadastral survey portion of the FTM has two key Phase 1 Survey Service Projects to be implemented and funded by September 30, 2006:

1. Locate a BLM Cadastral Surveyor in each of the BIA Regions who will work directly

on BIA boundary issues and facilitate the execution of cadastral survey services. These new positions will be physically located in BIA offices.

2. Create a Certified Federal Surveyor (CFedS) program where non-BLM surveyors can be certified to perform commercial activities under the direction and control of BLM cadastral survey.

In Phase 2 the following Survey Service Projects will also be implemented and funded, starting in 2007.

1. Improve the maintenance of the Public Land Survey System (PLSS) within Indian Country by providing proactive improvements to boundaries, monuments, records, and services.
2. Create one standardized source of land status information based on cadastral data that delineates the official legal land descriptions.

The BLM has a long history of providing support for community and statewide economic needs through land disposal and conveyance for many purposes under several authorities and programs. During Fiscal Year 2005, the BLM conveyed over 3.4 million acres in Alaska and over 81,000 acres outside of Alaska.

One of the BLM's most innovative land conveyance authorities is the Southern Nevada Public Land Management Act (SNPLMA), enacted in October 1998, as amended. This Act encourages the BLM to sell land in an open, competitive process, ensuring that the Federal government receives fair market value and generates the greatest return for the taxpayer.

Under SNPLMA, public land tracts within a congressionally designated disposal boundary that are interspersed with or adjacent to private land in the Las Vegas Valley (the fastest-growing

urban area in the United States) are sold to the highest bidder and may not be sold for less than their appraised fair market value. A total of 85 percent of the land sale revenue collected is deposited into the SNPLMA Special Account and then invested in interest-bearing Treasury securities. These land sale proceeds and interest revenues can be used for eight specified purposes:

- Acquisition of environmentally sensitive land in the State of Nevada, with priority given to lands in Clark County.
- Capital improvements at the National Park Service's Lake Mead National Recreation Area; the U.S. Fish and Wildlife Service's Desert National Wildlife Refuge; the BLM's Red Rock Canyon National Conservation Area and other areas administered by the BLM in Clark and Lincoln Counties; and the USDA Forest Service's Spring Mountain National Recreation Area.
- Development of a multi-species habitat conservation plan in Clark County, Nevada.
- Development of parks, trails, and natural areas in Clark and Lincoln Counties pursuant to cooperative agreements with units of local and regional government.
- Conservation initiatives on Federal land in Clark and Lincoln Counties, Nevada, administered by the Department of the Interior or the Department of Agriculture.
- Federal Environmental Restoration Projects under the Lake Tahoe Restoration Act, Environmental Improvement Payments under Public Law 96-586, and any Federal environmental restoration project included in the environmental improvement program adopted by the Tahoe Regional Planning Agency in February 1998 (as amended)

“in an amount equal to the cumulative amounts authorized to be appropriated for such projects under those Acts”; these “cumulative amounts” equal \$300 million.

- Up to \$6 million for a Water Resources Study of the Basin and Range Carbonate Aquifer System (BARCAS) in White Pine County, Nevada, and adjacent areas in Nevada and Utah pursuant to provisions of the Lincoln County Conservation, Recreation, and Development Act of 2004 (P.L. 108-424) and the SNPLMA.
- Costs associated with the disposal of lands and implementation of the Act.

Certain other revenues deposited into the SNPLMA Special Account are designated for specific purposes that are authorized by other laws. These include:

- Acquisition of inholdings within the Mojave National Preserve in California and protection and management of petroglyph resources in Clark County, utilizing revenues from the disposal of lands in the Ivanpah Valley for an airport under the Ivanpah Airport Act (P.L. 106-362). These revenues are not available until a final Record of Decision pursuant to the National Environmental Policy Act of 1969 has been issued that permits development of the airport at the Ivanpah site.
- Acquisition of environmentally sensitive land in the Lake Tahoe Basin pursuant to the Santini-Burton Act of 1980 (P.L. 96-586), utilizing revenue from the conveyance of parcels within the SNPLMA disposal boundary that are also within the disposal boundary established by the Santini-Burton Act.

- Planning and management for the Sloan Canyon National Conservation Area with funds generated by the sale of a land parcel authorized by the Clark County Conservation of Public Lands and Natural Resources Act (P.L. 107-282).
- Development of a multi-species habitat conservation plan for the Virgin River and associated groundwater monitoring, utilizing revenue from the sale of certain lands to the City of Mesquite, as authorized by an amendment to the Mesquite Lands Act (P.L. 99-548).

The revenues generated under SNPLMA enable the BLM and other government entities to acquire and preserve environmentally sensitive lands and to build or maintain trails, day-use areas, campgrounds, or other facilities to benefit public land visitors.

As of September 30, 2005, the BLM's SNPLMA land sales Treasury account had \$1.7 billion invested; interest earned during the year totaled \$34 million. From the program's inception, the BLM has conveyed almost 31,000 acres under SNPLMA, with SNPLMA Special Account receipts of approximately \$1.9 billion from all conveyances and interest earned. The Directors of the BLM, U.S. Fish and Wildlife Service, and National Park Service, in partnership with the Chief of the USDA Forest Service, have recommended and received approval from the Secretary of the Interior for the expenditure of almost \$1.2 billion in the first six expenditure categories listed above, based both on revenues received and on revenues projected from land sales through September 30, 2005.

Another recently enacted bill, the Federal Land Transaction Facilitation Act, provides the authority to sell public lands and use sale proceeds to purchase other lands to benefit the BLM or other Federal land management agencies. The Act also permits the BLM to

retain exchange equalization payments (often made by land exchange proponents to equalize values between Federal and private lands). Lands sold or exchanged must already be identified for disposal in an existing Federal land use plan approved before July 25, 2000.

Under this Act, which applies nationally and not just to southern Nevada, 4 percent of sales or exchange receipts are distributed to the state in which the sale occurred. These are to be used for educational purposes or for the construction of public roads and improvements.

Of the remaining receipts, the BLM can retain up to 20 percent to cover administrative costs of sales and exchanges under the Act. The remainder (that is, at least 80 percent) must be used to purchase inholdings or lands with exceptional resources adjacent to federally designated areas. Inholdings are any non-Federal lands located within specially designated areas managed by the BLM, National Park Service, U.S. Fish and Wildlife Service, or USDA Forest Service, including the Wild and Scenic River System, the National Trail System, Wilderness Areas, or Wilderness Study Areas.

Not less than 80 percent of the acquisition funds must be used for land acquisitions in the same state in which sales occurred; the remaining 20 percent of acquisition funds may be used in the same state or in the 11 western states and Alaska. The Act does not mandate any sales or establish quotas for sale or purchase. As of September 30, 2005, sales proceeds under the Federal Land Transaction Facilitation Act totaled approximately \$29.2 million and exchange proceeds approximately \$3.0 million, for a cumulative total of \$32.2 million.

A memorandum of understanding among the applicable Federal agencies to implement the Act was signed on May 5, 2003. This agreement provides the guidelines on how fund disbursements are to be determined in the future. As of June 30, 2005, a total of \$5,236,000 had been approved for the purchase of two inholdings in the Toiyabe National Forest in Nevada.

Table 5 portrays selected goals/targets and actual accomplishments for the serving communities mission area.

Table 5. Serving Communities: Selected Goals and Accomplishments		
FY 2005 Annual Goal	Target	Actual
Percent of buildings (for example, administrative sites and employee housing) in fair to good condition	TBD	*
Percent of roads in fair to good condition	TBD	*
Percent of dams in fair to good condition	TBD	*
Percent of bridges in fair to good condition	TBD	*
Percent of trails in fair to good condition	TBD	*
Cumulative percent of Alaska lands conveyed to the State of Alaska and Alaska Native Corporations	87%	44%
Number of public land title records posted on the Internet to assist title, survey, historical, and genealogical research and retrieval	150,000	150,151
Number of acres of land disposals and conveyances completed outside of Alaska	105,000	121,046

TBD = To be determined.

* The BLM is transitioning to the Department of the Interior's Facility Asset Management System and plans to report on the Facilities Condition Index measures.

Systems, Controls, And Legal Compliance

Managerial, Administrative, and Financial Controls

The Bureau of Land Management completed an assessment of its systems of managerial, administrative, and financial controls in September 2005 in accordance with the standards, objectives, and guidelines prescribed by the Federal Managers' Financial Integrity Act (FMFIA) and the Office of Management and Budget (OMB). The objectives of this assessment were to ensure that:

- Programs achieved their intended results;
- Resources were used consistent with the agency's mission;
- Resources were protected from waste, fraud, and mismanagement;
- Laws and regulations were followed; and
- Reliable and timely information was maintained, reported, and used for decision making.

In performing its assessment, the BLM management relied on its knowledge and experience gained from the daily operation of Bureau programs and systems of accounting and administrative controls. The BLM's assessment was based on information obtained as of September 30, 2005, from sources such as internal management control assessments, Office of Inspector General (OIG) and Government Accountability Office (GAO) audits, KPMG's prior-year audit of the Bureau's financial statements, various program evaluations/studies, and performance plans and reports.

Based on all of the above, as well as the results of the BLM's independent financial statement audit for FY 2005, the Bureau can conclude the following:

- The BLM's systems of management, administrative and financial controls provide reasonable assurance that the objectives of the FMFIA have been achieved;
- The BLM is in compliance with the U.S. Government Standard General Ledger at the transaction level, and with Federal accounting standards as required by the Federal Financial Management Improvement Act (FFMIA) with the exception of museum collections and stewardship land reporting; and



- The BLM's information technology systems provide reasonable assurance that the objectives of OMB's Circulars A-127, Financial Systems, and A-130, Management of Federal Information Resources, have been achieved.

Table 6 outlines the specific management control assessments and audits on which the Bureau relied for its annual assurance statement.

Table 6: FY 2004 Assessments and Audits		
Assessment /Audit	Date Completed	Results (material weakness or best practice)
Range Program	May 2005	Some offices are attempting to minimize protests and appeals by sending draft evaluations and reports to interested groups, and by meeting personally with local representatives. For example, Battle Mountain Field Office is visiting with Western Watersheds Project at their Boise, Idaho, office before sending out draft evaluations in an attempt to help them understand the findings and to minimize protest and appeals. In BLM Idaho, permittees and interested parties are provided an opportunity to comment or contribute information to the land health evaluation report.
Soil, Water, and Air Program	May 2005	BLM California has implemented a state version of Activity or Riparian Program performance-based budgeting. It begins with the planned accomplishments in priority program elements only and allocates funds to field offices based partially on unit costs of accomplishments. The unit costs are regional, so theoretically they take into account costs for field offices in similar areas with similar issues. This avoids some of the national unit cost inaccuracies that plague the activity-based cost system.
Rights-of-Way	September 2005	None identified.
Quality Assurance Team Review of the Application for Permit to Drill (APD) Process	July 2005	Large oil and gas operators using remote monitoring of production have reduced travel to individual well site locations. These operators not only reduce travel to the field, but they also are able to submit required production data in an electronic format that is more efficient and accurate. The remote sensing ties in with the Bureau's Remote Data Acquisition for Well Production, which will ultimately reduce inspection travel to individual well sites by Bureau inspectors and reduce required hard copy data requests back to the operator.
3809 Surface Management	September 2005	None identified.
Mineral Materials Program - Inspection and Enforcement (I&E)	September 2005	None identified.

Table 6: FY 2004 Assessments and Audits

Assessment /Audit	Date Completed	Results (material weakness or best practice)
Acquisition Management	July 2005	There are two "best practices" identified: (1) The Purchasing Agent in the Amarillo, Texas, Field Office provides a weekly acquisition update report to her management team. The managers use the report to not only keep track of upcoming contract awards, but also to aid them in the budget allocation process and to use as a workload management tool; and (2) The State Office and three field offices in New Mexico that were reviewed in 2005 use a checklist in the front of each charge card file. It documents on the checklist that a charge card statement has been received, the cardholder has signed and dated the statement, the approving official has approved and dated the statement, the cost coding has been included, and Remote Data Entry has initialed and dated the statement. Each month of the fiscal year has a separate line on the checklist.
Personal Property Program	July 2005	None identified.
Improper Payments Risk Assessment	June 2005	None identified.
General Management	June 2005	None identified.
GAO Audits:		
<ul style="list-style-type: none"> • Hardrock Mining—BLM Needs to Better Manage Financial Assurances to Guarantee Coverage of Reclamation Costs (GAO-05-377) (June 2005) • Oil and Gas Development—Increased Permitting Activity Has Lessened BLM's Ability to Meet Its Environmental Protection Responsibilities (GAO-05-418) (June 2005) • Natural Resources—Federal Agencies Are Engaged in Various Efforts to Promote the Utilization of Woody Biomass, but Significant Obstacles to Its Use Remain (GAO-05-373) (May 2005) • Forest Service—Better Data Are Needed to Identify and Prioritize Reforestation and Timber Stand Improvement Needs (GAO-05-374) (April 2005) • Cooperation and Coordination Are Important for Effective Management of Invasive Weeds (GAO-05-185) (February 2005) • Oil and Gas Development—Challenges to Agency Decisions and Opportunities for BLM to Standardize Data Collection (GAO-05-124) (November 2004) 		
OIG Audits:		
<ul style="list-style-type: none"> • Framework Needed to Promote Accountability in Interior's Grants Management (W-IN-MOA-0052-2004) (August 2005) • Hazardous Materials Site Management (C-IN-MOA-0040-2004) (August 2005) • Department of the Interior Concession Management (C-IN-MOA-0049-2004) (June 2005) 		

The BLM completed its FY 2005 Improper Payments risk assessment as required by the Improper Payments Information Act of 2002, P.L. 107-300. The Bureau reassessed programs exceeding \$100 million in annual outlays. This assessment did not identify any "high" risk programs based on the criteria defined by OMB. Additionally, none of the BLM's programs and activities required reporting to the President and the Congress or required a progress report on actions to reduce improper payments.

The BLM completed all corrective actions in fiscal year 2005 to address the following material weaknesses and FFMIA noncompliance issues:

1. One material weakness: Accounting for Mineral Leases.
2. Four FFMIA noncompliance issues: (a) Reporting of Deferred Maintenance Amounts for Stewardship Land, (b) Accounting for Mineral Leases, (c) Reporting the Number of Museum Items Held in Non-Federal Facilities, and (d) Reporting the Condition of Stewardship Land.
3. One carryover noncompliance issue: Security and Internal Control over Information Technology Systems.

1. Accounting for Mineral Leases—This material weakness is summarized as follows:

The BLM processes collections from mineral leasing activity on its public lands, which includes leases for oil, gas, and coal. The BLM collects the first-year rent and bonus bid deposits related to this activity. These amounts are initially recorded as a deposit liability awaiting adjudication. Once adjudicated, the collections are transferred to the Minerals Management Service (MMS). The audit found that the BLM did not have adequate procedures

at the end of fiscal year 2004 to identify leases that were adjudicated but not transferred to the MMS.

The BLM should develop procedures for the end of the fiscal year to identify and accrue lease deposits at year-end that have been adjudicated and accepted but not transferred to the MMS. Procedures should include communication protocols to notify the MMS and the Bureau of Reclamation (BOR) of lease activity that impacts their respective financial statements.

In its response to the auditors, the BLM agreed with this finding.

The BLM's National Business Center (NBC) created a report out of its Collections and Billings System that on a monthly basis provides the MMS with all lease deposit information for accrual purposes. The NBC also confirms with the MMS the amount transferred through the IPAC system on a monthly basis. The NBC issued procedures for field office implementation for the timely reporting of any adjudicated leases.

2a. Reporting of Deferred Maintenance Amounts for Stewardship Land—This noncompliance issue is described as follows:

Accounting standards for Federal entities establish minimum reporting requirements for stewardship land. These standards require the BLM to report, as required supplementary information in the stewardship section of its annual report, the condition of stewardship land. Federal accounting guidance defines deferred maintenance as maintenance that was not performed when it should have been or was scheduled to be and which, therefore, was put off or delayed for a future period. Maintenance is the act of keeping fixed assets in acceptable condition. It includes preventive maintenance, normal repairs, replacement of parts and structural components, and other activities

needed to preserve the asset so that it continues to provide acceptable services.

The audit found that the BLM has not reported in its annual report any deferred maintenance costs related to stewardship land. Approximately 27 million acres (20 percent), of the 137 million acres of BLM stewardship land that has been assessed for condition are rated as needing intervention. This implies some form of maintenance is required to restore the land to its intended condition.

The BLM should develop a process consistent with accounting principles generally accepted in the United States of America for estimating deferred maintenance costs on stewardship land that is rated as needing intervention.

In its response to the auditors, the BLM disagreed with this audit finding.

In this FY 2005 Annual Report, in the Deferred Maintenance section of its Required Supplementary Information (RSI), the BLM reports no deferred maintenance on its stewardship lands.

Land and natural heritage assets are not subject to deferred maintenance. Instead, land and natural heritage assets are subject to the forces of nature. Humans have only limited ability to influence the results of natural forces and no ability to know in advance what the location and results of those natural forces will be. For these reasons, the concept of "maintenance" does not apply to land and natural heritage assets and the BLM does not schedule or defer maintenance activities on them.

2b. Accounting for Mineral Leases—This noncompliance issue is summarized as follows:

The BLM processes collections from mineral leasing activity on its public lands, which includes leases for oil, gas, and coal. The

BLM collects the first-year rent and bonus bid deposits related to this activity. These amounts are initially recorded as a deposit liability awaiting adjudication. Once adjudicated, the collections are transferred to the Minerals Management Service (MMS). The audit found that the BLM did not have adequate procedures at the end of fiscal year 2004 to identify leases that were adjudicated but not transferred to the MMS.

The BLM should develop procedures for the end of the fiscal year to identify and accrue lease deposits at year-end that have been adjudicated and accepted but not transferred to the MMS. Procedures should include communication protocols to notify the MMS and Bureau of Reclamation (BOR) of lease activity that impacts their respective financial statements.

In its response to the auditors, the BLM agreed with this finding.

The BLM's National Business Center (NBC) created a report out of its Collections and Billings System that on a monthly basis provides the MMS with all lease deposit information for accrual purposes. The NBC also confirms with the MMS the amount transferred through the IPAC system on a monthly basis. The NBC issued procedures for field office implementation for the timely reporting of any adjudicated leases.

2c. Reporting the Number of Museum Items Held on Non-Federal Facilities—This noncompliance issue is described as follows:

Acknowledging that it may be extremely difficult to identify all museum items taken from Federal lands in prior periods and now housed in non-Federal facilities, the BLM should develop a workable plan to address the reporting and tracking of such items to comply with applicable accounting standards. Specifically, the BLM should:

1. Work with the Department and the Federal Accounting Standards Advisory Board (FASAB) to develop a workable plan, on a go-forward basis, for reporting in the annual report museum items permanently housed in non-Federal facilities.
2. Develop a formal Bureauwide standardized tracking process, prospectively, to identify individual items taken from BLM lands. Such process should include the creation of a central database to account for BLM items housed in both Federal and non-Federal facilities.

In its response to the Auditors, the BLM disagreed with this audit finding and its recommendations.

In this FY 2005 Annual Report, the BLM reports museum collections in accordance with Federal Accounting Standards Advisory Board (FASAB) guidelines. In addition, the BLM has sent correspondence through the Department of the Interior to FASAB requesting clarification of this issue.

In its Statement of Federal Financial Accounting Standards No. 29, *Heritage Assets and Stewardship Land: Reclassification from Required Supplementary Stewardship Information*, the FASAB included latitude in the definition of “physical unit” for various categories of heritage assets. In paragraph 24.d. the draft states: “Heritage assets should be quantified in terms of physical units. The appropriate level of aggregation and physical units (footnote 11) of measure for each category should be meaningful and determined by the preparer based on the entity’s mission, types of heritage assets, and how it manages the assets.” Footnote 11 states: “Defining physical units as individual items to be counted is neither required nor prohibited. Particularly for collection-type heritage assets, it may be more appropriate to define the physical unit as a collection, or a group of assets located

at one facility, and then count the number of collections or facilities.”

2d. Reporting the Condition of Stewardship Land—This noncompliance issue is described as follows:

Accounting standards for Federal entities establish minimum reporting requirements for stewardship land. These standards require the BLM to report, as Required Supplementary Information in the stewardship section of its annual report, the condition of stewardship land. The BLM has not performed condition assessments on approximately 125 million acres (48 percent) of its 261 million acres of stewardship land. Further, many of the assessments that have been completed are outdated, given that some occurred 20 years ago. For example, the majority of the BLM’s stewardship land is classified as rangelands, and currently only approximately 1 million acres of 160 million acres of rangelands are being assessed on an annual basis.

1. The BLM, in coordination with the Department, should discuss with the Federal Accounting Standards Advisory Board (FASAB) the burden that the accounting standards place on the BLM for conducting timely condition assessments on stewardship land.
2. Until FASAB provides new guidance, the BLM should develop a workable policy to address stewardship land condition assessments to comply with applicable accounting standards.

In its response to the Auditors, the BLM disagreed with this audit finding.

The BLM improved its Required Supplementary Stewardship Information (RSSI) relative to land condition and deferred

maintenance estimates on land to incorporate more current program management practices. In this FY 2005 Annual Report, in the Stewardship Lands section of the RSSI, the BLM notes the following:

The condition of all of the BLM-administered public lands is categorized as "acceptable." That is, the public lands are in adequate condition to sustain the multiple uses and use levels authorized during the current reporting period. This condition is evidenced by the vast resource production and revenues generated from the public lands. This information is available to the reader in the BLM publication *Public Land Statistics, Part 3, "Commercial Uses and Revenues Generated,"* which is available on the Internet at <http://www.blm.gov/nhp/browse.htm>.

3. Security and Internal Control over Information Technology Systems (Carryover)—This noncompliance issue is a carryover from FY 2004 and is described as follows:

Security and general controls over the BLM's financial management systems have not been fully implemented. The BLM has not implemented certain procedural and technical access controls over financial applications to minimize the risks of unauthorized access to its systems and its data, and has not consistently implemented procedures for controlling changes to its financial applications.

The BLM needs to improve its security and internal control over information technology systems to a level at which the BLM substantially complies with the security and general EDP [electronic data processing] control requirements of OMB Circular A-130.

In its response to the auditors, the BLM agreed with this finding.

In FY 2005, the BLM's National Business Center met with the Bureau Management

Committee (BMC) to revise processes and procedures. The BLM re-educated change management personnel on proper processes and procedures through training and bulletins. The planning process on how to accomplish these goals was completed, costing about \$23,000. In addition, refresher training for managers and supervisors has been conducted.

Business and Financial Systems Integration and Controls

The Bureau's accounting system, the Federal Financial System (FFS), is composed of a number of interrelated subsystems that handle the BLM's complex financial processing needs. FFS capabilities include recording the BLM's budget authority at various levels (appropriations, apportionments, allotments, allocations, etc.) and tracking the execution of the budget at each of these levels. FFS records the amounts billed and collected for services rendered by the BLM; this information is used to prepare bills and dunning notices.

The system also supports buying goods and services and paying vendors, including complying with prompt payment requirements and maintaining relationships with various purchasing documents, such as commitments, obligations, requisitions, receiving reports, and payment vouchers. FFS supports travel document and payroll processing, cost allocation, and cost accumulation, as well as the application of indirect support rates to calculate the full costs of projects. All transactions recorded to various tables in each FFS subsystem support accounting functions that update the general ledger.

The system accounts for every type of Federal appropriated and nonappropriated fund within the BLM's budget authority, including annual, multi-year, and no-year appropriations. Nonappropriated funds include revolving and working capital funds, budget clearing accounts, and deposit and receipt accounts.

Payments to commercial vendors are generally subject to the Prompt Payment Act, as implemented under OMB Circular A-125. FFS automatically determines if a payment is subject to prompt payment based on the type of vendor and the type of transaction. If a payment is subject to prompt payment, FFS ensures compliance in terms of scheduling the payment, automatically evaluating discount terms, paying any interest due if the payment is late, and taking into account any payment terms unique to the order or vendor.

FFS distinguishes numerous collection types: revenue (billed and unbilled), vendor refund, advance received from a customer, and repayment of a travel advance. Collections and disbursements can involve either a cash or noncash transaction.

Strict edits on all input data ensure the validity of data entered into the system. Editing logic includes a verification of valid accounting distribution and spending controls, along with the completion of required data elements. Once a transaction passes all edits, all relevant tables and the general ledger are simultaneously updated.

FFS also includes a number of processes to ensure the integrity of the database and to assist in administering the system. Processing routines include system assurance programs that verify the header and line tables are in agreement, all journal postings are in balance, and all budget records are properly posted. To detect any out-of-balance conditions that might occur due to equipment or system software failures, the system assurance programs verify that components of the online system (reference and inquiry tables, including the General Ledger and budget tables) balance with the historical sequential journal that is the official audit trail.

The Fixed Assets subsystem of FFS allows tracking of all capitalized real and personal property, as well as items designated as "Bureau-sensitive" or "Field-sensitive." Bureau-sensitive items include personal computers, firearms, surveying equipment, and Global Positioning System (GPS) equipment valued at more than \$500. Field-sensitive items include property that a BLM field office might want to track regardless of the acquisition cost, such as binoculars.

The Fixed Assets subsystem reconciles property items actually received and accounted for with items purchased. Once a property item is officially documented as "received," a custodial officer and property number are assigned, and the item is then inventoried every year. The Fixed Assets subsystem also records when an item is disposed of through public sale, transfer to another agency, or donation to a school or college.

The Bureau was one of the first agencies in the Department of the Interior to establish an interface between the Interior Department Electronic Acquisition System (IDEAS) and FFS. With this interface, once an obligation document (a purchase order, task order, delivery order, contract, or modification) is created in IDEAS, the obligation can be electronically posted to FFS. If the obligation passes successfully to FFS, a confirmation is posted in IDEAS. In addition, IDEAS can pass a funding commitment document to FFS so that funds can be set aside pending actual obligation.

With the level of integration and cross-checking in place among the BLM's acquisition, accounting, and property management/accounting systems, the Bureau has fulfilled the requirement to establish sound management controls and ensure legal compliance.

Future Effects Of Existing, Currently Known Demands, Risks, Uncertainties, Events, Conditions, And Trends

Natural and Human-Caused Disasters

Most of the Bureau's facilities are located in the western states and Alaska. These facilities are susceptible to typical risks for buildings and structures such as fire, power outages, and natural disaster threats resulting from local conditions such as flooding, tornados, winter storms, and earthquakes.

BLM facilities, personnel, and resources are also subject to security-related risks. The threats and acts of terrorism that occurred in 2001 reinforced the need for government agencies review and revise business continuity and related contingency plans to ensure that essential services can be provided during emergency conditions.

Possible Future Effects: Natural and human-caused disasters could range from minor damage or disruption to large-scale catastrophes resulting in extensive employee injuries and destruction of property. The BLM's contingency plans are designed to save lives, prevent damage, and minimize adverse consequences. However, no amount of planning and preparation can prevent disasters from striking.

Wildland Fires

As noted in a previous section, the Bureau provides fire protection on 388 million acres of public and state lands. The BLM's fire and aviation program works cooperatively with its Federal and state land management partners to suppress and manage wildland fire, conduct prescribed fires, and promote fire safety awareness through education and prevention programs. The Bureau's fire program also works closely with the BLM's other resource programs to improve the health of the land, reduce the risks of hazardous buildup of fuels, protect communities at risk, and improve wildlife habitat.

The BLM's National Office of Fire and Aviation is headquartered at the National Interagency Fire Center in Boise, Idaho, where fire experts from the five Federal wildland fire agencies, the National Association of State Foresters, and the U.S. Fire Administration develop policy, conduct wildland fire research, develop equipment, and coordinate with state and local, as well as international, firefighting organizations. Because wildland firefighting is a demanding and hazardous profession, the BLM and its cooperators take every measure to ensure that firefighter safety and the protection of life are the top priorities while protecting property and natural resources.



The public lands and their myriad resources—soil, vegetation, wildlife habitat, human structures/improvements and more—are frequently at risk from wildfire, particularly during a drought year. Much of the western United States has been experiencing a multi-year drought, resulting in the fire danger being greater than normal.

Possible Future Effects: While the BLM is taking steps to reduce the number of human-caused fires, fires caused by natural events such as lightning strikes will always present a risk to public lands and resources. However, the Bureau's professional, well-trained, and prepared firefighting workforce will continue to achieve a high rate of success in responding quickly to fire starts to keep them from becoming large, catastrophic events.

The BLM, along with its partners and cooperators, is working to mitigate the risks created by hazardous accumulations of fuel on our public lands and near communities. These efforts are having a positive effect on the landscape, but much remains to be done. In the meantime, the BLM will continue working toward reducing the risks while responding quickly, efficiently, and safely to new fire ignitions.

Crime and Unauthorized Use

Public lands are not immune from the criminal activities that threaten resources and the health and safety of visitors. With the growth of communities, especially in areas adjacent to public lands, illegal activities and unauthorized use will continue to flourish. These activities also occur on the most remote pieces of public land and include vandalism and theft of irreplaceable natural and cultural resources.

The designation of additional special management areas (national monuments, wilderness areas, areas of critical environmental concern, etc.) has led to a greater degree of

regulated use and restrictions. The intent of these restrictions is to maintain the special values of these areas, but there are public land users who will deliberately violate the restrictions, damaging these unique areas and their resources.

Although the BLM issues permits for many commercial uses of public lands, numerous individuals use or take resources without obtaining the required authorizations. These individuals bypass the normal environmental review process and cause adverse impacts that would otherwise be avoided by prohibiting certain uses or attaching stipulations to protect resources and ensure public safety.

Other activities that negatively impact public lands include illegal drug cultivation and drug labs, hazardous waste dumping, illegal activities associated with our Nation's borders, and other crimes.

To ensure that visitors have safe and positive experiences on the public lands, BLM rangers and special agents maintain a capability for providing public assistance and responding to illegal activities that compromise public safety or damage public lands or facilities. The BLM's law enforcement program works cooperatively with state, county, and local law enforcement agencies to meet the growing workload.

Possible Future Effects: Crime and unauthorized use will continue to be a problem on the public lands, given the impossibility of keeping track of every activity occurring across the nearly 261 million acres managed by the BLM. Unauthorized use will continue to cause the loss of resources and cost significant sums of money to rehabilitate and restore public lands and resources to former levels of health and productivity. Perhaps the most dramatic examples are the looting of cultural and paleontological resources to be sold to overseas collectors and the millions of dollars in lost resources and funds expended for the suppression of human-caused fires.

Deferred Maintenance

Deferred maintenance occurs when regularly scheduled repairs, preventive maintenance, and replacements of parts and components are not performed when they should have been and are, therefore, delayed until a future time. The problem is compounded by the fact that maintenance costs have increased, most significantly for work using petroleum-based products or involving extensive travel.

The trend has been for the BLM's inventory of fixed, capital assets (buildings, roads, recreation sites, etc.) to increase over time. However, with implementation of the new Interior-wide Asset Management Plan (AMP), the BLM will streamline its portfolio of assets and optimize maintenance of those assets that contribute most significantly to its mission and strategic goals. The BLM expects to dispose of unneeded assets so it can affordably maintain and sustain its portfolio. Adequate funding and staffing for repairs and maintenance is essential if the Bureau is to maintain its facilities in good functioning condition and reduce its accumulated deferred maintenance workload.

The Deferred Maintenance section presented later in this document provides more detailed information on the extent of the BLM's constructed assets (buildings, administrative sites, recreation sites, roads, bridges, trails, and dams) and accumulated deferred maintenance.

Possible Future Effects: Funding is needed for normal repairs, preventive maintenance, component renewal, and other activities needed to preserve the BLM's portfolio of constructed assets so they continue to provide acceptable service, safety, and quality experiences for public users. The estimated and reported cost of regularly scheduled repairs and preventive maintenance must accurately reflect the BLM's true annual maintenance needs.

Preservation of capital investments is contingent on the BLM's ability to perform preventive maintenance and make timely

repairs. Maintenance that is deferred becomes more costly over time. If delayed long enough, the result is severe deterioration or even a total loss of facilities. This, in turn, could result in resource damage. For example, not maintaining a hiking trail on steep terrain could result in soil erosion, the formation of gullies, loss of vegetation, sedimentation of nearby streams, and degradation of aquatic and riparian habitat. In some instances, critical health and safety problems could be created for both BLM employees and the public.

Contingent Liabilities: Judgments and Claims

The BLM is a party to a number of lawsuits where the plaintiff is seeking monetary damages. The lawsuits can involve a variety of issues, including lost revenues when timber contracts are suspended because of environmental issues; injuries or death that occur on BLM-managed public land or roads; issues regarding takings and suspension of mining claims; and other issues.

Possible Future Effects: The outcomes of lawsuits will not materially affect the BLM's future financial condition or operations. The U.S. Treasury's judgment fund would likely bear most of the costs incurred to pay any judgments or settlements.

Contingent Liabilities: Environmental Cleanup

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, the Clean Water Act of 1977, and the Resource Conservation and Recovery Act of 1976 require Federal agencies to report sites where (1) hazardous substances have been released or (2) hazardous wastes are or have been stored, treated, or disposed of. These Acts also require responsible parties, including Federal agencies, to clean up releases of

hazardous substances, to restore injured natural resources, and to manage hazardous wastes.

The BLM faces major challenges in cleaning up hazardous substance releases on the public lands. Virtually all of these releases arise from non-BLM uses of the lands, such as illegal dumping, transportation spills, landfills, mineral development operations, pipelines, and airstrips. Significant portions of the costs of cleanup will be incurred by or recovered from responsible parties external to the BLM.

Possible Future Effects: Undetected or unmitigated releases of hazardous substances on public lands could result in resource damage (soil or water contamination, vegetation loss, wildlife habitat destruction, etc.). Loss of human life, harm to human health, and damage to property are also possible, especially in the rapidly growing wildland-urban interface areas of the West and in the more heavily used recreation areas. On the other hand, the larger, undeveloped rural tracts of public land tend to minimize the odds of impacts to the public. The Bureau is working aggressively to identify and clean up sites posing a danger to humans or natural resources.

Contingent Liabilities: Abandoned Mine Lands

The Bureau maintains an inventory of known abandoned mine land (AML) sites that may pose an environmental or public safety hazard on the public lands. BLM personnel conduct targeted field validations of potential AML sites and hazards, with the primary focus on priority watersheds and high-use areas. State agencies and the public often identify AML hazards they encounter on public lands.

The BLM works in partnership with other government agencies and private landowners to target and leverage funding and coordinate projects. Watershed projects are typically complex, multi-year efforts.

The Bureau continued this past year to alert the public to the dangers of abandoned mines by providing web-based information on AML hazards and ongoing projects; distributing several thousand safety brochures; and giving AML safety presentations to classrooms, special interest groups, and local outreach venues. The BLM also continued to support the Mine Hazard Awareness Campaign, a Federal and state cooperative effort initiated by the U.S. Department of Labor's Mine Safety and Health Administration to increase public awareness of the dangers posed by active and abandoned mines. This program emphasizes overall safety awareness, with a special emphasis on education for school-age children.

Possible Future Effects: Given the large number of abandoned mine sites believed to exist on BLM-administered public lands, there is a significant potential for serious injuries or death for people who wander across these sites or who explore old mine tunnels and buildings. The BLM faces exposure to lawsuits or claims for damages resulting from deaths or injuries at these sites. As population sprawl continues across the West, and as more visitors come to the public lands to enjoy recreation activities and experience open space, more people will come into contact with what once were remote abandoned mine sites. The BLM has no basis for estimating the future financial impact of abandoned mine hazards.

Discussion and Analysis of the Financial Statements

This Annual Report presents the BLM's financial statements. There are four basic objectives for financial reporting in the Federal government:

- Budgetary integrity (accounting for resources obtained and resources spent),
- Operating performance (the cost of programs and the results achieved for the dollars spent),
- The government's stewardship over government assets such as land and heritage assets (improvement or deterioration in these assets over the reporting period), and
- Systems and controls (the presence of cost-effective systems and controls to adequately safeguard assets).

To meet these reporting objectives, the BLM is presenting the following financial reports in this Annual Report:

- **Consolidated Balance Sheets:** These statements report on the operating assets and liabilities related to the delivery of goods and services. They display the dollar value of unspent funds, assets (such as accounts receivable; inventory; investments; and property, plant, and equipment), and liabilities (such as accounts payable and various accrued liabilities).
- **Consolidated Statements of Net Cost of Operations and Consolidated Statements of Changes in Net Position:** These statements report the costs of providing government goods, services, and benefits, and provide information on the changes in financial position from one year to the next. They contain the total cost of operations, revenue generated from operations, and appropriations (dollars) used to fund the net cost of operations.
- **Combined Statements of Budgetary Resources and Consolidated Statements of Financing:** The Combined Statements of Budgetary Resources show the budgetary resources made available through appropriations and other sources, obligations incurred against those resources, and the dollar amount of cash outlays. The Consolidated Statements of Financing explain and



reconcile the relationship of budgetary obligations to the net cost of operations.

- **Consolidated Statements of Custodial Activity:** These statements report on the collection and disposition of custodial revenue for first-year rents and bonuses on lease agreements related to oil and gas, coal, and other leasable minerals.
- **Supplementary Stewardship Report:** This report displays the nature and condition (not dollar values) of stewardship assets. Stewardship assets are property entrusted to or owned by the Federal government for the long-term benefit of the Nation (such as public land). The government is charged with safeguarding and maintaining these assets. Valuation would be extremely difficult in most cases. Expenditures for stewardship assets are included as part of net cost on the Consolidated Statements of Net Cost of Operations.
- **Supplementary Report on Deferred Maintenance:** This report displays the estimated dollar value of maintenance that was not performed when scheduled, and that has been delayed to a future period, for general property, plant, and equipment and for stewardship assets. Deferred maintenance includes preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it continues to provide acceptable services and achieves its expected life.

The BLM believes the financial statements are a fair and accurate presentation of its financial position, net cost of operations, changes in net position, budgetary resources, and custodial activity, as well as details regarding financing. This is reflected in the unqualified (clean) audit opinion rendered

on the BLM's financial statements by its independent auditors. Sound financial management is a top priority for the BLM at all levels of the organization.

Limitations of the Financial Statements

The financial statements have been prepared pursuant to the requirements of the Chief Financial Officers Act of 1990. While the financial statements have been prepared from the BLM's books and records in accordance with the guidance provided by the Office of Management and Budget, the financial statements may differ from financial reports used to monitor and control budgetary resources that are prepared from the same books and records.

The financial statements should be read with the realization that they are for a component of a sovereign entity, that liabilities not covered by budgetary resources cannot be liquidated without enactment of an appropriation, and that payment of all liabilities other than for contracts can be abrogated by the sovereign entity.

Significant Financial Statement Events

The BLM was involved in financial transactions during the year that resulted in significant changes in various line items on the financial statements between FY 2005 and FY 2004:

- The Southern Nevada Public Land Management Act (SNPLMA), enacted in October 1998, authorizes the BLM to sell public land tracts that are interspersed with or adjacent to private land in the Las Vegas Valley. The BLM is authorized to invest 85 percent of the sales in interest-bearing Treasury securities, while 10 percent of the proceeds are distributed to the Southern Nevada Water Authority and 5 percent to the State of Nevada's Education Fund.

The revenues generated from the land sales and investments enable the BLM and other government entities to acquire environmentally sensitive lands and build or maintain trails, day-use areas, campgrounds, etc., to benefit public land visitors. Each year, the revenue generated from these land sales has significantly increased. As of the end of FY 2004, the BLM maintained \$793 million in investments related to SNPLMA land sales. During FY 2005, the Bureau collected \$1.2 billion in cash receipts related to land sales and interest revenue. These collections, less expenses within the fund, created a \$1.7 billion investment balance related to the SNPLMA at the end of FY 2005.

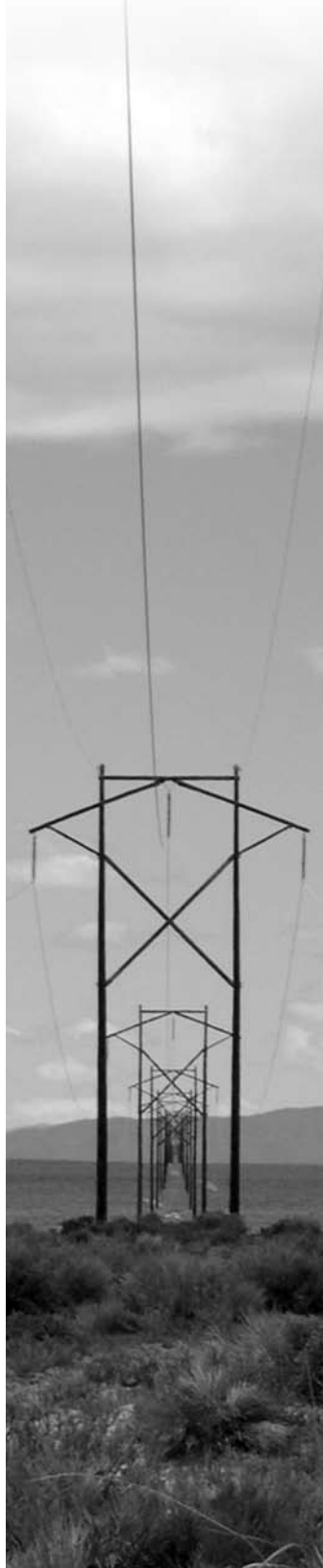
- When the BLM conducts SNPLMA land sales, a 20 percent down payment is collected from each successful bidder to hold a land parcel. These collections are reported as deferred revenue until the sale becomes final. Successful bidders typically have 180 days from the sale date to finalize the land transaction and pay the remaining 80 percent. Land sales during the second half of FY 2004 resulted in the BLM reporting \$136 million in deferred revenue as of September 30, 2004. All SNPLMA land sales during FY 2005 were finalized prior to the end of the fiscal year.
- The BLM sells oil and gas leases, coal leases, and other types of minerals leases. The BLM receives bid deposits on these lease sales and records them as a liability while they await adjudication. Once the adjudication process is complete, the deposits are either refunded or combined

with additional receipts, which represents custodial activity, and transferred to the Minerals Management Service (MMS). During FY 2004, the BLM transferred \$92 million to the MMS and as of September 30, 2004, had recorded a liability of \$73 million for leases not yet adjudicated. During FY 2005, the BLM transferred \$610 million to the MMS and as of September 30, 2005, had recorded a liability of \$58 million for leases not yet adjudicated.

- The Department of the Interior's FY 2004 appropriation bill moved the Payments in Lieu of Taxes (PILT) program from the BLM to the Department of the Interior's Office of the Secretary (OS). Since the PILT program was new to the OS and the BLM had extensive knowledge of the program, the OS entered into a reimbursable agreement with the BLM whereby the Bureau would make the FY 2004 PILT payments and subsequently be reimbursed by the OS. As a result of this agreement, the BLM recorded both revenue and expenses totaling \$224 million during FY 2004. During FY 2005 the BLM was not involved with the PILT program because the OS performed all activity related to PILT.

The BLM's Net Position at the end of FY 2005 was \$1.8 billion, an increase of \$1.1 billion compared to FY 2004. The BLM's Net Position consists of two components: (1) Unexpended Appropriations of \$472 million and (2) Cumulative Results of Operations of \$1.3 billion. The increase in BLM's overall Net Position can be attributed mostly to the SNPLMA land sales, as noted above.

FINANCIAL STATEMENTS



Consolidated Balance Sheets as of September 30, 2005 and 2004 (dollars in thousands)

	2005	2004
Assets (Note 2):		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	\$1,064,535	\$1,252,381
Investments, Net (Note 4)	1,749,803	829,445
Accounts Receivable (Note 5)	15,388	12,493
Other:		
Advances and Prepayments	1,277	1,090
Total Intragovernmental	<u>2,831,003</u>	<u>2,095,409</u>
Cash in Imprest Funds	56	55
Accounts Receivable, Net (Note 5)	10,367	20,691
Inventory and Related Property (Note 6)	304,378	321,319
General Property, Plant, and Equipment, Net (Note 7)	388,933	355,621
Other:		
Travel Advances	<u>77</u>	<u>131</u>
Total Assets (Note 8)	<u><u>\$3,534,814</u></u>	<u><u>\$2,793,226</u></u>
Liabilities and Net Position:		
Liabilities (Note 9):		
Intragovernmental:		
Accounts Payable	\$ 38,981	\$ 24,895
Debt to Treasury (Note 10)	1,074,204	1,139,204
Other:		
Accrued Payroll and Benefits	3,208	2,780
Custodial Liabilities	57,519	73,376
Undistributed Collections	93,802	84,783
Deferred Revenue	9,949	16,221
Unfunded Payroll Liabilities (Note 11)	22,129	22,217
Due to Treasury Judgment Fund	<u>12,253</u>	<u>12,224</u>
Total Intragovernmental	1,312,045	1,375,700
Accounts Payable	37,365	31,436
Environmental Cleanup Liabilities (Note 12)	3,491	6,330
Federal Employee Benefits - FECA Actuarial Liability	94,971	90,507
Other:		
Accrued Payroll and Benefits	29,466	24,953
Custodial Liabilities	65	-
Secure Rural Schools Act Payable	106,810	102,387
Deposit Funds (Note 13)	102,889	314,778
Deferred Revenue	-	136,390
Unfunded Annual Leave	57,466	56,260
Contingent Liabilities (Note 12)	<u>1,465</u>	<u>3,650</u>
Total Liabilities	<u><u>1,746,033</u></u>	<u><u>2,142,391</u></u>
Commitments and Contingencies (Notes 12 and 14)		
Net Position:		
Unexpended Appropriations	471,557	461,141
Cumulative Results of Operations	<u>1,317,224</u>	<u>189,694</u>
Net Position	<u><u>1,788,781</u></u>	<u><u>650,835</u></u>
Total Liabilities and Net Position	<u><u>\$3,534,814</u></u>	<u><u>\$2,793,226</u></u>

The accompanying notes are an integral part of these financial statements.

**Consolidated Statements of Net Cost of Operations
for the Fiscal Years Ended September 30, 2005 and 2004
(dollars in thousands)**

	2005	2004
Resource Protection		
Total Cost	\$ 363,292	\$ 378,144
Total Earned Revenue	<u>1,225,722</u>	<u>415,367</u>
Net Cost/(Revenue)	<u>(862,430)</u>	<u>(37,223)</u>
Resource Use		
Total Cost	346,186	318,717
Total Earned Revenue	<u>220,234</u>	<u>196,858</u>
Net Cost	<u>125,952</u>	<u>121,859</u>
Recreation		
Total Cost	184,000	130,651
Total Earned Revenue	<u>16,909</u>	<u>21,963</u>
Net Cost	<u>167,091</u>	<u>108,688</u>
Serving Communities		
Total Cost	1,292,316	1,226,218
Total Earned Revenue	<u>264,935</u>	<u>349,399</u>
Net Cost	<u>1,027,381</u>	<u>876,819</u>
Total		
Total Cost (Note 15)	2,185,794	2,053,730
Total Earned Revenue	<u>1,727,800</u>	<u>983,587</u>
Net Cost of Operations (Notes 16 and 17)	<u>\$ 457,994</u>	<u>\$1,070,143</u>

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Net Position for the Fiscal Years Ended September 30, 2005 and 2004 (dollars in thousands)

	2005	2004
Unexpended Appropriations		
Balances, Beginning of Year	\$ 461,141	\$ 412,460
Change in PILT ownership (Note 17)	—	(660)
Balances, Beginning of Year, as Adjusted	<u>461,141</u>	<u>411,800</u>
Budgetary Financing Sources:		
Appropriations Received, General Funds	1,931,631	2,002,596
Appropriations Used	(1,541,145)	(1,505,149)
Appropriations Transferred In/(Out), Net	(354,432)	(426,887)
Other Adjustments	(25,638)	(21,219)
Net Change in Unexpended Appropriations	<u>10,416</u>	<u>49,341</u>
Balances, End of Year	<u>\$ 471,557</u>	<u>\$ 461,141</u>
Cumulative Results of Operations		
Balances, Beginning of Year	\$ <u>189,694</u>	\$ <u>(262,935)</u>
Budgetary Financing Sources:		
Appropriations Used	1,541,145	1,505,149
Royalties Retained	81,409	16,215
Transfers In/(Out) Without Reimbursement, Net	(115,127)	(71,693)
Other Budgetary Financing Sources	(152)	191
Other Financing Sources:		
Imputed Financing From Costs Absorbed by Others (Note 18)	79,870	75,389
Transfers In/(Out) Without Reimbursement, Net	(1,621)	(2,479)
Total Financing Sources	<u>1,585,524</u>	<u>1,522,772</u>
Net Cost of Operations	<u>(457,994)</u>	<u>(1,070,143)</u>
Net Change in Cumulative Results of Operations	<u>1,127,530</u>	<u>452,629</u>
Balances, End of Year	<u>\$ 1,317,224</u>	<u>\$ 189,694</u>

The accompanying notes are an integral part of these financial statements.

**Combined Statements of Budgetary Resources
for the Fiscal Years Ended September 30, 2005 and 2004
(dollars in thousands)**

	2005	2004
(Note 19)		
Budgetary Resources:		
Budget Authority:		
Appropriations Received	\$ 3,307,411	\$2,764,526
Net Transfers, Current Year Authority	(6,247)	(119,214)
Unobligated Balance:		
Beginning of Year	877,799	585,093
Change in PILT Ownership (Note 17)	—	(357)
Net Transfers, Prior Year Authority	(716)	876
Spending Authority from Offsetting Collections:		
Earned:		
Collected	266,032	421,880
Receivable from Federal Sources	3,765	2,580
Change in Unfilled Customer Orders:		
Advance Received	(6,625)	(667)
Without Advance from Federal Sources	(5,113)	2,963
Total Spending Authority From Offsetting Collections	258,059	426,756
Recoveries of Prior Year Obligations	72,282	75,280
Permanently Not Available Pursuant to Public Law	(25,795)	(21,449)
Total Budgetary Resources	\$ 4,482,793	\$ 3,711,511
Status of Budgetary Resources:		
Obligations Incurred:		
Direct	\$ 3,175,597	\$2,569,153
Reimbursable	83,108	264,559
Total Obligations Incurred	3,258,705	2,833,712
Unobligated Balance Apportioned	1,224,069	877,780
Unobligated Balance Not Available	19	19
Total Status of Budgetary Resources	\$ 4,482,793	\$ 3,711,511
Relationship of Obligations to Outlays:		
Obligations Incurred	\$ 3,258,705	\$2,833,712
Obligated Balance, Net, Beginning of Year	871,901	703,552
Change in PILT Ownership (Note 17)	—	(298)
Obligated Balance, Net, End of Year:		
Accounts Receivable	23,488	19,723
Unfilled Customer Orders from Federal Sources	18,146	23,260
Undelivered Orders	(1,375,036)	(812,867)
Accounts Payable	(131,701)	(102,017)
Total Obligated Balance, Net, End of Year	(1,465,103)	(871,901)
Less: Spending Authority Adjustments	(70,934)	(80,823)
Outlays:		
Disbursements	2,594,569	2,584,242
Collections	(259,407)	(421,213)
Net Outlays Before Offsetting Receipts	2,335,162	2,163,029
Less: Offsetting Receipts	(1,478,385)	(801,330)
Net Outlays	\$ 856,777	\$ 1,361,699

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Financing for the Fiscal Years Ended September 30, 2005 and 2004 (dollars in thousands)

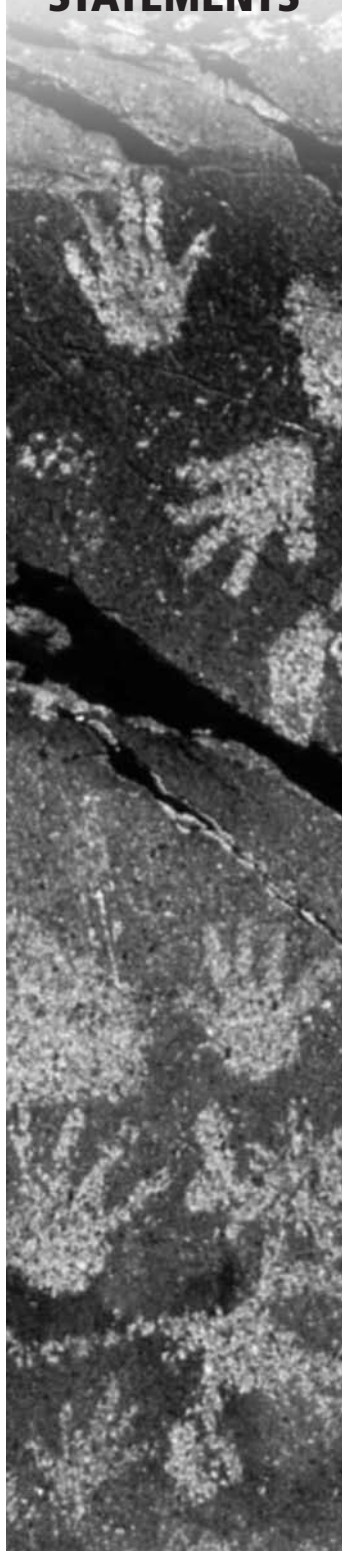
	2005	2004
Resources Used to Finance Activities:		
Budgetary Resources Obligated:		
Obligations Incurred	\$3,258,705	\$2,833,712
Spending Authority from Offsetting Collections and Recoveries	(330,341)	(502,036)
Obligations Net of Offsetting Collections and Recoveries	2,928,364	2,331,676
Offsetting Receipts	(1,478,385)	(801,330)
Net Obligations	<u>1,449,979</u>	<u>1,530,346</u>
Other Resources:		
Transfers In/(Out) Without Reimbursement, Net	(1,621)	(2,479)
Imputed Financing From Costs Absorbed by Others (Note 18)	79,870	75,389
Net Other Resources Used to Finance Activities	<u>78,249</u>	<u>72,910</u>
Total Resources Used to Finance Activities	<u>1,528,228</u>	<u>1,603,256</u>
Resources Used to Finance Items Not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated for Goods and Services Ordered But Not Yet Provided	(564,041)	(192,300)
Change in Unfilled Customer Orders	(11,739)	3,138
Resources That Fund Expenses Recognized in Prior Years	(65,176)	(77,615)
Offsetting Receipts Not Part of the Net Cost of Operations	(54,624)	105,880
Resources That Finance the Acquisition of Assets	(47,235)	(36,866)
Allocation Transfer Reconciling Item, Parent Account (Note 20)	(347,611)	(358,004)
Other Resources That Do Not Affect Net Cost of Operations	<u>(24,705)</u>	<u>(4,725)</u>
Total Resources Used to Finance Items Not part of the Net Cost of Operations	<u>(1,115,131)</u>	<u>(560,492)</u>
Total Resources Used to Finance the Net Cost of Operations	<u>413,097</u>	<u>1,042,764</u>
Components of the Net Cost of Operations That Did Not Require or Generate Resources in the Current Year:		
Components Requiring or Generating Resources in Future Years:		
Increase in Annual Leave Liability	1,206	1,251
Increase in Environmental Cleanup Liability	1,628	-
Increase in Other Unfunded Liabilities	6,643	-
(Increase)/Decrease in Exchange Revenue Receivable from the Public	6,732	(4,872)
Total Components Requiring or Generating Resources in Future Years	<u>16,209</u>	<u>(3,621)</u>
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	22,872	27,113
Allocation Transfer Reconciling Item, Child Account (Note 20)	2,855	2,774
Bad Debt Expense	2,961	1,113
Total Components Not Requiring or Generating Resources	<u>28,688</u>	<u>31,000</u>
Total Components of Net Cost of Operations That Did Not Require or Generate Resources in the Current Year	<u>44,897</u>	<u>27,379</u>
Net Cost of Operations	<u>\$ 457,994</u>	<u>\$ 1,070,143</u>

The accompanying notes are an integral part of these financial statements.

**Consolidated Statements of Custodial Activity
for the Fiscal Years Ended September 30, 2005 and 2004
(dollars in thousands)**

	2005	2004
Mineral Lease Revenue:		
Rents and Bonuses	\$ <u>597,024</u>	\$ <u>165,360</u>
Total Revenue	<u>\$597,024</u>	<u>\$165,360</u>
Disposition of Custodial Revenue:		
Distribution to Department of the Interior		
Minerals Management Service (Note 13)	\$610,078	\$ 91,984
Bureau of Reclamation	1,082	-
Distribution to Other Federal Agencies		
Department of the Treasury	274	-
Distribution to States	1,382	-
Change to Untransferred Revenue	<u>(15,792)</u>	<u>73,376</u>
Total Disposition of Revenue	<u>\$597,024</u>	<u>\$165,360</u>

The accompanying notes are an integral part of these financial statements.



NOTES TO PRINCIPAL FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

The Bureau of Land Management (BLM or Bureau), a bureau of the Department of the Interior (DOI or Department), was established on July 16, 1946, through the consolidation of the General Land Office and the Grazing Service in accordance with the provisions of Sections 402 and 403 of the President's Reorganization Plan No. 3 of 1946 (60 Stat. 1097). The BLM's functions are set forth in the Federal Land Policy and Management Act of 1976 (P.L. 94-579).

On March 12, 1996, the Department's Helium Operations were transferred from the U.S. Bureau of Mines to the BLM. This was done under the authority of Section 2 of Reorganization Plan No. 3 of 1950 (64 Stat. 1262), as amended. The helium production fund was established by the Helium Act (50 U.S.C. 10), enacted March 3, 1925, and amended by the Helium Act Amendments of 1960 (P.L. 86-777).

In fulfilling its mission, the BLM administers a variety of funds:

1. General Funds: These funds consist of expenditure accounts used to record financial transactions arising from Congressional appropriations as well as receipt accounts. The principal general fund expenditure accounts maintained are:

- a. Management of Lands and Resources
- b. Wildland Fire Management
- c. Oregon and California Grant Lands

2. Special Funds: The BLM maintains both special fund receipt accounts and special fund expenditure accounts. Collections made into special fund expenditure accounts are available receipts and are considered to be the BLM's revenue. Collections made into special fund receipt accounts are earmarked by law for a specific purpose but are not generated from a continuing cycle of operations. Receipts are deposited as collected. Funds deposited into special fund receipt accounts typically arise from sales of public lands and materials, sales of timber, fees and commissions, mineral leases, and other charges for services provided by the BLM to users of the public lands. Amounts deposited into special fund receipt accounts are subject to various distribution formulas as specified by law.

3. Revolving Funds: This type of fund is used to finance and manage a continuous cycle of business-type operations. The BLM maintains a Working Capital Fund (WCF) as a single administrative unit established to finance and account for services and commodities furnished to various program activities. The WCF was established in 1978 under Section 306 of the Federal Land Policy and Management Act of 1976 (Public Law 94-579) with an initial investment of \$2 million in appropriated funds. Since that time, additional equity has been provided through intragovernmental transfers or donations of inventories, capital equipment, and other assets. Transfers or donations are made without reimbursement to the donating activity. All additional income to the WCF has been generated through charges to the BLM's programs or other government agencies. The services provided by the WCF include motor vehicles, stores, a sign shop, a Departmental forms center, and the collection and disbursement of receipts from surface management of the Naval Oil Shale Reserve under an October 2, 1987, memorandum of understanding with the Department of Energy. In addition, the WCF provides funding for travel advances and change-making funds held by imprest fund cashiers.

In addition to the WCF, Helium Operations are funded through a public enterprise revolving fund. This fund was established with monies from the U.S. Treasury to manage the Federal helium program, which includes helium production, storage, conservation, and sales activities. Funding for current management of this program is provided by sales of helium. Helium production and refining were discontinued on April 1, 1998, pursuant to the Helium Privatization Act of 1996 (P.L. 104-273). However, crude helium storage and sales from the helium stockpile will continue through January 1, 2015.

4. Trust Funds: The BLM maintains two trust accounts to carry out specific programs under trust agreements and statutes. The Land and Resource Management Trust Fund contains monies contributed by non-Federal organizations for resource development, protection, and management; conveyance of lands omitted in original surveys; and public surveys requested by individuals. The Alaska Townsite Trustee Fund receives money from the sale of town lots to non-Natives and is available to cover the expenses involved in selling and maintaining town sites.

5. Deposit Funds: These funds are maintained to account for receipts awaiting proper classification or receipts held in escrow until ownership is established, at which time proper distribution can be made. Refer to Note 13.

B. Basis of Accounting and Presentation

These financial statements have been prepared to report the financial position, net cost of operations, changes in net position, budgetary resources, reconciliation of budgetary resources to net costs, and custodial activity of the BLM in accordance with the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. The financial statements have been prepared from BLM's financial records in accordance with accounting principles generally accepted in the United States of America (GAAP) using guidance issued by the Federal Accounting Standards Advisory Board (FASAB) and the Office of Management and Budget (OMB); the BLM accounting policies that are summarized in this note have also been followed. These financial statements include all funds and accounts under the BLM's control, as well as allocations from other Federal agency appropriations transferred to the BLM under specific legislative authority.

OMB reporting guidelines require that all of the financial statements, and the related footnotes, be presented on a comparative basis, including balances and amounts for the current year and prior year. Certain prior year amounts have been reclassified to conform to the current-year presentation.

The accounting structure of Federal Government agencies is designed to reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred, without regard to the receipt or payment of cash. The budgetary accounting principles, on the other hand, are designed to recognize the obligation of funds according to legal requirements, which in many cases occurs before an accrual-based transaction takes place. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of Federal funds.

Intragovernmental assets and liabilities arise from transactions with other Federal agencies. Except for the Statements of Budgetary Resources and portions of the Statements of Financing, all statements are presented on a consolidated basis and use eliminating entries to avoid overstatement of balances caused by intrabureau transactions. Significant intrabureau balances and transactions have been eliminated in consolidation.

The financial statements should be read with the realization that they are for a component of the United States Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides the resources and legal authority to do so.

C. Revenues and Other Financing Sources

The BLM receives most of the funding needed to support its programs through appropriations authorized by Congress. The

Bureau receives annual, multiyear, and no-year appropriations that may be used, within statutory limits, for operating and capital expenditures. Additional amounts are obtained through reimbursements for services performed for other Federal agencies, state and local governments, and the private sector. These revenues may be used to offset the cost of producing products or furnishing services, and to recover overhead costs. Finally, the BLM receives imputed financing from the Office of Personnel Management (OPM) for current and future pension and retirement benefits paid by OPM on behalf of the BLM; the DOI for costs incurred by its Solicitor's Office; and the U.S. Department of Treasury (Treasury) Judgment Fund for payment of any settlements resulting from litigation against the BLM.

Receipts either are available to the BLM for expenditure or are received by the BLM on behalf of others and then passed on to Treasury or distributed to other governmental agencies. Transfers of receipts to Treasury and others are reported on the accrual basis. That portion of the transfers that will not be disbursed until subsequent fiscal years is included in undistributed collections.

Helium fund sales are authorized by Chapter 10 of Title 50 of the United States Code, enacted March 3, 1925, as amended by Public Law 86-777, dated September 13, 1960, entitled "Helium Act Amendments of 1960." Paragraph 167a(4) authorizes the Secretary to "dispose of, by lease or sale, property, including wells, lands, or interest therein, not valuable for helium production, and oil, gas, and byproducts of helium operations not needed for Government use, except that property determined by the Secretary to be 'excess' within the meaning of section 3(e) of the Federal Property and Administrative Services Act of June 30, 1949, as amended (40 U.S.C. 471 et. seq.); and to issue leases to the surface of lands or structures thereon for grazing or other purposes when the same may be done without interfering

with the production of helium;....” Amounts accumulating in the fund in excess of amounts the Secretary deems necessary to carry out the Helium Act and contracts negotiated thereunder are paid to Treasury and credited against any amounts borrowed from Treasury.

The Helium Privatization Act of 1996 (Public Law 104-273), enacted October 9, 1996, directs the privatizing of the Department of the Interior’s Federal Helium Refining Program. Under this law, Interior ceased producing, refining, and marketing refined helium as of April 1, 1998. However, Interior is authorized to store, transport, and withdraw crude helium and maintain and operate crude helium storage facilities in existence on the date of enactment. The Department may also enter into agreements with private parties for the recovery and disposal of helium on Federal lands and may grant leasehold rights to this helium. The sale of stockpile crude helium began in March of 2003 and will continue until January 1, 2015.

The helium fund is authorized to retain all receipts, which include, but are not limited to, the sale of inventory, penalties, interest, and administrative charges on past due receivables and proceeds from the sale of its assets. Fees, penalties, interest, and administrative charges are credited to a revenue account and are recorded as a financing source. Gains and losses are computed when assets are sold and are recorded as a financing source or use of finances, respectively.

D. Fund Balance with Treasury and Cash

The BLM’s receipts and disbursements are processed by Treasury. Fund balance with Treasury includes appropriated, revolving, and trust funds that are available to pay current liabilities and finance authorized purchase commitments. Also included are various other

receipt and expenditure funds. Cash balances held outside of Treasury are imprest funds. No cash is held in commercial bank accounts. Further details on fund balance with Treasury are contained in Note 3.

E. Investments

The BLM is authorized to invest in special non-marketable par value and market-based book entry Treasury securities. These securities include U.S. Treasury bills, notes, bonds, and one-day certificates that may be purchased and sold as necessary to meet operating needs and legislated requirements. The BLM invests in securities of the U.S. Treasury pursuant to authorizing legislation for three accounts: the proceeds of certain land sales as authorized by either the Southern Nevada Public Land Management Act enacted in October 1998, or the Lincoln County Land Act enacted in October 2000; and the proceeds of certain oil and gas lease sales authorized by the Alaska Native Claims Settlement Act and the Alaska National Interest Lands Conservation Act, as amended July 17, 2000. Note 4 provides investment details.

F. Accounts Receivable

Accounts receivable consist of amounts owed to the BLM by other Federal agencies and the public. Amounts due from the public are stated net of an allowance for uncollectible accounts that is based on an analysis of outstanding receivable balances and past collection experience. No allowance is established for intragovernmental receivables, as they are considered fully collectible from other Federal agencies. See Note 5 for additional information concerning accounts receivable.

G. Inventory, Gas and Storage Rights, and Stockpile Materials

The helium stockpile inventory is stored in a partially depleted natural gas reservoir and is valued at cost. The cost to purchase the stockpile helium was \$12.058 per mcf. The volume of helium is accounted for on a perpetual inventory basis. Each year, the amount of helium is verified by collecting reservoir data and using generally accepted petroleum engineering principles to calculate the volume. The calculated volumes support the volume carried in the inventory. At a reservoir abandonment pressure of 25 psia, 95 percent of the stockpile is deemed recoverable. The amount of helium that is eventually recovered will depend on the future price of helium and the ability to control the mixing of native gas and stockpile helium. The values shown for stockpile helium are net of the estimated unrecoverable amount, so no allowance is required. Gas and storage rights for the storage of helium are recorded at cost.

The Working Capital Fund inventory consists of items that will be consumed in future operations. This inventory is held for use in BLM's resource management programs and is also maintained for sign construction, employee uniforms, and the DOI forms function. Inventory is stated at cost using the weighted average cost method.

Except for Helium Operations, which includes helium and natural gas, the BLM's inventory is not held for sale, nor is any of the inventory balance held in reserve for future use or sale. There is no excess, obsolete, or unserviceable inventory, nor is there any inventory held for repair. The BLM does not hold any other related property, including forfeited property, foreclosed property, seized property, commodities, or stockpile materials. Note 6 provides more information on the BLM's inventory and related property.

H. General Property, Plant, and Equipment

This category consists of land and land improvements; buildings; other structures and facilities; leasehold improvements; construction in progress; equipment and vehicles; and internal use software.

SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, and SFFAS No. 8, *Supplementary Stewardship Reporting*, have been issued by the FASAB. These standards recommend different accounting treatments for different types of property, plant, and equipment (PP&E), and provide for a distinction between general PP&E and stewardship PP&E. The former are PP&E used to provide general government services or goods. The latter include stewardship land--all land held by the Federal government that is not acquired for or in connection with an item of general PP&E--and heritage assets, including PP&E that have historical or natural significance.

SFFAS No. 10, *Accounting for Internal Use Software*, has been issued by the FASAB. This standard provides accounting standards for internal use software utilized by each agency. Internal use software includes purchased commercial off-the-shelf software, contractor-developed software, and internally developed software using agency employees.

The standards provide for capitalized property to continue to be reported on the Balance Sheets. PP&E that are not capitalized—because they are under the capitalization threshold, or because they are stewardship PP&E—are expensed in the year of acquisition. The standards require a separate stewardship report to provide relevant information regarding stewardship PP&E. That report can be found following the section on Financial Statements.

Capitalized property and equipment are recorded as follows:

1. The Department of the Interior established a Department-wide capitalization threshold effective October 1, 2003. As a result, general PP&E real property is capitalized at cost if the aggregate cost of the building, structure, or facility is \$100,000 or more. Prior to FY 2004, the BLM's capitalization threshold was \$250,000 for each administrative site. An administrative site may contain more than one building, structure, or facility, but it is always bounded by a defined perimeter or an established boundary. The change in the capitalization threshold was applied prospectively and is not deemed to have a significant impact on the BLM's financial data.

Acquired land associated with capitalized assets is recorded separately from the structures, facilities, and improvements. Structures such as buildings that are used by the BLM but administered by the General Services Administration or other Federal agencies are not recognized as BLM assets.
2. Leasehold improvements consist of costs incurred in building structures on land owned by third parties, subject to long-term lease arrangements. Facilities are capitalized at cost if the aggregate cost is \$100,000 or more and the remaining term of the lease is 2 years or more.
3. Costs are accumulated in a construction-in-progress account for capitalizable general PP&E under construction or being acquired in incremental stages until the property is completed or totally acquired. At that time, the property is transferred to the appropriate asset account(s).
4. Equipment and vehicles are capitalized at cost if the acquisition cost is \$15,000 or more (\$10,000 or more prior to FY 2004) and the estimated useful life is 2 years or more.
5. Software is capitalized at cost if the acquisition cost is \$100,000 or more and the estimated useful life is 2 years or more.

Depreciation of general PP&E real property is based on a useful life of 15 to 30 years for land improvements, 30 years for buildings, and 20 years for structures. The salvage value of general PP&E real property is zero.

Amortization of leasehold improvements is calculated based on the remaining term of the lease, with zero salvage value.

Depreciation of WCF vehicles and heavy equipment is based on useful lives ranging from 2 to 20 years and a 20 to 60 percent salvage value.

Depreciation of non-WCF equipment is based on useful lives of up to 20 years, with a salvage value of 10 to 20 percent.

Amortization of software is based on a useful life of 5 years, with zero salvage value.

Depreciation and amortization of all general property, plant, and equipment is calculated on the straight-line method.

The basis for capitalization of donated property and equipment is the estimated fair market value.

Information on general property, plant, and equipment values is found in Note 7.

1. Liabilities

Liabilities represent the amount of monies or other resources that are likely to be paid by the BLM as the result of transactions or events that have already occurred. However, no liability can be paid by the BLM absent an appropriation. Liabilities for which an appropriation has not been enacted are,

therefore, classified in these notes as liabilities not covered by budgetary resources, with no certainty that the appropriations will be enacted. See Note 9. In addition, BLM liabilities arising from sources other than contracts can be abrogated by the Government, acting in its sovereign capacity.

Accrued payroll and benefits represent salaries and benefits earned by employees but not yet paid at the close of the fiscal year. The portion of this liability representing accrued employer benefit and payroll tax expense payable to other governmental agencies is shown as an intragovernmental liability; the remainder is the amount owed to employees.

Undistributed collections are amounts held in unavailable special receipt funds at year-end. Amounts collected into these funds and reported as revenue are subject to distribution based on formulas specified in various authorizing pieces of legislation. The distributions occur at various times during the year or in subsequent years, in accordance with the terms of the legislation. The undistributed collections, which are principally due to Treasury, are considered a current liability.

Congress has established the Department of the Treasury Judgment Fund, a permanent, indefinite appropriation, to pay certain judicially and administratively ordered monetary awards against the United States. The Judgment Fund may also pay amounts owed under compromise agreements negotiated by the Department of Justice in settlement of claims arising under actual or imminent litigation. The Judgment Fund bills agencies for amounts paid under the Contract Disputes Act, while it pays other amounts without expectation of reimbursement. The BLM records a liability for the former and records an imputed cost and financing source for the latter. See Note 18 for further discussion of imputed amounts.

Debt to Treasury is a liability of the helium fund. Borrowings occurred at various dates. Amounts borrowed became due 25 years from

the date the funds were borrowed and are now past due. The debt to Treasury was composed of two categories: net worth debt and additional borrowing from Treasury. Net worth debt was completely repaid in FY 2003; the only remaining principal due to Treasury is the additional borrowing from Treasury.

Net worth debt was the amount due for the net capital and retained earnings of the helium fund established under 50 U.S.C. 10, Section 164, enacted March 3, 1925 (prior to amendment by the Helium Act Amendments of 1960), as determined by the Secretary of the Interior as of September 13, 1960, plus any monies expended thereafter by the Department of the Interior from funds provided in the Supplemental Appropriation Act, 1959, for construction of a helium plant at Keyes, Oklahoma.

Additional borrowing from Treasury referred to funds borrowed under 50 U.S.C. 10, Section 167j, which authorized borrowings to acquire and construct helium plants and facilities and for other related purposes including the purchase of helium.

Interest on the helium debt that has not been repaid to Treasury is compounded. While the debt was current, interest was calculated annually at rates determined by the Secretary of the Treasury, taking into consideration the current average market yields of outstanding marketable obligations of the United States having maturities comparable to the investments authorized. The interest rate on the net capital and retained earnings was determined as of September 13, 1960, and the interest rate on additional borrowing was determined as of the time of each borrowing. The U.S. Treasury short-term borrowing rate was used to calculate the annual interest expense while the debt was past due. Since the passage of the Helium Privatization Act of 1996, Public Law 104-273, enacted October 9, 1996, no further interest expense has been incurred. The Act defines the amount repayable to the United States as

all funds required to be repaid as of October 1, 1995, with no further interest accruing on the debt.

Additional information on debt to Treasury appears in Note 10.

The Secure Rural Schools and Community Self Determination Act of 2000 was passed during FY 2001. The Act provides for increased payments to eligible states as compensation for the deprivation of revenue they would otherwise receive if BLM-owned lands were held in private ownership. Prior to this Act, payments to eligible states were based on a percentage of revenue that the BLM earned on these lands, which has been steadily decreasing. The difference between the new, increased payments and the prior legislated payments is compensated for by an appropriation from the Treasury General Fund. The BLM records an unfunded liability at each year-end for the amount to be appropriated in the following fiscal year for these payments.

Non-intragovernmental deferred revenue consists primarily of deposits received from prospective purchasers of land pursuant to the Southern Nevada Public Land Management Act. These deposits are classified as a liability until the sales are consummated. See Note 21 for additional information on the Southern Nevada Public Land Management Act.

J. Accrued Leave

Amounts associated with the payment of annual leave are accrued while leave is being earned by employees, and this accrual is reduced as leave is taken. Each year the balance in the accrued annual leave account is adjusted to reflect current pay rates. To the extent that current or prior year appropriations are not available to finance annual leave, future financing sources will be used.

An accrual is also provided for the amount that would be due under the Federal Insurance

Contributions Act (FICA) related to this annual leave. See Note 11.

Sick leave and other types of leave are expensed as taken because they are nonvesting in nature.

K. Contingent Liabilities

The BLM is a party to various administrative proceedings, legal actions, environmental suits, and claims brought by or against it. Contingent liabilities are recorded in the accounting records when losses are determined to be probable and a reasonable estimate of the scope of the potential liability is available. In accordance with Federal accounting guidance, the liability for future cleanup of environmental hazards is “probable” only when the government is legally responsible for creating the hazard or is otherwise related to it in such a way that it is legally liable to clean up the contamination. Thus, expected future payments for the cleanup of environmental hazards caused by others are government acknowledged, but they are not recognized as liabilities by the BLM. Instead, any BLM payments related to these environmental hazards are recognized in the financial statements as remediation work is performed. Further information on contingent liabilities is found in Note 12.

L. Federal Employee Benefits - FECA Actuarial Liability

The Federal Employees’ Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program

is administered by the Department of Labor (DOL).

The FECA actuarial liability is the estimated liability for future benefit payments resulting from past events. This liability includes death, disability, medical, and miscellaneous costs. The DOL determines this component annually, using a method that considers historical benefit payment patterns, wage inflation factors, medical inflation factors, and other variables. The projected annual benefit payments are discounted to present value using OMB's economic assumptions for 10-year Treasury notes and bonds. To provide for the effects of inflation on the liability, wage inflation factors (i.e., cost of living adjustments) and medical inflation factors (i.e., consumer price index medical adjustments) are applied to the calculation of projected future benefit payments. These factors are also used to adjust historical benefit payments to current-year constant dollars. A discounting formula is also used to recognize the timing of benefit payments as 13 payments per year instead of one lump sum payment per year.

The DOL also evaluates the estimated projections to ensure that the estimated future benefit payments are appropriate. The analysis includes three tests: (1) a comparison of the current-year projections to the prior-year projections; (2) a comparison of the prior-year projected payments to the current-year actual payments, excluding any new case payments that had arisen during the current year; and (3) a comparison of the current-year actual payment data to the prior-year actual payment data. Based on the outcome of this analysis, adjustments may be made to the estimated future benefit payments.

M. Retirement Plan

The BLM's employees participate in one of two retirement programs, either the Civil Service Retirement System (CSRS) or the

Federal Employees Retirement Systems (FERS), which became effective on January 1, 1987. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, could elect to either join FERS and Social Security or remain in CSRS. Employees covered by CSRS are not subject to Social Security taxes, nor are they entitled to accrue Social Security benefits for wages subject to CSRS.

For FERS employees, the BLM contributes an amount equal to 1 percent of the employee's basic pay to the tax-deferred Thrift Savings Plan and matches employee contributions up to an additional 4 percent of pay. FERS employees can contribute 15 percent of their gross earnings to the plan. CSRS employees are limited to a contribution of 10 percent of their gross earnings and receive no matching contributions from the BLM.

The Office of Personnel Management (OPM) is responsible for reporting assets, accumulated plan benefits, and unfunded liabilities applicable to CSRS participants and FERS employees governmentwide. The BLM has recognized an imputed cost and imputed financing source for the difference between the estimated service cost and the contributions made by the BLM and covered CSRS employees. Further information on imputed financing is available in Note 18.

N. Net Position

The components of Net Position are defined as follows:

1. Unexpended appropriations include undelivered orders and unobligated balances; the latter may include both available and unavailable amounts.
2. Cumulative results of operations are composed of (1) the difference between

revenues and expenses, (2) the net amount of transfers of assets in and out without reimbursement, and (3) donations, all since inception of the fund(s).

O. Budgetary Collections and Offsetting Receipts

The BLM's offsetting receipts are collections that are credited to general funds or special funds and that offset gross outlays. Unlike offsetting collections, which are credited to expenditure funds and offset outlays at the fund level, offsetting receipts are credited to receipt funds and offset outlays at the agency or governmentwide level. Offsetting receipts may be either distributed or undistributed to agencies. Distributed offsetting receipts offset the outlays of the BLM, while undistributed offsetting receipts offset governmentwide outlays.

P. Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Entity and Non-Entity Assets

Entity assets are those that the BLM has the authority to use in its operations and are considered unrestricted. Non-entity assets are currently held by, but not available to, the BLM and will be forwarded to Treasury, other Federal agencies, or the public at a future date. Non-entity assets are considered restricted.

September 30, 2005 (dollars in thousands):	Entity	Non-Entity	Total
Intragovernmental:			
Fund Balance with Treasury	\$ 834,224	\$ 230,311	\$ 1,064,535
Investments, Net	1,712,719	37,084	1,749,803
Accounts Receivable	15,388	—	15,388
Other:			
Advances and Prepayments	1,277	—	1,277
Total Intragovernmental	2,563,608	267,395	2,831,003
Cash in Imprest Funds	56	—	56
Accounts Receivable, Net	8,802	1,565	10,367
Inventory and Related Property	304,378	—	304,378
General Property, Plant, and Equipment, Net	388,933	—	388,933
Other:			
Travel Advances	77	—	77
Total Assets	\$3,265,854	\$ 268,960	\$ 3,534,814
September 30, 2004 (dollars in thousands):	Entity	Non-Entity	Total
Intragovernmental:			
Fund Balance with Treasury	\$ 823,106	\$ 429,275	\$ 1,252,381
Investments, Net	793,821	35,624	829,445
Accounts Receivable	12,493	—	12,493
Other:			
Advances and Prepayments	1,090	—	1,090
Total Intragovernmental	1,630,510	464,899	2,095,409
Cash in Imprest Funds	55	—	55
Accounts Receivable, Net	12,658	8,033	20,691
Inventory and Related Property	321,319	—	321,319
General Property, Plant, and Equipment, Net	355,621	—	355,621
Other:			
Travel Advances	131	—	131
Total Assets	\$2,320,294	\$ 472,932	\$ 2,793,226

Note 3 - Fund Balance with Treasury

U.S. Government cash is accounted for on an overall consolidated basis by Treasury. The amounts shown on the Balance Sheets represent the BLM's right to draw on Treasury for valid expenditures. The amounts consist of general fund receipt accounts, general fund expenditure accounts, trust funds, revolving funds, special fund receipt accounts, special fund expenditure accounts, and deposit funds. Refer to Note 1(A). The fund balance as shown on the BLM's records is reconciled monthly with Treasury's records.

Obligated and unobligated balances reported for the status of Fund Balance with Treasury do not agree with obligated and unobligated balances reported on the Statement of Budgetary Resources because (1) the budgetary balances include amounts supported by other than Fund Balance with Treasury, such as investments and allocation transfers (providing agency), and (2) the Fund Balance with Treasury amounts include items for which budgetary resources are not recorded, such as deposit funds, unavailable collections, and allocation transfers (receiving agency).

Fund Balances: (dollars in thousands)	2005	2004
General Funds	\$ 583,934	\$ 582,001
Special Funds	242,344	214,385
Deposit Funds	121,491	350,343
Revolving Funds	90,201	80,987
Trust Funds	<u>26,565</u>	<u>24,665</u>
Total Fund Balance with Treasury	<u>\$1,064,535</u>	<u>\$1,252,381</u>
Status of Fund Balance with Treasury: (dollars in thousands)	2005	2004
Fund Balance with Treasury Covered by Budgetary Resources:		
Unobligated:		
Available	\$ 357,356	\$ 332,497
Unavailable	20	20
Obligated Balance Not Yet Disbursed	<u>478,653</u>	<u>493,843</u>
Total Fund Balance with Treasury Covered by Budgetary Resources	<u>836,029</u>	<u>826,360</u>
Fund Balance with Treasury Not Covered by Budgetary Resources:		
Unavailable Special Receipts	108,397	76,805
Clearing and Deposit Accounts	<u>120,109</u>	<u>349,216</u>
Total Fund Balance with Treasury Not Covered by Budgetary Resources	<u>228,506</u>	<u>426,021</u>
Total Fund Balance with Treasury	<u>\$1,064,535</u>	<u>\$1,252,381</u>

Additional discussion of Fund Balance with Treasury is presented in Note 1(D).

Note 4—Investments, Net

Investments consist of U.S. Treasury Bills that mature within six months and U.S. Treasury Notes that mature within two years. Amounts shown on the Balance Sheets are at cost, net of discounts and premiums that are amortized using the effective interest method. Additionally, accrued interest receivable is included in the net investment amount. All of the BLM's investments consist of non-marketable market based Treasury securities.

(dollars in thousands)	2005	2004
Cost	\$1,734,975	\$826,076
Amortized Discounts/ (Premiums), Net	<u>10,791</u>	<u>2,620</u>
Net Book Value	1,745,766	828,696
Accrued Interest	<u>4,037</u>	<u>749</u>
Investments, Net	<u>\$1,749,803</u>	<u>\$829,445</u>

The market value of investments was \$1,739,828 as of September 30, 2005, and \$828,465 as of September 30, 2004. Additional information regarding investments may be found in Note 1(E).

Note 5 - Accounts Receivable, Net

The reported amount for accounts receivable consists of amounts owed to the BLM by other Federal agencies (intragovernmental), or by the public. All of the BLM's intragovernmental accounts receivable consist of amounts that have not yet been billed. Accounts receivable from the public are summarized in the following table.

(dollars in thousands)	2005	2004
Accounts Receivable from the Public:		
Billed:		
Current	\$ 7,020	\$ 5,426
1-180 Days Past Due	1,630	1,742
181-365 Days Past Due	766	9,543
1 to 2 Years Past Due	712	4,274
Over 2 Years Past Due	<u>258</u>	<u>372</u>
Total Billed Accounts Receivable	10,386	21,357
Unbilled Accounts Receivable	<u>750</u>	<u>1,692</u>
Total Accounts Receivable	11,136	23,049
Allowance for Uncollectible Accounts	<u>(769)</u>	<u>(2,358)</u>
Accounts Receivable from the Public, Net	<u>\$10,367</u>	<u>\$20,691</u>

(dollars in thousands)	2005	2004
Change in Allowance for Uncollectible Accounts:		
Beginning Balance	\$2,358	\$ 1,154
Additions	622	1,907
Deletions	<u>(2,211)</u>	<u>(703)</u>
Ending Balance	<u>\$ 769</u>	<u>\$2,358</u>

See Note 1(F) for additional discussion regarding accounts receivable.

Note 6 - Inventory and Related Property

(dollars in thousands)	2005	2004
Stockpile Materials:		
Recoverable Below-Ground Crude Helium, Held for Sale	\$303,017	\$319,820
Inventory:		
Gas and Storage Rights, Held for Sale	1,055	1,055
Operating Materials:		
Working Capital Fund Inventory, Held for Use	<u>306</u>	<u>444</u>
Total Inventory and Related Property	<u>\$304,378</u>	<u>\$321,319</u>

Valuation methods and other information regarding inventories are presented in Note 1(G).

Note 7 - General Property, Plant, and Equipment, Net

September 30, 2005: (dollars in thousands)	Acquisition Value	Accumulated Depreciation	Net Book Value
Land and Land Improvements	\$ 94,766	\$ (37,622)	\$ 57,144
Buildings	178,475	(66,775)	111,700
Other Structures and Facilities	41,595	(28,003)	13,592
Leasehold Improvements	6,270	(798)	5,472
Construction in Progress	52,565	—	52,565
Equipment and Vehicles	263,387	(126,603)	136,784
Internal Use Software:			
In Use	8,471	(4,317)	4,154
In Development	<u>7,522</u>	<u>—</u>	<u>7,522</u>
Total	<u>\$653,051</u>	<u>\$ (264,118)</u>	<u>\$388,933</u>
September 30, 2004: (dollars in thousands)	Acquisition Value	Accumulated Depreciation	Net Book Value
Land and Land Improvements	\$ 89,855	\$ (34,711)	\$ 55,144
Buildings	153,857	(61,307)	92,550
Other Structures and Facilities	40,095	(27,076)	13,019
Leasehold Improvements	5,428	(508)	4,920
Construction in Progress	39,053	—	39,053
Equipment and Vehicles	257,735	(123,069)	134,666
Internal Use Software:			
In Use	11,179	(3,544)	7,635
In Development	<u>8,634</u>	<u>—</u>	<u>8,634</u>
Total	<u>\$ 605,836</u>	<u>\$ (250,215)</u>	<u>\$355,621</u>

Capitalization criteria and other information regarding property, plant, and equipment are discussed in Note 1(H).

Note 8 - Total Assets

For financial reporting purposes, the BLM has not recognized the value of negotiable securities or certificates of deposit pledged to guarantee performance of contracts. These instruments are accepted in lieu of bond coverage in the following programs: solid or fluid energy minerals extraction (oil, gas, coal, etc.), rights-of-way on the public or other lands, and certain contracts (performance bonds). Interest earned is paid to the owner of the security or certificate of deposit and is not available to the BLM. At September 30, 2005, the value of these securities was \$102 million; at September 30, 2004, the value was \$179 million. Since these instruments are not available to the BLM unless a customer defaults on an agreement, they are not recognized as BLM's assets or liabilities.

Note 9 - Liabilities Covered or Not Covered by Budgetary Resources

Liabilities covered by budgetary resources and liabilities not covered by budgetary resources are combined in the Balance Sheets presentation. Liabilities covered by budgetary resources are liabilities to be paid with existing appropriation authority. Liabilities not covered by budgetary resources represent those liabilities for which Congressional action is needed before budgetary resources can be provided. Current liabilities are expected to be liquidated during the subsequent fiscal year. Additional information regarding liabilities may be found in Note 1(I).

September 30, 2005: (dollars in thousands)	Covered by Budgetary Resources		Not Covered by Budgetary Resources		Total
	Current	Non-Current	Current	Non-Current	
Intragovernmental:					
Accounts Payable	\$ 38,981	\$ -	\$ -	\$ -	\$ 38,981
Debt to Treasury	50,000	1,024,204	-	-	1,074,204
Other:					
Accrued Payroll and Benefits	3,208	-	-	-	3,208
Custodial Liabilities	-	-	57,519	-	57,519
Undistributed Collections	-	-	93,802	-	93,802
Deferred Revenue	9,949	-	-	-	9,949
Unfunded Payroll Liabilities	-	-	7,200	14,929	22,129
Due to Treasury Judgment Fund	-	-	-	12,253	12,253
Total Intragovernmental	102,138	1,024,204	158,521	27,182	1,312,045
Accounts Payable	37,365	-	-	-	37,365
Environmental Cleanup Liabilities	-	1,540	-	1,951	3,491
Federal Employee Benefits - FECA Actuarial Liability	-	-	-	94,971	94,971
Other:					
Accrued Payroll and Benefits	29,466	-	-	-	29,466
Custodial Liabilities	-	-	65	-	65
Secure Rural Schools Act Payable	-	-	106,810	-	106,810
Deposit Funds	-	-	102,889	-	102,889
Unfunded Annual Leave	-	-	-	57,466	57,466
Contingent Liabilities	-	-	-	1,465	1,465
Total Liabilities	\$168,969	\$1,025,744	\$368,285	\$183,035	\$1,746,033

September 30, 2004: (dollars in thousands)	Covered by Budgetary Resources		Not Covered by Budgetary Resources		Total
	Current	Non-Current	Current	Non-Current	
Intragovernmental:					
Accounts Payable	\$ 24,895	\$ -	\$ -	\$ -	\$ 24,895
Debt to Treasury	50,000	1,089,204	-	-	1,139,204
Other:					
Accrued Payroll and Benefits	2,780	-	-	-	2,780
Custodial Liabilities	-	-	73,376	-	73,376
Undistributed Collections	-	-	84,783	-	84,783
Deferred Revenue	16,221	-	-	-	16,221
Unfunded Payroll Liabilities	-	-	7,312	14,905	22,217
Due to Treasury Judgment Fund	-	-	-	12,224	12,224
Total Intragovernmental	93,896	1,089,204	165,471	27,129	1,375,700
Accounts Payable	31,436	-	-	-	31,436
Environmental Cleanup Liabilities	-	6,007	-	323	6,330
Federal Employees Benefits-FECA Actuarial Liability	-	-	-	90,507	90,507
Other:					
Accrued Payroll and Benefits	24,953	-	-	-	24,953
Secure Rural Schools Act Payable	-	-	102,387	-	102,387
Deposit Funds	-	-	314,778	-	314,778
Deferred Revenue	136,390	-	-	-	136,390
Unfunded Annual Leave	-	-	-	56,260	56,260
Contingent Liabilities	-	-	-	3,650	3,650
Total Liabilities	<u>\$286,675</u>	<u>\$1,095,211</u>	<u>\$582,636</u>	<u>\$177,869</u>	<u>\$2,142,391</u>

Note 10 - Debt to Treasury

The Helium fund's debt to Treasury is as follows:

(dollars in thousands)	2005	2004
Principal	\$ 251,650	\$ 251,650
Interest:		
Balance, Beginning of Year	887,554	947,554
Repayments	(65,000)	(60,000)
Balance, End of Year	<u>822,554</u>	<u>887,554</u>
Total Debt to Treasury	<u>\$1,074,204</u>	<u>\$1,139,204</u>

The sale of stockpile crude helium began in March 2003 and will continue until January 1, 2015. These sales have significantly increased the BLM's helium fund revenue. Given this increased revenue, the BLM is planning to repay at least \$50 million each year, with exact amounts depending on annual revenues collected. The repayments will continue until the debt is repaid or until the stockpile crude helium sales cease, in which case the repayment plan may be revised.

Refer to Note 1(I) for additional information about debt to Treasury.

Note 11 - Intragovernmental Unfunded Payroll Liabilities

Liabilities for workers' compensation and unemployment compensation are amounts that will be paid to the Department of Labor, when billed, through the Department of the Interior's Office of the Secretary. An accrual is also provided for the amount which would be due under the Federal Insurance Contributions Act (FICA) related to unfunded annual leave. See Note 1(J).

(dollars in thousands)	2005	2004
Workers' Compensation Payable	\$18,000	\$18,279
Unemployment Compensation Payable	1,312	1,131
Accrued FICA on Unfunded Annual Leave	<u>2,817</u>	<u>2,807</u>
Total Intragovernmental Unfunded Payroll Liabilities	<u>\$22,129</u>	<u>\$22,217</u>

Note 12—Environmental Cleanup Liabilities and Other Contingent Liabilities

Environmental Cleanup. The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, the Clean Water Act, and the Resource Conservation and Recovery Act require Federal agencies to identify sites where (1) hazardous substances have been released or (2) hazardous wastes are or have been stored, treated, or disposed of. These Acts also require responsible parties, including Federal agencies, to clean up releases of hazardous substances and to manage hazardous wastes.

The BLM faces major challenges in cleaning up hazardous substance releases on the public lands. Virtually all of these releases arise from non-BLM uses of the lands, such as illegal dumping, transportation spills, landfills, mineral development operations, pipelines, and

airports. Significant portions of the costs of cleanup will be incurred by, or recovered from, responsible parties external to the BLM.

The BLM typically has a number of time-critical removal actions in progress as of the end of the fiscal year that will require future funding. This type of action is usually mitigated using only a preliminary engineering study and, generally, no viable responsible party is found, which results in the BLM bearing the expense.

Larger sites require one or more studies to determine the scope of the contamination and the cleanup strategy and techniques. Cleanup costs cannot be estimated until these studies are completed. Several cleanup options are generally suggested, along with the approximate range of cost of each, and BLM management determines the most appropriate course of action.

For these larger sites, commensurately greater efforts are made to identify and locate potentially responsible parties who can be held liable for the cost of the studies and cleanup. Litigation or enforcement is usually required to obtain payment or cleanup from potentially responsible parties.

The BLM has recognized an estimated liability of \$3.5 million and \$6.3 million for FY 2005 and FY 2004, respectively, for sites where the BLM either caused contamination or is otherwise involved in such a way that it may be legally liable for some portion of the cleanup, and the environmental cleanup liability is probable and reasonably estimable. These estimates include the expected future cleanup costs and, for those sites where future liability is unknown, the cost of a study necessary to evaluate cleanup requirements.

In accordance with Federal accounting guidance, if an estimated liability is a range of amounts and no amount within the range is a better estimate than any other amount, the minimum amount in the range is recognized. The amounts recognized in the previous

paragraph are the minimum amounts within the range noted for these estimated liabilities. The upper limits on the ranges of these liabilities are \$7.4 million and \$9.4 million for FY 2005 and FY 2004, respectively.

In addition to the limited number of cases discussed above where the BLM may be involved, other hazardous conditions exist on public lands for which the BLM might fund cleanup. Those cases where the BLM has at least a reasonable possibility of incurring a liability, but where the liability does not meet the criteria to be recognized, range from \$22.9 million to \$61.7 million for FY 2005 and \$46.9 million to \$82.4 million for FY 2004.

Judgments and Claims. The BLM is a party to a number of lawsuits where the plaintiff is seeking monetary damages. The lawsuits can involve a variety of issues, including lost revenues when timber contracts are suspended because of environmental issues, injuries or death that occur on BLM-managed land or roads, issues regarding takings and suspension of mining claims, and other issues. In the opinion of the BLM's management and legal counsel, a reasonable estimate of the potential outcome or liability of most of these claims cannot be made. The resultant outcomes will not materially affect BLM's future financial condition. The U.S. Treasury's Judgment Fund would likely bear most of the costs incurred to pay any judgments or settlements.

At the end of FY 2005, eight cases which were probable had reasonably estimable liabilities of \$1.5 million; at the end of FY 2004 there were seven cases totaling \$3.7 million. These liabilities have been accrued in the accompanying financial statements as of September 30, 2005, and September 30, 2004.

In accordance with Federal accounting guidance, if an estimated liability is a range of amounts and no amount within the range is a better estimate than any other amount, the minimum amount in the range is recognized. The amounts recognized in the previous

paragraph are the minimum amounts within the range noted for these estimated liabilities. The upper limits on the ranges of these liabilities are \$1.7 million and \$4.7 million for FY 2005 and FY 2004, respectively.

In addition to these probable cases, at the end of FY 2005 there were 20 other cases where the likelihood of an outcome unfavorable to the BLM was reasonably possible. Of these 20 cases, those with reasonably estimable liabilities ranged from \$70,000 to \$909.1 million. At the end of FY 2004 there were 22 such cases ranging from \$27.6 million to \$959.4 million.

Additional discussion of contingent liabilities is presented in Note 1(K).

The accrued and potential environmental cleanup costs and contingent liabilities as of September 30, 2005 and 2004, are summarized in the following table:

September 30, 2005		Total Range of Potential Liabilities	
(dollars in thousands)	Accrued Liabilities	Lower End of Range	Upper End of Range
Environmental Cleanup Liabilities:			
Probable	\$3,491	\$ 3,491	\$ 7,441
Reasonably Possible	–	22,940	61,735
Contingent Liabilities:			
Probable	1,465	1,465	1,680
Reasonably Possible	–	70	909,091
September 30, 2004		Total Range of Potential Liabilities	
(dollars in thousands)	Accrued Liabilities	Lower End of Range	Upper End of Range
Environmental Cleanup Liabilities:			
Probable	\$6,330	\$ 6,330	\$ 9,381
Reasonably Possible	–	46,879	82,410
Contingent Liabilities:			
Probable	3,650	3,650	4,650
Reasonably Possible	–	27,605	959,410

Note 13 - Deposit Funds

The BLM processes collections from various sources for activities related to public land administration. These collections include mining claim fees, natural resource sales, and various other fees and payments. These amounts are held as deposits pending adjudication, resolution, or further classification. Deposit funds are considered a current liability.

Oil and Gas Leases, as well as *Coal and Other Leasable Minerals*, consist primarily of lease deposits awaiting adjudication, but they can also include lease security deposits. *Alaska Mineral Leases* consist of money for the Kuukpik Village Corporation and interest on the investment of those funds. *Mining and Other Mineral Materials* include locatable minerals, leasable minerals, coal, and various leasing fees. *Lands and Realty Management* includes, but is not limited to, land sales, leases, timber sales, and vegetative material sales. *Other* includes overpayments waiting for refund, declining deposit accounts, recreation, geothermal leases, and all other miscellaneous categories.

The BLM, on behalf of the Minerals Management Service (MMS), collects first-year rent and bonus deposits on lease agreements related to oil and gas, coal, and other leasable minerals. The BLM also collects lease security deposits related to this activity. These deposits are recorded not as revenue but as liabilities. Once the adjudication process is completed, the deposits are either refunded, or they are combined with additional receipts (which represents custodial activity) and transferred to the MMS. Lease security deposits are generally returned to the lessor upon the expiration of a lease. However, in certain circumstances, particularly if contamination cleanup is necessary, the BLM will keep a portion of the security deposit and record it as revenue.

(dollars in thousands)	2005	2004
Oil and Gas Leases	\$ 39,096	\$122,458
Coal and Other Leasable Minerals	3,092	124,898
Alaska Mineral Leases	37,084	35,625
Mining and Other Mineral Materials	16,558	25,156
Lands and Realty Management	6,553	6,378
Other	506	263
Total Deposit Funds	<u>\$102,889</u>	<u>\$314,778</u>

Note 14 - Leases

The BLM has operating leases for various types of space (real property) acquired through the General Services Administration (GSA) and directly from commercial sources, as well as operating leases for vehicles and miscellaneous equipment (personal property).

GSA charges rent that is intended to approximate commercial rental rates. For federally owned property, the Bureau generally does not execute an agreement with GSA, nor is there a formal expiration date. These leases typically have terms up to 20 years, and most contain provisions for cancellation prior to the full term of the lease. GSA space leases are cancellable with 120 days notice. The Bureau is normally required to give notice to vacate, and the amount of these leases remains constant from year to year.

For non-federally owned property, an occupancy agreement is executed, and again the Bureau may normally cancel these agreements with 120 days notice.

Both the *Federal* and *Non-Federal Real Property* amounts for 2006 are based on the actual annual rent for all property within these categories. For 2007 and subsequent years, the amounts are inflated each year at 2.4 percent over the previous year. As leases expire, they are not included in the following years' calculations.

Government vehicle and equipment rentals are included in personal property. Government vehicles are leased from GSA for indefinite periods of time, frequently exceeding one year. The *Personal Property* amounts for 2006 are based on a 1.5 percent increase over the actual personal property expense amounts for 2005. For 2007 through 2010, the amounts are inflated at 2.4 percent over the previous year.

The *Thereafter* amounts are indeterminable through this process.

The aggregate of the Bureau's estimated real property rent payments to GSA for FY 2006 through FY 2010 and future years and the Bureau's future payments due to other parties under operating leases for real property and personal property is as follows:

Fiscal Year Ending September 30: (dollars in thousands)	Real Property		Personal Property		Total
	Federal	Non-Federal	Federal	Non-Federal	
2006	\$ 19,459	\$ 19,056	\$ 12,110	\$ 3,027	\$ 53,652
2007	16,035	16,965	12,400	3,100	48,500
2008	16,186	14,054	12,698	3,174	46,112
2009	16,134	13,676	13,003	3,251	46,064
2010	14,619	13,257	13,314	3,329	44,519
Thereafter	<u>32,812</u>	<u>82,744</u>	<u>—</u>	<u>—</u>	<u>115,556</u>
Total Future Lease Payments	<u>\$115,245</u>	<u>\$159,752</u>	<u>\$63,525</u>	<u>\$15,881</u>	<u>\$354,403</u>

Note 15 - Gross Cost

Total cost as reported in the Statements of Net Cost is detailed as follows:

(dollars in thousands)	2005	2004
Personnel Services and Benefits	\$ 962,727	\$ 919,816
Contributions to States	474,316	206,489
Contractual Services	387,515	608,919
Supplies, Materials, and Nondepreciable Assets	85,562	119,074
Rental, Communication, and Utilities	70,779	69,932
Stewardship Asset Costs	67,210	22,508
Travel and Transportation	64,901	62,617
Depreciation and Amortization	30,864	28,484
Cost of Goods Sold	17,058	14,572
Settlement of Claims	11,187	7,553
Printing and Reproduction	2,981	3,302
Bad Debt Expense	2,961	1,113
Heritage Asset Costs	2,457	1,418
Loss on Disposition of Assets, Net	187	50
Interest Expense	35	31
Change in Unfunded Liabilities:		
Federal Employee Benefits - FECA Actuarial Liability	4,464	(4,838)
Environmental Cleanup	1,628	(12,738)
Unfunded Annual Leave	1,206	1,251
Unemployment Compensation	181	161
Treasury Judgment Fund	29	—
FICA on Unfunded Annual Leave	10	131
Workers' Compensation	(279)	885
Contingent Liabilities	(2,185)	3,000
Total Cost	<u>\$2,185,794</u>	<u>\$2,053,730</u>

Note 16 - Net Cost of Operations by Responsibility Segment

Statement of Federal Financial Accounting Standards No. 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government*, requires agencies to report the full cost of programs, activities, and outputs. This standard includes requirements for accumulating and reporting costs on a regular basis for management use, establishing responsibility segments to match costs with outputs, determining the full cost of government goods and services, recognizing the costs of services provided between agencies within the government, and using appropriate costing methodologies to accumulate and assign costs to outputs.

In FY 1998, the BLM selected Activity Based Costing (ABC) as the agency's methodology to accumulate cost data for effective management use and to assign costs to outputs. The accumulated cost data is aggregated by program activity to reflect the following four Departmental Government Performance and Results Act (GPRA) Mission Areas:

Resource Protection—Protect the Nation's natural, cultural, and heritage resources.

Resource Use—Manage resources to promote responsible use and sustain a dynamic economy.

Recreation—Provide recreation opportunities for America.

Serving Communities—Safeguard lives, property, and assets, advance scientific knowledge, and improve the quality of life for communities we serve.

Direct costs are reported under the appropriate GPRA program activity, while

administrative costs and various indirect costs are allocated to program activities in a manner appropriate for each type of cost.

In addition to reporting costs and revenue by the Departmental GPRA Mission Areas, the BLM aggregates program costs and revenue by responsibility segment. In FY 2005, the reporting of programs was realigned so that the responsibility segments more closely correspond with the Bureau's programs as set forth in the Budget of the United States Government.

OMB Circular A-136 provides guidance for financial reporting by governmental agencies. This Circular was revised in FY 2005, resulting in changed disclosure requirements for certain transactions between Federal entities and with the public. As a result of these changed requirements, the aggregation of costs as intragovernmental or public has been revised. In prior years, intragovernmental costs were defined as those costs incurred in the process of producing intragovernmental earned revenue, while the remaining costs were deemed to be with the public. Beginning in FY 2005, intragovernmental costs are now defined as those costs incurred in transactions with other Federal governmental entities, while public costs are those incurred in transactions with non-Federal (public) entities. Total costs remain unchanged. According to Circular A-136, the purpose of this redefinition of costs is "to enable the Federal government to provide consolidated financial statements, and not to match public and intragovernmental revenue with costs that are incurred to produce public and intragovernmental revenue."

The tables on the following pages present the BLM's net cost of operations by responsibility segment and GPRA Mission Area. The FY 2004 data has been reclassified to correspond with the revised guidance provided by OMB.

(dollars in thousands)	Management of Lands and Resources	Wildland Fire Management	Miscellaneous Permanent Payment Accounts
Resource Protection			
Intragovernmental Cost	\$ 54,615	\$ 18,591	\$ 217
Public Cost	174,161	57,236	4,094
Total Cost	<u>228,776</u>	<u>75,827</u>	<u>4,311</u>
Intragovernmental Earned Revenue	5,742	430	330
Public Earned Revenue	—	11	42,834
Total Earned Revenue	<u>5,742</u>	<u>441</u>	<u>43,164</u>
Net Cost /(Revenue)	<u>223,034</u>	<u>75,386</u>	<u>(38,853)</u>
Resource Use			
Intragovernmental Cost	65,769	484	75
Public Cost	182,693	2,087	339
Total Cost	<u>248,462</u>	<u>2,571</u>	<u>414</u>
Intragovernmental Earned Revenue	2,468	—	—
Public Earned Revenue	51,893	—	10,256
Total Earned Revenue	<u>54,361</u>	<u>—</u>	<u>10,256</u>
Net Cost /(Revenue)	<u>194,101</u>	<u>2,571</u>	<u>(9,842)</u>
Recreation			
Intragovernmental Cost	22,112	1,046	62
Public Cost	70,757	3,547	515
Total Cost	<u>92,869</u>	<u>4,593</u>	<u>577</u>
Intragovernmental Earned Revenue	5,512	—	—
Public Earned Revenue	—	—	—
Total Earned Revenue	<u>5,512</u>	<u>—</u>	<u>—</u>
Net Cost	<u>87,357</u>	<u>4,593</u>	<u>577</u>
Serving Communities			
Intragovernmental Cost	68,100	181,641	5,355
Public Cost	234,031	348,669	351,187
Total Cost	<u>302,131</u>	<u>530,310</u>	<u>356,542</u>
Intragovernmental Earned Revenue	55,094	13,361	—
Public Earned Revenue	—	23,128	198,519
Total Earned Revenue	<u>55,094</u>	<u>36,489</u>	<u>198,519</u>
Net Cost	<u>247,037</u>	<u>493,821</u>	<u>158,023</u>
Totals			
Intragovernmental Cost	210,596	201,762	5,709
Public Cost	661,642	411,539	356,135
Total Cost	<u>872,238</u>	<u>613,301</u>	<u>361,844</u>
Intragovernmental Earned Revenue	68,816	13,791	330
Public Earned Revenue	51,893	23,139	251,609
Total Earned Revenue	<u>120,709</u>	<u>36,930</u>	<u>251,939</u>
Net Cost/(Revenue) of Operations	<u>\$751,529</u>	<u>\$576,371</u>	<u>\$109,905</u>

Permanent Operating Funds	Oregon and California Grant Lands	Other	Elimination of Intra-Bureau Activity	FY 2005
\$ 3,599	\$ 7,680	\$ 2,038	\$ (880)	\$ 85,860
11,398	24,126	6,417	—	277,432
<u>14,997</u>	<u>31,806</u>	<u>8,455</u>	<u>(880)</u>	<u>363,292</u>
34,016	—	—	(880)	39,638
1,097,175	—	46,064	—	1,186,084
1,131,191	—	46,064	(880)	1,225,722
<u>(1,116,194)</u>	<u>31,806</u>	<u>(37,609)</u>	<u>—</u>	<u>(862,430)</u>
796	11,025	4,894	—	83,043
2,001	35,139	40,884	—	263,143
<u>2,797</u>	<u>46,164</u>	<u>45,778</u>	<u>—</u>	<u>346,186</u>
—	—	—	—	2,468
—	—	155,617	—	217,766
—	—	155,617	—	220,234
<u>2,797</u>	<u>46,164</u>	<u>(109,839)</u>	<u>—</u>	<u>125,952</u>
3,325	2,397	1,385	(3,783)	26,544
67,679	6,987	7,971	—	157,456
<u>71,004</u>	<u>9,384</u>	<u>9,356</u>	<u>(3,783)</u>	<u>184,000</u>
—	—	—	(3,783)	1,729
13,251	—	1,929	—	15,180
13,251	—	1,929	(3,783)	16,909
<u>57,753</u>	<u>9,384</u>	<u>7,427</u>	<u>—</u>	<u>167,091</u>
39,578	5,724	8,152	(65,416)	243,134
13,909	16,868	84,518	—	1,049,182
<u>53,487</u>	<u>22,592</u>	<u>92,670</u>	<u>(65,416)</u>	<u>1,292,316</u>
—	—	34,081	(65,416)	37,120
3,235	—	2,933	—	227,815
3,235	—	37,014	(65,416)	264,935
<u>50,252</u>	<u>22,592</u>	<u>55,656</u>	<u>—</u>	<u>1,027,381</u>
47,298	26,826	16,469	(70,079)	438,581
94,987	83,120	139,790	—	1,747,213
<u>142,285</u>	<u>109,946</u>	<u>156,259</u>	<u>(70,079)</u>	<u>2,185,794</u>
34,016	—	34,081	(70,079)	80,955
1,113,661	—	206,543	—	1,646,845
1,147,677	—	240,624	(70,079)	1,727,800
<u>\$(1,005,392)</u>	<u>\$109,946</u>	<u>\$(84,365)</u>	<u>\$ —</u>	<u>\$ 457,994</u>

(dollars in thousands)	Public Land Management	Construction, Cleanup, and Land Acquisition
Resource Protection		
Intragovernmental Cost	\$ 89,335	\$ 8
Public Cost	<u>288,953</u>	<u>22</u>
Total Cost	<u>378,288</u>	<u>30</u>
Intragovernmental Earned Revenue	13,032	-
Public Earned Revenue	<u>402,509</u>	<u>-</u>
Total Earned Revenue	<u>415,541</u>	<u>-</u>
Net Cost /(Revenue)	<u>(37,253)</u>	<u>30</u>
Resource Use		
Intragovernmental Cost	72,628	-
Public Cost	<u>212,936</u>	<u>-</u>
Total Cost	<u>285,564</u>	<u>-</u>
Intragovernmental Earned Revenue	1,587	-
Public Earned Revenue	<u>98,855</u>	<u>-</u>
Total Earned Revenue	<u>100,442</u>	<u>-</u>
Net Cost /(Revenue)	<u>185,122</u>	<u>-</u>
Recreation		
Intragovernmental Cost	33,662	319
Public Cost	<u>96,272</u>	<u>1,527</u>
Total Cost	<u>129,934</u>	<u>1,846</u>
Intragovernmental Earned Revenue	1,941	-
Public Earned Revenue	<u>21,151</u>	<u>-</u>
Total Earned Revenue	<u>23,092</u>	<u>-</u>
Net Cost	<u>106,842</u>	<u>1,846</u>
Serving Communities		
Intragovernmental Cost	241,569	2,572
Public Cost	<u>795,188</u>	<u>24,810</u>
Total Cost	<u>1,036,757</u>	<u>27,382</u>
Intragovernmental Earned Revenue	256,224	-
Public Earned Revenue	<u>36,492</u>	<u>701</u>
Total Earned Revenue	<u>292,716</u>	<u>701</u>
Net Cost /(Revenue)	<u>744,041</u>	<u>26,681</u>
Totals		
Intragovernmental Cost	437,194	2,899
Public Cost	<u>1,393,349</u>	<u>26,359</u>
Total Cost	<u>1,830,543</u>	<u>29,258</u>
Intragovernmental Earned Revenue	272,784	-
Public Earned Revenue	<u>559,007</u>	<u>701</u>
Total Earned Revenue	<u>831,791</u>	<u>701</u>
Net Cost/(Revenue) of Operations	<u>\$ 998,752</u>	<u>\$28,557</u>

Helium and Working Capital	Payments to Entitled States and Organizations	Elimination of Intra-Bureau Activity	FY 2004
\$ -	\$ -	\$ (174)	\$ 89,169
-	-	-	288,975
-	-	(174)	378,144
-	-	(174)	12,858
-	-	-	402,509
-	-	(174)	415,367
-	-	-	(37,223)
2,295	-	-	74,923
30,858	-	-	243,794
33,153	-	-	318,717
-	-	-	1,587
96,416	-	-	195,271
96,416	-	-	196,858
(63,263)	-	-	121,859
-	-	(1,129)	32,852
-	-	-	97,799
-	-	(1,129)	130,651
-	-	(1,129)	812
-	-	-	21,151
-	-	(1,129)	21,963
-	-	-	108,688
903	5,001	(29,346)	220,699
23,665	161,856	-	1,005,519
24,568	166,857	(29,346)	1,226,218
29,604	-	(29,346)	256,482
-	55,724	-	92,917
29,604	55,724	(29,346)	349,399
(5,036)	111,133	-	876,819
3,198	5,001	(30,649)	417,643
54,523	161,856	-	1,636,087
57,721	166,857	(30,649)	2,053,730
29,604	-	(30,649)	271,739
96,416	55,724	-	711,848
126,020	55,724	(30,649)	983,587
\$ (68,299)	\$ 111,133	\$ -	\$ 1,070,143

Note 17—Change in PILT Ownership

The Department of the Interior's FY 2004 appropriation bill moved the Payments in Lieu of Taxes (PILT) program from the BLM to the Department of the Interior's Office of the Secretary (OS), effective October 1, 2003. As a result, the BLM removed all financial records related to PILT from its accounting system, including FY 2004 beginning balances. Conversely, the Office of the Secretary placed these records into their accounting system and began accounting for all PILT transactions beginning October 1, 2003.

Since the PILT program was new to the OS and the BLM had extensive knowledge of the program, the OS entered into a reimbursable agreement with the BLM whereby the BLM would make the FY 2004 PILT payments and subsequently be reimbursed by the OS. As a result of this agreement, the BLM recorded both revenue and expenses totaling \$224 million in FY 2004, all within the Serving Communities GPRA segment. The OS managed the PILT program in FY 2005 and had no reimbursable agreement with the BLM.

Note 18 - Imputed Financing from Costs Absorbed by Others

SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, establishes accounting and reporting standards for liabilities relating to the Federal employee benefit programs, including retirement, health benefits, and life insurance. The Office of Personnel Management (OPM) is responsible for paying the cost of these benefits.

Under the provisions of SFFAS No. 5, employer agencies must recognize the cost of pensions and other retirement benefits during their employees' active years of service. Agencies

must also recognize the current annual cost of the Federal Employee Health Benefit (FEHB) program and the Federal Employee Group Life Insurance (FEGLI) program.

OPM actuaries have provided the employer agencies with rates for calculating the estimated cost of pension and other retirement benefits. They have also provided rates for use in calculating the cost of FEHB and FEGLI. The Department provided labor cost data for the BLM to use in applying the OPM rates to calculate the total imputed cost of these benefits. While the BLM's funds are not used to pay the cost of these personnel benefits, they are a BLM operating expense that must be reported to accurately reflect the cost of doing business. The use of OPM funds for this purpose is an imputed source of financing for the BLM.

The Solicitor's Office of the Department of the Interior incurs costs for attorneys' time and related non-attorney costs on behalf of all DOI bureaus. The Department provided a calculation of the amount of imputed financing source for each bureau, based on the number of hours of attorney time incurred. The imputed source of financing amount from the Solicitor's Office of the Department of the Interior was zero for FY 2004 because the guidance requiring incorporation of full costs (FASAB's Interpretation Number 6, *Accounting for Imputed Intradepartmental Costs: An Interpretation of SFFAS No. 4*) was not effective until October 1, 2004 (FY 2005).

The Department of the Treasury Judgment Fund is another imputed source of financing. The BLM is a party to numerous lawsuits where the plaintiff is seeking monetary damages. In many cases, when the BLM is required to pay the plaintiff, either as a result of settlement or adjudication, payment is actually made from the Judgment Fund rather than the BLM's appropriations. Treasury provides agencies with

information regarding the month and amount of payments actually made, at which time the BLM recognizes the imputed financing source and cost.

(dollars in thousands)	2005	2004
Imputed Financing from OPM:		
Retirement Benefits	\$ 24,651	\$ 27,447
Health Benefit and Life Insurance	<u>44,732</u>	<u>40,975</u>
Total Imputed Financing from OPM	69,383	68,422
Imputed Financing from DOI Solicitor's Office	10,012	–
Imputed Financing from Treasury Department's Judgment Fund	<u>475</u>	<u>6,967</u>
Total Imputed Financing From Costs Absorbed by Others	<u>\$79,870</u>	<u>\$75,389</u>

Note 19 - Combined Statements of Budgetary Resources

Apportionment Categories of Obligations Incurred

All of the BLM's FY 2005 and FY 2004 funds were appropriated under Category B and were subject to annual apportionment by OMB.

Permanent Indefinite Appropriations

Permanent indefinite appropriations result from provisions in permanent public laws that authorize the BLM to retain certain receipts. These funds do not require annual appropriation action by Congress; they are subject to the authorities of permanent public law and are available until expended. As of September 30, 2005, the Bureau had 23 permanent indefinite appropriations, which

are primarily used for special programs and projects. Some examples include the Southern Nevada Public Land Management Act, Federal Land Transaction Facilitation Act, Recreation Fee Demonstration Program, and Timber Pipeline Restoration fund.

Appropriations Received

The Appropriations Received line item on the Consolidated Statements of Changes in Net Position differs from that reported on the Combined Statements of Budgetary Resources because Appropriations Received on the Consolidated Statements of Changes in Net Position do not include appropriated dedicated and earmarked receipts. Dedicated and earmarked receipts are accounted for as either exchange or non-exchange revenue.

Legal Arrangements Affecting the Use of Unobligated Balances of Budget Authority

The BLM's FY 2005 operating programs were financed under 68 distinct Treasury fund symbols. All of the Bureau's funding needs are authorized in a number of appropriation laws, which are a combination of current and permanent authority. Current authority includes funding that is legislatively re-authorized each fiscal year, while permanent authority is issued once and remains in effect in future fiscal years until revised or rescinded. Most of the BLM's 68 Treasury funds are classified as no-year, which signifies that the Bureau may utilize its fiscal year-end unobligated resources to execute its operating programs in subsequent fiscal years.

All appropriation language contains specific and/or general authorizations. These authorizations may be defined as legislative parameters that frame the funding and Federal agency policy for executing programs. For example, Public Law 108-447, the appropriation law that was the major source of funding for the BLM's operating programs in FY 2005, directs that a definite sum of the Bureau's wildland firefighting authority be applied to the construction of fire facilities. These authorizations also direct how the Bureau must treat other assets it may acquire as a result of executing its operating programs. As an example, a specific authorization in Public Law 108-447 that refers to the Bureau's Central HAZMAT fund directs that monies collected from a party for remedial action may be recorded as a reimbursement to its appropriation. Since both specific and general authorizations are integral components of all legislation, the BLM does not view them as restrictions or legal encumbrances on its available funding.

Differences between Amounts Reported in the Statements of Budgetary Resources and Amounts Reported in the Budget of the U.S. Government

The Combined Statements of Budgetary Resources have been prepared to coincide with the amounts shown in the Budget of the United

States Government (President's Budget). The actual amounts for FY 2005 in the President's Budget had not been published at the time these financial statements were prepared. The President's Budget containing the actual FY 2004 amounts was released in February 2005, and the FY 2005 amounts are estimated to be released in February 2006. The President's Budget can be located at the OMB website (<http://www.whitehouse.gov/omb>).

Budgetary resources and the status of budgetary resources presented in the Combined Statement of Budgetary Resources for the fiscal year ended September 30, 2004, differ from the amounts presented in the FY 2004 column of the FY 2006 Budget of the United States Government because of rounding and publication timing differences. Rounding differences are the result of the President's Budget being rounded in millions of dollars while the Statement of Budgetary Resources is rounded in thousands of dollars. A publication timing difference occurred when an adjustment was made to the Wildland Fire Management appropriation and was included in the President's Budget but did not appear in the BLM's FY 2004 Annual Report because the BLM's report was published prior to the adjustment being made. The specific line items affected by this adjustment are annotated with asterisks and presented in the following table. The unannotated differences are due to rounding.

September 30, 2004 (dollars in millions)	Amount per Statement of Budgetary Resources	Amount per President's Budget	Difference
Budgetary Resources:			
Budget Authority:			
Appropriations Received	\$2,765	\$2,762	3
Net Transfers, Current Year Authority	(119)	(117)	(2)
Unobligated Balance:			
Beginning of Year	585	599	(14)*
Net Transfers, Prior Year Authority	1	1	-
Spending Authority From Offsetting Collections	427	428	(1)
Recoveries of Prior Year Obligations	75	75	-
Permanently Not Available	(21)	(20)	(1)
Status of Budgetary Resources:			
Obligations Incurred	2,834	2,846	(12)*
Unobligated Balance	878	889	(11)*
Relationship of Obligations to Outlays:			
Obligated Balance, Net, Beginning of Year	704	692	12*
Obligated Balance, Net, End of Year	(872)	(881)	9*
Outlays:			
Disbursements	2,584	2,576	8
Collections	(421)	(421)	-

Note 20 - Allocation Transfer Reconciling Item

Allocation transfers are the amounts of budgetary resources transferred between agencies or bureaus to carry out the purposes of the parent account. The BLM is both a parent agency and a recipient, or child, agency of allocation transfers.

OMB requires parent agencies to report their child agencies' transactions as part of their Statements of Budgetary Resources, while the child agencies report the proprietary activity on their Balance Sheets, Statements of Net Cost of Operations, and Statements of Changes in Net Position. This process creates a reconciling difference on the Statements of Financing.

The BLM is the parent agency for the Wildland Fire Management Fund and the Central Hazardous Material Fund. All allocation transfers made from these funds are distributed to other Department of the Interior bureaus. The BLM is a child agency of the Department of Agriculture's National Forest System Fund, the Department of the Interior's Natural Resources Damage Assessment and Restoration Fund, and the Department of Transportation's Highway Trust Fund.

The recipient of allocation transfers is not generally required to obligate or spend those funds in the year of transfer and in many cases uses a portion of that funding in subsequent years. As a result, the reconciling items

created on the Statements of Financing are not generated solely by the current year transfers, but also consist of current year activity related to prior year transfers. Therefore, the amounts in the table below reflect the amounts included in cost of operations for FY 2005 and FY 2004, not the actual dollars transferred during the year.

(dollars in thousands)	2005	2004
The BLM as the Providing Agency (Parent):		
Wildland Fire Management Fund	\$(339,618)	\$(347,476)
Central Hazardous Material Fund	<u>(7,993)</u>	<u>(10,528)</u>
Allocation Transfer Reconciling Item	<u>\$(347,611)</u>	<u>\$(358,004)</u>
	2005	2004
The BLM as the Recipient Agency (Child):		
Department of Agriculture	\$2,469	\$1,986
Department of the Interior	228	353
Department of Transportation	<u>158</u>	<u>435</u>
Allocation Transfer Reconciling Item	<u>\$2,855</u>	<u>\$2,774</u>

Note 21—Dedicated Collections

The BLM has collection activity related to the Southern Nevada Public Land Management Act (SNPLMA) that resembles dedicated collections. SNPLMA, enacted in October 1998, authorizes the BLM to sell public land tracts that are interspersed with or adjacent to private land in the Las Vegas Valley. The BLM is authorized to invest 85 percent of the sales in interest-bearing Treasury securities,

while 10 percent of the proceeds are forwarded to the Southern Nevada Water Authority and 5 percent to the State of Nevada's Education Fund. The revenues generated from the land sales and investments enable the BLM and other government entities to acquire environmentally sensitive lands and build or maintain trails, day-use areas, campgrounds, etc., to benefit public land visitors.

The following table discloses dedicated collection activity related to these receipts.

(dollars in thousands)	2005	2004
Assets:		
Fund Balance with Treasury	\$ 1,271	\$ 841
Investments, Net	1,670,193	793,693
General Property, Plant, and Equipment, Net	<u>6,571</u>	<u>675</u>
Total Assets	<u>\$1,678,035</u>	<u>\$795,209</u>
Liabilities:		
Accounts Payable	\$ 20,362	\$ 7,532
Accrued Payroll and Benefits	135	158
Deferred Revenue	<u>—</u>	<u>136,049</u>
Total Liabilities	20,497	143,739
Total Net Position	<u>1,657,538</u>	<u>651,470</u>
Total Liabilities and Net Position	<u>\$1,678,035</u>	<u>\$795,209</u>
Net Position, Beginning of Year	\$ 651,470	\$283,190
Change in Net Position:		
Transfers In/(Out) Without Reimbursement, Net	(22,719)	(100)
Imputed Financing From Costs Absorbed by Others	415	395
Exchange Revenue	1,329,695	447,507
Program Expenses	<u>(301,323)</u>	<u>(79,522)</u>
Net Position, End of Year	<u>\$ 1,657,538</u>	<u>\$651,470</u>

Note 22—Subsequent Event Disclosure

On November 16, 2005, the BLM conducted a Southern Nevada Public Land

Management Act land sale in Nevada totaling \$762,855,000. As a result, the BLM collected \$152,571,000 as the 20 percent down payment to hold the land parcels for the successful bidders.

Supplementary Statement of Budgetary Resources by Major Budget Accounts for the Fiscal Year Ended September 30, 2005

(dollars in thousands)	Wildland Fire Management	Management of Land and Resources
Budgetary Resources:		
Budget Authority:		
Appropriations Received	\$843,099	\$ 848,939
Net Transfers, Current Year Authority	716	7,500
Unobligated Balance:		
Beginning of Year	89,403	34,750
Net Transfers, Prior Year Authority	(716)	—
Spending Authority From Offsetting Collections:		
Earned		
Collected	42,320	97,434
Receivable From Federal Sources	(3,642)	6,916
Change in Unfilled Customer Orders		
Advance Received	(8,599)	4
Without Advance From Federal Sources	(6,727)	1,614
Total Spending Authority From Offsetting Collections	<u>23,352</u>	<u>105,968</u>
Recoveries of Prior Year Obligations	27,983	21,979
Permanently Not Available Pursuant to Public Law	<u>(11,804)</u>	<u>(12,113)</u>
Total Budgetary Resources	<u>\$972,033</u>	<u>\$1,007,023</u>
Status of Budgetary Resources:		
Obligations Incurred:		
Direct	\$ 831,011	\$ 903,436
Reimbursable	<u>12,711</u>	<u>70,397</u>
Total Obligations Incurred	<u>843,722</u>	<u>973,833</u>
Unobligated Balance Apportioned	128,311	33,171
Unobligated Balance not Available	<u>—</u>	<u>19</u>
Total Status of Budgetary Resources	<u>\$972,033</u>	<u>\$1,007,023</u>
Relationship of Obligations to Outlays:		
Obligations Incurred	\$843,722	\$ 973,833
Obligated Balance, Net, Beginning of Year	272,014	224,856
Obligated Balance, Net, End of Year:		
Accounts Receivable	5,705	11,591
Unfilled Customer Orders From Federal Sources	6,000	11,387
Undelivered Orders	(255,870)	(179,518)
Accounts Payable	<u>(42,344)</u>	<u>(57,778)</u>
Total Obligated Balance, Net, End of Year	<u>(286,509)</u>	<u>(214,318)</u>
Less: Spending Authority Adjustments	<u>(17,614)</u>	<u>(30,509)</u>
Outlays:		
Disbursements	811,613	953,862
Collections	<u>(33,722)</u>	<u>(97,438)</u>
Subtotal	<u>777,891</u>	<u>856,424</u>
Less: Offsetting Receipts	<u>—</u>	<u>—</u>
Net Outlays	<u>\$777,891</u>	<u>\$ 856,424</u>

Unaudited — see accompanying independent auditors' report

Miscellaneous Permanent Payment Account	Permanent Operating Funds	Oregon and California Grant Lands	Other	Combined
\$399,441	\$1,025,739	\$ 109,057	\$ 81,136	\$ 3,307,411
—	36	—	(14,499)	(6,247)
5,645	565,764	2,615	179,622	877,799
—	—	—	—	(716)
—	—	—	126,278	266,032
—	—	—	491	3,765
—	—	—	1,970	(6,625)
—	—	—	—	(5,113)
—	—	—	128,739	258,059
119	15,840	1,453	4,908	72,282
—	—	(1,560)	(318)	(25,795)
<u>\$405,205</u>	<u>\$1,607,379</u>	<u>\$ 111,565</u>	<u>\$ 379,588</u>	<u>\$4,482,793</u>
\$356,062	\$ 757,509	\$109,846	\$ 217,733	\$ 3,175,597
—	—	—	—	83,108
<u>356,062</u>	<u>757,509</u>	<u>109,846</u>	<u>217,733</u>	<u>3,258,705</u>
49,143	849,870	1,719	161,855	1,224,069
—	—	—	—	19
<u>\$405,205</u>	<u>\$1,607,379</u>	<u>\$ 111,565</u>	<u>\$ 379,588</u>	<u>\$4,482,793</u>
\$356,062	\$ 757,509	\$109,846	\$ 217,733	\$3,258,705
5,248	277,759	27,778	64,246	871,901
—	—	—	6,192	23,488
—	—	—	759	18,146
(5,363)	(856,500)	(23,354)	(54,431)	(1,375,036)
(56)	(21,385)	(5,107)	(5,031)	(131,701)
(5,419)	(877,885)	(28,461)	(52,511)	(1,465,103)
(119)	(15,840)	(1,453)	(5,399)	(70,934)
355,772	141,543	107,710	224,069	2,594,569
—	—	—	(128,247)	(259,407)
<u>355,772</u>	<u>141,543</u>	<u>107,710</u>	<u>95,822</u>	<u>2,335,162</u>
(323,015)	(1,000,343)	—	(155,027)	(1,478,385)
<u>\$ 32,757</u>	<u>\$ (858,800)</u>	<u>\$ 107,710</u>	<u>\$ (59,205)</u>	<u>\$ 856,777</u>

Supplementary Statement of Budgetary Resources by Major Budget Accounts for the Fiscal Year Ended September 30, 2004

(dollars in thousands)	Wildland Fire Management	Management of Land and Resources
Budgetary Resources:		
Budget Authority:		
Appropriations Received	\$ 892,725	\$ 865,743
Net Transfers, Current Year Authority	(126,625)	15
Unobligated Balance:		
Beginning of Year	101,691	36,763
Change in PILT Ownership	—	—
Net Transfers, Prior Year Authority	—	—
Spending Authority From Offsetting Collections:		
Earned		
Collected	16,499	274,026
Receivable From Federal Sources	6,017	(1,816)
Change in Unfilled Customer Orders		
Advance Received	908	(12)
Without Advance From Federal Sources	(285)	3,332
Total Spending Authority From Offsetting Collections	<u>23,139</u>	<u>275,530</u>
Recoveries of Prior Year Obligations	25,758	24,534
Permanently Not Available Pursuant to Public Law	<u>(9,132)</u>	<u>(10,478)</u>
Total Budgetary Resources	<u>\$ 907,556</u>	<u>\$ 1,192,107</u>
Status of Budgetary Resources:		
Obligations Incurred:		
Direct	\$808,505	\$ 902,363
Reimbursable	9,648	254,994
Total Obligations Incurred	<u>818,153</u>	<u>1,157,357</u>
Unobligated Balance Apportioned	89,403	34,731
Unobligated Balance not Available	—	19
Total Status of Budgetary Resources	<u>\$ 907,556</u>	<u>\$ 1,192,107</u>
Relationship of Obligations to Outlays:		
Obligations Incurred	\$ 818,153	\$ 1,157,357
Obligated Balance, Net, Beginning of Year	314,243	218,149
Change in PILT Ownership	—	—
Obligated Balance, Net, End of Year:		
Accounts Receivable	9,347	4,675
Unfilled Customer Orders From Federal Sources	12,727	9,773
Undelivered Orders	(264,649)	(188,347)
Accounts Payable	(29,439)	(50,957)
Total Obligated Balance, Net, End of Year	<u>(272,014)</u>	<u>(224,856)</u>
Less: Spending Authority Adjustments	<u>(31,490)</u>	<u>(26,049)</u>
Outlays:		
Disbursements	828,892	1,124,601
Collections	(17,407)	(274,014)
Subtotal	<u>811,485</u>	<u>850,587</u>
Less: Offsetting Receipts	—	—
Net Outlays	<u>\$ 811,485</u>	<u>\$ 850,587</u>

Unaudited — see accompanying independent auditors' report

Miscellaneous Permanent Payment Account	Permanent Operating Funds	Oregon and California Grant Lands	Other	Combined
\$284,077	\$ 523,719	\$106,672	\$ 91,590	\$2,764,526
—	—	—	7,396	(119,214)
5,926	288,798	2,571	149,344	585,093
—	—	—	(357)	(357)
—	926	—	(50)	876
—	—	—	131,355	421,880
—	—	—	(1,621)	2,580
—	—	—	(1,563)	(667)
—	—	—	(84)	2,963
—	—	—	128,087	426,756
419	14,803	2,255	7,511	75,280
—	—	(1,315)	(524)	(21,449)
<u>\$290,422</u>	<u>\$ 828,246</u>	<u>\$ 110,183</u>	<u>\$382,997</u>	<u>\$ 3,711,511</u>
\$284,777	\$ 262,482	\$ 107,568	\$203,458	\$ 2,569,153
—	—	—	(83)	264,559
<u>284,777</u>	<u>262,482</u>	<u>107,568</u>	<u>203,375</u>	<u>2,833,712</u>
5,645	565,764	2,615	179,622	877,780
—	—	—	—	19
<u>\$290,422</u>	<u>\$ 828,246</u>	<u>\$ 110,183</u>	<u>\$382,997</u>	<u>\$ 3,711,511</u>
\$284,777	\$ 262,482	\$ 107,568	\$203,375	\$ 2,833,712
4,333	75,068	28,638	63,121	703,552
—	—	—	(298)	(298)
—	—	—	5,701	19,723
—	—	—	760	23,260
(5,159)	(269,274)	(22,889)	(62,549)	(812,867)
(89)	(8,485)	(4,889)	(8,158)	(102,017)
<u>(5,248)</u>	<u>(277,759)</u>	<u>(27,778)</u>	<u>(64,246)</u>	<u>(871,901)</u>
(419)	(14,803)	(2,256)	(5,806)	(80,823)
283,443	44,988	106,172	196,146	2,584,242
—	—	—	(129,792)	(421,213)
<u>283,443</u>	<u>44,988</u>	<u>106,172</u>	<u>66,354</u>	<u>2,163,029</u>
(180,932)	(496,118)	—	(124,280)	(801,330)
<u>\$ 102,511</u>	<u>\$ (451,130)</u>	<u>\$ 106,172</u>	<u>\$ (57,926)</u>	<u>\$ 1,361,699</u>

STEWARDSHIP ASSETS



Stewardship Lands ¹

Location of Stewardship Lands

The BLM has been entrusted with stewardship responsibility for the multiple-use management of natural resources on and beneath millions of acres of America’s “public lands.” The Federal Land Policy and Management Act (FLPMA) of 1976 (43 U.S.C. 1701 et seq., Public Law 94-579, Sec.103(e)) defines public lands as “... any land and interest in land owned by the United States within the several States and administered by the Secretary of the Interior through the Bureau of Land Management, without regard to how the United States acquired ownership, except: (1) lands located on the Outer Continental Shelf; and (2) lands held for the benefit of Indians, Aleuts, and Eskimos.”

Most of the public lands for which the BLM serves as steward were once a part of the approximately 1.8 billion acres of “public domain” lands acquired by the Nation between 1781 and 1867. Lands managed by the BLM represent about one-eighth of America’s land surface, or approximately 42 percent of the lands under Federal ownership. The BLM manages lands in 30 states, but most of the public lands are located in Alaska and the 11 western states, encompassing Arizona, California, Colorado, Idaho, Montana, New Mexico, Nevada, Oregon, Utah, Washington, and Wyoming.

Figure 1 shows the percentage of each state’s surface acreage that is managed by the BLM.

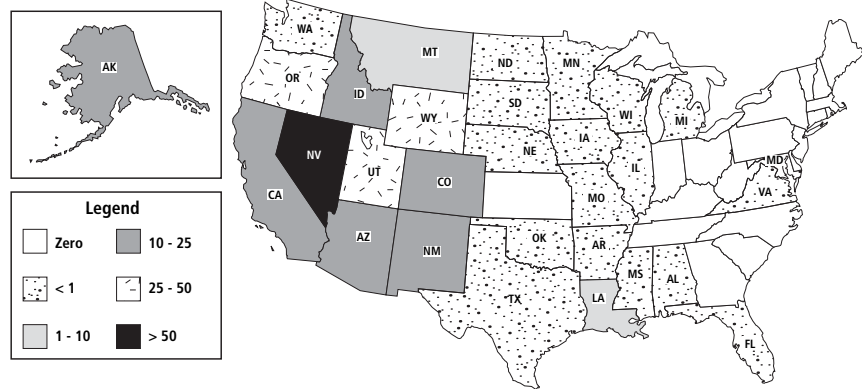


Figure 1 - Percentage of Each State’s Surface Acreage Managed by the BLM

¹ The Federal Accounting Standards Advisory Board (FASAB) defines “Stewardship Land” as “land and land rights owned by the Federal Government but not acquired for or in connection with items of general PP&E [Property, Plant, and Equipment].” “Acquired for or in connection with” means “land acquired with the intent to construct general PP&E and land acquired in combination with general PP&E, including not only land used as the foundation but also adjacent land considered to be the general PP&E’s common grounds.”

Table 1 below provides acreage, change in acreage, condition, and a description of the physical units of the public lands.

Category by Type	Federal Acres					Total Non-Federal Acres	Condition – Acceptable or Needs Intervention ²	Number of Physical Units
	2004 Balance	2005 Additions ¹	2005 Withdrawals ¹	2005 Net Change	2005 Balance			
Public Lands	261,848,120	72,272	(157,480)	(85,208)	261,762,912	0	Acceptable	12 ³

¹ The overall decrease of 85,208 acres during the fiscal year 2005 resulted from the net effect of acquisitions of privately owned lands through purchase, donation, or exchange offset by the disposal of lands through exchange and various public land laws (including sales). Periodic audits and/or reviews of BLM records may also result in decreases or increases in BLM's acreage data.

² Land condition is categorized as "acceptable" when it is adequate for the uses authorized during the period of the report. Land condition is categorized as "needs intervention" when the condition is such that it will not support any of the uses authorized during the period of the report.

³ The BLM manages 12 physical units of public lands that are defined as follows and typically referred to as "states," which usually follow legal state boundaries but sometimes extend into an adjoining state when necessary for BLM management purposes:

- Units 1 through 4: Land managed by the BLM within the legal boundaries of the states of (1) Alaska; (2); Wyoming and Nebraska; (3) New Mexico, Texas, Oklahoma, and Kansas; and (4) Montana, North Dakota, and South Dakota;
- Unit 5: The legal boundaries of Washington and Oregon except 21 square miles (13,731 acres) in Malheur County, Oregon.
- Unit 6: The legal boundaries of the state of Utah except 47 square miles (29,937 acres) in Grand County.
- Unit 7: The legal boundaries of the state of Colorado plus 47 square miles (29,937 acres) in Grand County, Utah.
- Unit 8: The legal boundaries of the state of Idaho plus 74 square miles (47,057 acres) in Elko County, Nevada, and 21 square miles (13,731 acres) in Malheur County, Oregon.
- Unit 9: The legal boundaries of the state of California except 28 square miles (18,000 acres) in Alpine County, 43 square miles (27,250 acres) in Lassen County, 1 square mile (800 acres) in Sierra County, 45 square miles (28,752 acres) in Imperial County, 28 square miles (18,141 acres) in Riverside County, and 88 square miles (56,662 acres) in San Bernardino County; plus 30 square miles (20,000 acres) in Humboldt County, Nevada, and 2,470 square miles (1,580,000 acres) in Washoe County, Nevada.
- Unit 10: The legal boundaries of the state of Nevada, except 30 square miles (20,000 acres) in Humboldt County, 2,470 square miles (1,580,000 acres) in Washoe County, and 74 square miles (47,057 acres) in Elko County; plus 28 square miles (18,000 acres) in Alpine County, 43 square miles (27,250 acres) in Lassen County, and 1 square mile (800 acres) in Sierra County, California.
- Unit 11: The legal boundaries of the state of Arizona plus 45 square miles (28,752 acres) in Imperial County, 28 square miles (18,141 acres) in Riverside County, and 88 square miles (56,662 acres) in San Bernardino County, California.
- Unit 12: The legal boundaries of Alabama, Arkansas, Florida, Illinois, Indiana, Iowa, Louisiana, Michigan, Minnesota, Missouri, Mississippi, Ohio, and Wisconsin; plus 1 square mile (548 acres) in Charles County, Maryland, and 1 square mile (805 acres) in Fairfax County, Virginia.

Relationship of Stewardship Lands ² to BLM's Mission

It is the mission of the BLM to sustain the health, diversity, and productivity of the public

lands for the use and enjoyment of present and future generations. These public lands are all stewardship lands ³, the management of which is the essence of the BLM's mission.

² "Land is defined as a solid part of the surface of the earth. Excluded from the definition are the natural resources (that is, depletable resources, such as mineral deposits and petroleum; renewable resources, such as timber; and the outer-continent shelf resources) related to land."

³ The FASAB presently has an active project to address standards for natural resources, for which they are considering developing individual standards for each type of natural resources separately. To begin the project, FASAB will be addressing oil and gas resources. The framework for the oil and gas resource phase of the project will be used as a model when addressing the other types or logical sets of natural resources (e.g., timber, grazing land, and solid leasable minerals) in subsequent phases of the project.

Goals and Principles for Managing Stewardship Lands

The overarching goals and principles by which the public lands are managed are contained in FLPMA, which provides the basis for planning and managing the uses of resources on the public lands for the American people. In Sec. 102, FLPMA declares that the policy of the United States is as follows:

- [G]oals and objectives be established by law as guidelines for public land use planning, and that management be on the basis of multiple use and sustained yield unless otherwise specified by law . . . ;
- [T]he public lands be managed in a manner that will protect the quality of scientific, scenic, historical, ecological, environmental, air and atmospheric, water resources,

and archeological values; that, where appropriate, will preserve and protect certain public lands in their natural condition; that will provide food and habitat for fish and wildlife and domestic animals; and that will provide for outdoor recreation and human occupancy and use . . . ;

- [T]he public lands be managed in a manner which recognizes the Nation's need for domestic sources of minerals, food, timber, and fiber from the public lands including implementation of the Mining and Minerals Policy Act of 1970 . . . as it pertains to the public lands

Other laws and Executive Orders that provide guidance on how specific uses are managed include, but are not limited to, those shown in Table 2 below.

Table 2—Guidance for the Management and Use of Resources on the Public Lands

- | | |
|---|--|
| <ul style="list-style-type: none"> - The Oregon and California Grant Lands Act of 1937 (43 U.S.C. 1181) - The Alaska National Interest Lands Conservation Act of 1980, (16 U.S.C. 3101 et seq.), - The Naval Petroleum Reserves Production Act - The Reindeer Act - The Taylor Grazing Act of 1934, as amended, (43 U.S.C. 315 et seq.), - The Public Rangelands Improvement Act of 1978, (43 U.S.C. 1901 et seq.) - The National Environmental Policy Act of 1969 (NEPA) (42 U.S.C. 4321 et seq.) - The Endangered Species Act of 1973, as amended (16 U.S.C. 1531 et seq.), - The Wild and Scenic Rivers Act of 1968 as amended (16 U.S.C. 1271 et seq.), - The National Historic Preservation Act of 1966, as amended (16 U.S.C. 470 et seq.), - The Safe Drinking Water Act (42 U.S.C. 300f), - The Soil and Water Resources Conservation Act of 1977 (16 U.S.C. 2001), - The Clean Air Act of 1990 as amended (42 U.S.C. 7401 et seq.), - The Clean Water Act of 1987 as amended (33 U.S.C. 1251), - The American Indian Religious Freedom Act, 1966 (42 U.S.C. 1996 et seq.), - Executive Order 13007 ("Indian Sacred Sites"), (61 FR 104, May 29, 1996), - Executive Order 11990, Protection of Wetlands, May 25, 1977 (42 F.R.26961), - Executive Order 12088, Federal Compliance with Pollution Control Standards, October 17, 1978 (43 F.R. 47707), - Executive Orders 10046, 10175, 10234, 10322, 10787, 10890, - The Migratory Bird Conservation Act of 1929, as amended (16 U.S.C. 715) and treaties pertaining thereto, | <ul style="list-style-type: none"> - The Mineral Leasing Act for Acquired Lands of 1947 as amended (30 U.S.C. 351-359 et seq.), - The Mineral Leasing Act of 1920, as amended (30 U.S.C. 181 et seq.) - The Federal Oil and Gas Royalty Management Act of 1982, - The Federal Onshore Oil and Gas Leasing Reform Act of 1987, - The Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1201 et seq.), - The Multiple Mineral Development Act of 1954 (30 U.S.C. 521-531 et seq.), - The Materials Act of July 31, 1947, as amended (30 U.S.C. 601 et seq.), - The Federal Coal Leasing Amendments Act of 1976, as amended (90 Stat. 1083-1092), - Section 402 of Reorganization Plan No. 3 of 1946 (5 U.S.C. Appendix), - The Mining and Minerals Policy Act of 1970, - The National Materials and Minerals Policy, Research and Development Act of 1980, - The National Energy Policy report of May 2001, - Executive Order 13211, Actions Concerning Regulations that Significantly Affect Energy Supply, May 2001, - Executive Order 13212, Actions to Expedite Energy-Related Projects, May 2001, - The Land and Water Conservation Fund Act of 1965, as amended, (16 U.S.C. 460 (1-6a) et seq.), - The Wilderness Act of 1964 (16 U.S.C. 1131), - The National Trails System Act of 1968, as amended (16 U.S.C. 1241 et seq.), - The Sikes Act of 1974 (16 U.S.C. 670 et seq.), - The Federal Lands Recreation Enhancement Act of 2004 (16 U.S.C. 6803(c)). |
|---|--|

The BLM develops policy and guidance based on the above-listed laws and Executive Orders, and reviews the adequacy of policy through Program Evaluations, Technical Reviews, and General Management Evaluations. These evaluations and reviews are performed to ensure that the BLM at all levels (Field Office, State Office, and National Office) is operating in compliance with law, regulation, and policy. Evaluations also allow the BLM to identify where policy needs to be amended to achieve the intended purposes of those laws.

Use of Stewardship Lands

The BLM is guided by the principles of multiple use and sustained yield in managing the public lands. All of the public lands, including those described in the Natural Heritage Assets section of this report, are managed for multiple use and are, in fact, used for multiple (more than one) resource values. With the exception of approximately 2.2 million acres of Oregon and California Grant Lands and Coos Bay Wagon Road lands in western Oregon, where timber production subordinates other uses, there is no “predominant” or single use that overrides or overshadows this multiple-use concept on any of the lands managed by the BLM. Section 103(c) of FLPMA defines the term “multiple use” as follows:

... the management of the public lands and their various resource values so that they are utilized in the combination that will best meet the present and future needs of the American people; making the most judicious use of the land for some or all of the resources or related services over areas large enough to provide sufficient latitude for periodic adjustments in use to conform to changing needs and conditions; the use of some land for less than all of the resources; a combination of balanced and diverse resource uses that takes into account the long-term needs of future generations for renewable and nonrenewable resources, including, but not limited to, recreation, range, timber, minerals, watershed, fish and wildlife, and natural scenic, scientific

and historical values; and harmonious and coordinated management of the various resources without permanent impairment of the productivity of the land and the quality of the environment with consideration being given to the relative values of the resources and not necessarily to the combination of uses that will give the greatest economic return or the greatest unit output.

As stated above, there is no “predominant” or single use that overrides or overshadows the multiple-use concept on any of the lands managed by the BLM. FLPMA even discusses the concept of “predominant” in terms of multiple uses to be achieved or authorized simultaneously on the same tracts of land. Section 103(l) defines “principal or major uses” (having the same basic meaning as predominant) in the following manner:

The term “principal or major uses” includes, and is limited to, domestic livestock grazing, fish and wildlife development and utilization, mineral exploration and production, rights-of-way, outdoor recreation, and timber production.

Comparing the uses defined as “multiple use” and those defined as “principal or major uses,” we find similarity but not exactness as shown in Table 3 below.

Table 3 - Comparison of Multiple Uses to Principal or Major Uses

Multiple Uses: “includes, but is not limited to”	Principal or Major Uses: “includes, and is limited to”
Recreation	Outdoor recreation
Range	Domestic livestock grazing
Timber	Timber production
Minerals	Mineral exploration and production
Watershed	
Fish and wildlife	Fish and wildlife development and utilization
Natural scenic, scientific, and historical values	
	Rights-of-way

Land use plans, developed with public involvement, are the mechanism by which the multiple-use concept is put into practice. The BLM is required to develop, maintain, and, when appropriate, revise land use plans that provide by tracts or areas for the use of the public lands. The BLM is also required to “use and observe the principles of multiple use and sustained yield” in the development and revision of land use plans. Although the BLM is given some latitude in determining the appropriate uses, there are also limitations that are designed to assure that the multiple use/sustained yield concepts are, in fact, followed. For example, when a management decision excludes (i.e., totally eliminates) one or more of the principal or major uses for two or more years with respect to a tract of land of 100,000 acres or more, the decision must be reported to the House of Representatives and the Senate for their approval or disapproval (FLPMA, Sec. 202(e)(2)).

Multiple Uses of BLM-Managed Lands (Resources)

Domestic Livestock Grazing: The BLM issues grazing permits and leases primarily for cattle and sheep, but also issues permits for domestic horses, goats, bison, and reindeer. Livestock grazing is managed on millions of acres of the public lands—about 90 percent of the public lands in the 11 western states and about 6 percent in Alaska. Livestock grazing is managed in a way that allows the harvest of forage resources while maintaining wildlife habitat, meeting the requirements of the Clean Water Act, and providing for scenic values and recreational activities. Permits and leases are issued that authorize appropriate grazing levels, season of use, and duration of use by livestock in the multiple-use context. A permit or lease is issued when the effects of the proposed management and levels of use have been analyzed in accordance with the National Environmental Policy Act (NEPA),

appropriate consultation with the U.S. Fish and Wildlife Service in accordance with Section 7 of the Endangered Species Act has been completed, and consultation with affected Tribes has been conducted. Affected publics are given the opportunity to participate during the NEPA analysis and in the decision process when the analysis and consultation processes are completed. After the permits or leases are issued, the BLM monitors compliance with the terms and conditions of the permit or lease. The BLM also monitors the effects of the grazing use on the condition of the land on the highest priority allotments to assure that multiple-use objectives and land health standards are achieved.

Fish and Wildlife Development and Utilization: Fish and wildlife habitat spans all of the public lands and waterways. The BLM’s fisheries and wildlife management program works to maintain and restore fish and wildlife and their habitats by conserving and monitoring habitat conditions, conducting inventories of fish and wildlife resources, and developing cooperative management plans, while providing for environmentally responsible recreation and commercial uses. The BLM works closely with state wildlife management agencies that are responsible for managing fish and wildlife populations that occur on BLM lands. BLM-administered public lands support habitat for all North American big game species, waterfowl, shorebirds, and upland game birds, as well as a large number of non-game birds, mammals, reptiles, amphibians, and fish.

The National Fish and Wildlife Foundation’s Challenge Grants, the BLM’s Challenge Cost Share program, and the Department of the Interior’s Cooperative Conservation Initiative fund many fish- and wildlife-related projects annually. These programs play a central role in developing and implementing conservation plans for at-risk species such as the inland cutthroat and

steelhead trout, salmon, sage grouse, prairie dogs, and lesser prairie chickens.

Mineral Exploration and Production:

Energy and mineral resources generate the highest economic production values among commercial uses of both BLM-administered public lands (surface) and Federal minerals (subsurface) estates. The BLM provides for the American people's use of the minerals that reside on or under the surface area of the public lands, including both fluid and solid minerals.

Fluid Minerals: The BLM is the Federal agency responsible for regulating the extraction of oil and gas from the Federal mineral estate. This includes the approval of geophysical operations, leasing of lands for oil and gas development, the drilling of oil and gas wells, issuance of rights-of-way for oil and gas pipelines, and the abandonment of oil and gas wells. After approval of an operation is granted, the BLM inspects all aspects of the operation to ensure compliance with all laws and approved requirements. The BLM is also responsible for ensuring that oil and gas resources are not drained from Federal lands.

The recovery of oil and natural gas begins when an operator who has obtained an oil and gas lease submits an Application for Permit to Drill (APD). The BLM then initiates a process to determine whether the APD satisfies administrative and technical requirements. At the same time, the BLM analyzes the effects of the proposed drilling plan in accordance with NEPA, completes appropriate consultation with the U.S. Fish and Wildlife Service in accordance with Section 7 of the Endangered Species Act, and conducts consultation with affected Tribes. Affected publics are given the opportunity to participate during the NEPA analysis and in the decision process when the analysis and consultation processes are completed.

Solid Minerals: There are three basic types of minerals on Federal lands: (1) locatable (subject to the General Mining Law of 1872, as amended); (2) leasable (subject to various

mineral leasing acts, such as the Mineral Leasing Act of 1920, as amended); and (3) salable (subject to disposal under the Materials Act of 1947, as amended).

- **Locatable Minerals:** Under the General Mining Law of 1872, as amended, citizens of the United States are allowed the opportunity to explore for, discover, and purchase certain valuable mineral deposits on Federal lands that are open for mining claim location and patent (open to mineral entry). Locatable minerals, which include both metallic minerals (gold silver, lead, etc.) and nonmetallic minerals (gemstones, fluorspar, asbestos, mica, etc.), can be obtained by locating a mining claim. A mining claim is a particular parcel of Federal land that is valuable for a specific mineral deposit or deposits. The rights granted by a mining claim protect against a challenge by the United States and other claimants only after the discovery of a valuable mineral deposit.
- **Leasable Minerals**
 - *Coal:* The Mineral Leasing Act of 1920 and the Mineral Leasing Act for Acquired Lands of 1947, as amended, give the BLM responsibility for coal leasing on about 570 million acres of BLM, national forest, and other Federal lands, as well as private lands where the mineral rights have been retained by the Federal Government. The Federal Coal Leasing Amendments Act of 1976 amended Section 2 of the Mineral Leasing Act of 1920 to require that all public lands available for coal leasing be offered competitively. Competitive leasing provides an opportunity for an interested party to competitively bid for a Federal coal lease. A lease can be issued only if the competitive bid for the lease meets or exceeds the BLM's

estimate of fair market value. There are several specific requirements that are part of every competitively issued coal lease, including royalty rate and diligent development.

- *Non-energy:* Minerals included in this category (sodium, phosphate, potassium, etc.) are generally used to make fertilizer or used as feedstock for other industrial processes. The BLM issues either competitive leases through a bidding process or preference right leases to a holder of a prospecting permit who, during the term of the permit, has demonstrated the discovery of a valuable deposit of the leasable mineral for which the BLM issued the permit. In areas where it is not known that a mineral deposit exists, the BLM will issue a prospecting permit allowing a permittee to explore for leasable mineral deposits.
- **Salable Minerals (Mineral Materials):** Mineral materials include some of our most basic natural resources, such as sand, gravel, dirt, and rock, used in everyday building and other construction uses. The BLM sells mineral materials to the public at fair market value through competitive and noncompetitive sales. The BLM also issues free use permits to give mineral materials free to states, counties, or other government entities for public projects. A limited amount of mineral materials may also be provided free to non-profit groups.

Rights-of-Way: A right-of-way consists of an easement, lease, permit, or license to occupy, use, or traverse public lands. The BLM has been granted the authority to grant, issue, or renew rights-of-way over, upon, under, or through the public lands for various purposes using the following authorities:

FLPMA

- reservoirs, canals, ditches, flumes, laterals, pipes, pipelines, tunnels, and other facilities and systems for the impoundment, storage, transportation, or distribution of water;
- pipelines and other systems for the transportation or distribution of liquids and gases, other than water and other than oil, natural gas, synthetic liquid or gaseous fuels, or any refined product produced therefrom, and for storage and terminal facilities in connection therewith;
- pipelines, slurry and emulsion systems, and conveyor belts for the transportation and distribution of solid materials, and facilities for the storage of such materials in connection therewith;
- systems for the generation, transmission, and distribution of electric energy;
- systems for transmission or reception of radio, television, telephone, telegraph, and other electronic signals, and other means of communication;
- roads, trails, highways, railroads, canals, tunnels, tramways, airways, livestock driveways, or other means of transportation; or
- such other necessary transportation or other systems or facilities that are in the public interest and that require rights-of way over, upon, under, or through such lands.

Mineral Leasing Act of 1920

- Oil and gas pipelines over BLM lands or other Federal lands. The BLM will issue the authorization for land it administers, or when the pipeline crosses two or more Federal agencies' land.

Outdoor Recreation: Although the BLM manages lands for many different uses, the vast

majority of the American public's interaction with the BLM and their public lands is through outdoor recreation pursuits. Over 70 million visitors come to raft the rivers, hike the trails, and ride the back roads and trails. They fish, hunt, hike, ride, float, and camp. They visit heritage sites, national monuments, wild and scenic rivers, wilderness, national trails, and national conservation areas. They travel to every corner of BLM-administered public lands.

Since the passage of FLPMA, major strides have been made to incorporate responsible outdoor recreation use of the public lands. The BLM has accomplished this by implementing a series of Executive Orders, regulations, and policies that provide for environmentally responsible outdoor recreation uses through both authorized (permitted) and casual recreation use of the public lands.

The BLM administers a recreation permitting system that is designed to satisfy recreational demand within allowable use levels in an equitable, safe, and enjoyable manner while minimizing adverse resource impacts and user conflicts. Using public lands and/or related waters is a privilege that is subject to the terms and conditions of the permits.

Timber Production: Timber production is the art and science of culturing (cultivating, planting, fertilizing, protecting, thinning, and ultimately harvesting) trees to utilize them for the production of lumber or paper. Timber production is just one aspect of the BLM's overall forest management program. It is practiced only on those lands deemed suitable to produce timber on a sustained yield basis (i.e., commercial forest lands) and where it is compatible with other land management objectives as outlined in the applicable land use plan.

In addition to timber production, all BLM forests and woodlands are managed under the principles of multiple use and sustained yield. Management of values and uses such as recreation, aesthetics, water quality, wildlife

habitat, and wilderness, as well as timber and other forest biomass production, is accomplished through an ecologically based program that emphasizes biological diversity, sustainability, and the long-term health of forests and woodlands.

Condition of Stewardship Lands

The condition of all of the BLM-administered public lands is categorized as "acceptable." That is, the public lands are in adequate condition to sustain the multiple uses and use levels authorized during the current reporting period. This condition is evidenced by the vast resource production and revenues generated from the public lands. This information is available to the reader in the BLM publication *Public Land Statistics*, Part 3, "Commercial Uses and Revenues Generated," which is available on the Internet at <http://www.blm.gov/nhp/browse.htm>.

Natural Heritage Assets

Protecting and Enhancing the Natural and Human Environment

Guided by the principles of multiple use and sustained yield in managing the public lands, the BLM has recognized the need to protect and enhance the natural and human environment. Special management areas have been designated by Presidential, Congressional, and administrative action. Presidential action has established fourteen BLM national monuments. Congress has established one BLM national monument and numerous national conservation and protection areas, wilderness areas, wild and scenic rivers, national trails, and other designations. Areas administratively designated by the BLM and other Departmental entities include recreation areas, primitive areas, natural areas, resource conservation areas, areas of critical environmental concern, and others.

Stewardship Assets



Figure 2 - BLM-Managed Public Lands, including National Monuments and National Conservation Areas

Types of Special Management Areas

Although the BLM manages natural heritage assets that are not in specifically designated areas, significant portions of the public lands have been congressionally or administratively designated as special management areas. These special management areas have been designated to preserve their natural heritage values. Table 5 provides a summary of the number of designated special

management areas, including any changes in fiscal year 2005. These special management areas are found on the BLM-managed stewardship lands described above. The first ten types of special management areas largely constitute the BLM National Landscape Conservation System, which was created in fiscal year 2000 to increase the public's awareness and appreciation for these public land treasures as well as to focus more management attention and resources on them.

Table 5 - Designated Special Management Areas

Special Management Area Type ¹	Number					Condition
	2004 Balance	2005 Increase	2005 Decrease	2005 Net Change	2005 Balance	
National Landscape Conservation System Areas						
National Monuments [p -14 and c-1]	15	-	-	-	15	Acceptable
National Conservation Areas [c]	13	-	-	-	13	Acceptable
Cooperative Management and Protection Area [c]	1	-	-	-	1	Acceptable
White Mountains National Recreation Area [c]	1	-	-	-	1	Acceptable
Yaquina Head Outstanding Natural Area [c]	1	-	-	-	1	Acceptable
Wilderness Areas [c]	161	14	-	14	175	Acceptable
National Wild and Scenic Rivers [c]	38	-	-	-	38	Acceptable
Headwaters Forest Reserve [c]	1	-	-	-	1	Acceptable
National Historic Trails [c]	10	-	-	-	10	Acceptable
National Scenic Trails [c]	2	-	-	-	2	Acceptable
Other Special Management Areas						
National Recreation Trails [a]	31	2	-	2	33	Acceptable
National Back Country Byways [a] ²	55	-	(1)	(1)	54	Acceptable
Lake Todatonten Special Management Area [c]	1	-	-	-	1	Acceptable
National Natural Landmarks [a]	45	-	-	-	45	Acceptable
Globally Important Bird Areas [a]	2	-	-	-	2	Acceptable

¹ Congressional designations are identified by [c], Presidential proclamation designations are identified by [p], and Administrative designations are identified by [a].

² This Special Management Area type includes only those byways administratively designated under the BLM's Back Country Byway Program. In addition, the BLM is involved in the cooperative management of an additional 17 byways on public lands that have been recognized by state or national designation.

National Monuments: National monuments can be designated by Congress to protect historic landmarks, historic and prehistoric structures, or other objects of historic or scientific interest on the public lands. Monuments can also be designated by Presidential proclamation under the Antiquities Act of 1906 to protect objects of scientific or historic interest. The BLM manages 15 national monuments.

National Conservation Areas: Congress designates national conservation areas (NCAs) so that present and future generations of Americans can benefit from the conservation, protection, enhancement, use, and management of these areas and enjoy their natural, recreational, cultural, wildlife, aquatic, archeological, paleontological, historical, educational, and/or scientific resources and values. The BLM manages 13 NCAs.

Cooperative Management and Protection Area: The BLM manages one cooperative management and protection area, the Steens Mountain Cooperative Management and Protection Area, located in southeastern Oregon. Cooperative and innovative management projects will be maintained and enhanced by the BLM, private landowners, tribes, and other public interests.

National Recreation Area: A national recreation area is an area designated by Congress to assure the conservation and protection of natural, scenic, historic, pastoral, and fish and wildlife values and to provide for the enhancement of recreational values. The BLM manages one such area, the White Mountains National Recreation Area in Alaska, which is named for its unusual, jagged, white limestone ridgeline.

Outstanding Natural Area: An outstanding natural area consists of protected lands designated either by Congress or administratively by an agency to preserve exceptional, rare, or unusual natural characteristics and to provide for the protection

or enhancement of natural, educational, or scientific values. These areas are protected by allowing physical and biological processes to operate, usually without direct human intervention. The BLM manages one such area, the Yaquina Head Outstanding Natural Area, located in Newport, Oregon. Yaquina Head also has been designated as a *Globally Important Bird Area* by the American Bird Conservancy and the National Audubon Society.

Wilderness Areas: The BLM administers 175 wilderness areas. The locations of these wilderness areas ensure that these lands represent the wide diversity of resources found on the public lands. Protective management helps ensure the protection and integrity of natural and biological processes on all public lands.

Wilderness areas are designated by Congress and are defined by the Wilderness Act of 1964 as a place “where the earth and its community of life are untrammeled by man, where man himself is a visitor who does not remain.” Designation is aimed at ensuring that these lands are preserved and protected in their natural condition. Wilderness areas, which are generally at least 5,000 acres in size, offer outstanding opportunities for solitude or a primitive and unconfined type of recreation; such areas may also contain ecological, geological, or other features that have scientific, scenic, or historical value.

National Wild and Scenic Rivers: The BLM administers some 20 percent of all rivers in the National Wild and Scenic Rivers System, a total of 38 rivers in five states. These nationally recognized rivers encompass some of the Nation’s greatest diversity and concentrations of recreational, natural, and cultural resources. Included among the BLM-managed wild and scenic rivers is the Fortymile River in Alaska, which is the longest designated river in the National Wild and Scenic Rivers System.

Rivers designated in the National Wild and Scenic Rivers System are classified in one of three categories (wild, scenic, and recreational), depending on the extent of development and accessibility along each section. In addition to being free flowing, these rivers and their immediate environments must possess at least one outstandingly remarkable value—scenic, recreational, geologic, fish and wildlife, historic, cultural, or other similar values.

Headwaters Forest Reserve: The Headwaters Forest Reserve, located in central Humboldt County, California, was acquired from private owners by the BLM and the State of California. While title is held by BLM, this area is co-managed by the BLM and the State of California to protect the stands of old-growth redwoods that provide habitat for a threatened seabird, the marbled murrelet, as well as the headwaters that serve as a habitat for the threatened coho salmon and other fisheries.

National Trails System: Since the passage of the National Trail System Act in 1968, the BLM has assumed responsibility for twelve national historic or scenic trails designated by Congress. These long-distance trails are among BLM’s “Great American Landscapes,” showcasing the exploration, westward migration, historic events, and scenic splendor of our country. The BLM manages well over 85 percent of all of the Federal miles along national historic trails. National recreation trails, while not part of the National Landscape Conservation System, are a part of the National Trail System Act and are designated each year by the Departmental Secretary having jurisdiction over the particular trail area.

The BLM’s national trails program includes signing, maintenance, protection, coordination of volunteers, planning, interagency coordination, patrol, monitoring, visitor information, and interpretation. Partnerships with many trail organizations enhance the BLM’s management efforts. The BLM works closely with the Partnership for the National Trails System

and affiliated organizations on many volunteer projects and related conferences.

The BLM manages sections of ten **National Historic Trails**. These ten trails are the Iditarod, Juan Bautista De Anza, California, Nez Perce, Lewis and Clark, El Camino Real de Tierra Adentro, Oregon, Mormon Pioneer, Pony Express, and the Old Spanish National Historic Trail.

The BLM manages sections of two **National Scenic Trails**—the Continental Divide National Scenic Trail and the Pacific Crest National Scenic Trail, both of which stretch from Canada to Mexico.

National Recreation Trails do not require congressional approval; they are established administratively by the Secretary of the Interior. These trails provide a variety of outdoor recreation uses and opportunities in both remote and urban areas. The BLM manages sections of 33 national recreation trails.

National Back Country Byways: The National Back Country Byway program was developed by the BLM to complement the



The Lake Valley Back Country Byway is nestled between the Mimbres and Caballo Mountains near Las Cruces.

National Scenic Byway program. Most of these byways are native surface or gravel base roads tracing across vast stretches of land. However, Back Country Byways can fall into one of four category types, ranging from paved all-weather roads suitable for normal passenger vehicles to single-track trails suitable only for dirt bikes, mountain bikes, or snowmobiles during the winter season. The BLM currently manages 54 designated National Back Country Byways.

Lake Todatonten Special Management

Area: The U.S. Congress authorized the creation of the Lake Todatonten Special Management Area located in the interior of Alaska. Lake Todatonten, the central feature of this special management area, is particularly important to waterfowl, which use the area for migration, staging, molting, and nesting. The lake and its surrounding hills are also home to moose, bear, and furbearers.

National Natural Landmarks: The BLM manages 45 national natural landmarks, which are designated by the Secretary of the Interior. To qualify as a national natural landmark, the area must contain an outstanding representative example(s) of the Nation’s natural heritage, including terrestrial communities, aquatic communities, landforms, geological features, habitats of native plant and animal species, or fossil evidence of the development of life on earth.



The historic Yaquina Head Lighthouse looks out over the Pacific Ocean near Newport, Oregon.

Globally Important Bird Areas: Globally important bird areas (IBAs) consist of a network of sites and areas in North America identified and protected to maintain naturally occurring bird populations across the ranges of those species. IBAs are important for maintaining critical habitats and ecosystems. This network of areas encompasses lands critical to the conservation of some bird species and may include the best examples of the species’ habitat. IBAs help ensure species’ survival.

The BLM manages two Global IBAs: the San Pedro Riparian National Conservation Area in Arizona and the Yaquina Head Outstanding Natural Area in Oregon.

Change in Natural Heritage Assets Properties from 2004 to 2005

New designations increased wilderness areas by 14 and natural recreation trails by 2. Administrative correction of records decreased national back country byways by 1. Reporting of the Santa Rosa Mountains National Scenic Area has been discontinued because it has been incorporated into the Santa Rosa/San Jacinto Mountains National Monument. Wilderness study areas, herd management areas, areas of critical environmental concern, and research natural areas are no longer reported for purposes of this report. All of these special management types are designated by BLM administrative action rather than by Presidential, Congressional, or Secretarial action. Several of these special management areas are also intended to be of limited duration.

Condition of Natural Heritage Assets

The condition of natural heritage assets is categorized as “acceptable” as they are an integral component of stewardship lands. Further information is found under Condition of Stewardship Lands above.

Paleontological and Cultural Heritage Properties

Lands administered by the BLM are some of the most culturally diverse and scientifically important lands managed by any Federal agency. The Bureau is responsible for protecting

and preserving paleontological localities and archaeological and historical sites, as well as the museum objects excavated or collected. Table 6 summarizes the number and condition of the paleontological and cultural properties under BLM's stewardship.

Table 6 - Number and Condition of Paleontological and Cultural Properties

Type of Property	Number					Condition ^{1/}
	2004 Balance	2005 Increase	2005 Decrease	2005 Net Change	2005 Balance	
Paleontological	61	-	-	-	61	Acceptable
National Register of Historic Places	403 Listings (consisting of 4,248 Contributing Properties)	3	-	3	406 Listings (consisting of 4,473 Contributing Properties)	Unknown
Included in the National Register of Historic Places						
National Historic Landmarks	21	-	-	-	21	Unknown
World Heritage Properties	5	-	-	-	5	Unknown

¹ Refer to the "Condition of Paleontological and Cultural Properties" section of this report.

² Effective in fiscal year 2005, recorded archaeological and historic sites are no longer reported in the BLM Stewardship Assets Report.

Paleontological Properties

The BLM manages fossils as a natural heritage resource on the lands it administers under the general guidance of the Federal Land Policy and Management Act (FLPMA) and the National Environmental Policy Act (NEPA). Fossils are managed to promote their use in research, education, and recreation. Paleontological localities are an important consideration in developing land use management decisions. Currently 61 areas are managed either wholly or in

part for paleontological values, or contain paleontological values that may require special management strategies in the future.

Almost all other public lands are accessible to the public for the recreational collection of common invertebrate and plant fossils, as well as limited amounts of petrified wood. However, a BLM permit is required for the collection of vertebrate fossils. BLM permits are issued only to qualified paleontologists for scientific research, education, and display or exhibit at a university or museum.

Cultural Properties

The BLM manages the largest, most varied, and scientifically most important body of cultural resources of any Federal land managing agency. The BLM's archaeological and historic resources range in age from 13,000-year-old mammoth kill sites associated with America's earliest hunters to more recent historic sites documenting westward migration, mining, ranching, railroading, and even World War II and Cold War military sites. Because so much of western history was played out on the public lands, the BLM is the only Federal land managing agency that can tell the complete story of people on these western lands.

Unfortunately, many of the archaeological and historic sites have already been intentionally looted or inadvertently disturbed. Changing land use patterns, increased urbanization, and demographic shifts are transforming public expectations and attitudes about how BLM should manage its public lands, including its cultural resources. Remote areas, once protected by their distance from populated areas, are now within easy reach of the hardy and well-equipped hiker, off-highway vehicle user, or encroaching urban and suburban resident. Increasingly, public land use is concentrated on significant cultural resources such as archaeological resources, rock art panels, emigrant trails, abandoned homesteads, "ghost" towns, and similar places evocative of the American West. These fragile resources are easily and negatively impacted by both natural processes (e.g., erosion, natural deterioration, weathering, and arroyo cutting) and human agents (e.g., looting, vandalism, recreational activities, and development).

The BLM's national historic preservation program is founded in part on the following policy statements contained in Section 2 of the National Historic Preservation Act: "It

shall be the policy of the Federal Government, in cooperation with other nations and in partnership with the states, local governments, Indian Tribes, and private organizations and individuals to . . . administer federally owned, administered, or controlled prehistoric and historic resources in a spirit of stewardship for the inspiration and benefit of present and future generations."

Currently, the BLM has 406 listings on the National Register of Historic Places that encompass 4,473 contributing properties, as well as 21 national historic landmarks and 5 world heritage properties. Standing structures, very conservatively estimated at 1,500, include prehistoric pueblos; cliff dwellings; antelope, bighorn sheep, and fish traps; agricultural features; historic-period mining structures (such as smelters, mill sites, arrastras, and charcoal kilns); ranch buildings; adobe forts; stage stops; townsites; lighthouses; cabins; a salt tram; and depression-era schoolhouses. Portions of 10 national historic trails also cross the public lands (see above under Natural Heritage Assets).

Change in Paleontological and Cultural Heritage Properties from 2004 to 2005

During fiscal year 2005, the number of National Register of Historic Places listings increased by 3, while the number of contributing properties increased by 225. This was a result of new designations. A generic category called Recorded Archaeological and Historic Sites is no longer reported for purposes of this report. National Register of Historic Places properties, as well as national historic landmarks and world heritage properties, were included in this generic category. However, the remaining sites, which constituted the vast majority of the sites listed in this category, were not officially designated sites, and many are no longer in existence.

Condition of Paleontological and Cultural Properties

The condition of paleontological properties is acceptable, as they are a part of the stewardship lands upon which they are located.

The BLM's cultural resource management program was developed in the 1970s to respond to the National Historic Preservation Act of 1966 and Executive Order 11593 of 1971. The most important known properties, including national historic landmarks, are afforded the highest attention.

Each year the Secretary provides the Congress with a listing of damaged or threatened national historic landmarks, as required by Section 8 of Public Law 94-458. This listing does not differentiate according to ownership when any portion of a landmark is judged to be subject to threat. Of the landmarks identified in the current listing where there are some BLM-managed lands involved, the BLM-managed portions of the landmarks are not actively at risk. Landmark condition is carefully monitored by BLM field offices. When active threats are present, appropriate physical or administrative protective measures are applied promptly.

The BLM's cultural resource management program does not specifically include an element called "condition assessment survey." However, historic properties are evaluated continuously. In the past two years, the cultural resource management program has worked with the BLM's Protection and Response Staff to obtain funding to conduct condition assessments at specifically threatened historic properties. Monitoring the rate of natural and human-caused deterioration, and adjusting protection methods and priorities accordingly, is the most commonly applied protection measure where significant properties are known to exist.

Museum Collections

Museum collections under BLM's stewardship consist principally of archaeological, historical, and paleontological materials that are managed to professional standards in compliance with applicable laws, and that are accessible to the public.

- **Archaeological and Historical Collections:** Millions of museum objects have originated from the BLM's archaeological and historical resources. Resources include trails, sites, buildings, structures, and objects from past human life and activities that are significant to American history, architecture, archaeology, engineering, and culture, and that contribute to our understanding of the historical and cultural foundations of our Nation.
- **Paleontological Collections:** Paleontological materials—the fossilized remains or traces of dinosaurs, extinct plants, mammals, fish, insects, and other organisms from the distant past—are another important source of museum collections that originate from BLM-managed lands. Many of the earliest described and most widely known dinosaurs were excavated from BLM-managed lands.



Dinosaur bones were discovered on public lands near Malta, Montana.

Public lands continue to yield new fossil finds and exciting discoveries that shed light on the history of life.

Collections are used to teach museum visitors about life in the past. Researchers value the collections from public lands as a source of material for scientific data that becomes a permanent part of study and display collections. Scientific publications, textbooks, and articles for the general public are based on information taken from these collections.

Table 7 summarizes the number of facilities holding collections from BLM public lands and the condition of these heritage assets.

Collections in Non-Federal Facilities

Since Europeans first inhabited America, cultural and paleontological objects have been collected from the vast acreage of Federal land. However, it was not until 1906, when the Antiquities Act mandated that permits be issued for excavations, that any control was exercised by the Federal government over the excavation of these materials. In the Department of the Interior, permitting authority was delegated to the Departmental Consulting Archaeologist of the National Park Service, the Department's lead for cultural resource issues. The BLM was created in 1946, but it was not until the mid-70s that the first Bureau archaeologists were hired. Permitting authority was not delegated to the

BLM until September 28, 1984, by Secretarial Order 3104.

Most collections originating from BLM-managed land are housed in non-Federal facilities throughout the country. To date, the Bureau has identified 155 professional facilities in 33 states and Canada where millions of objects originating from the public lands reside.

These cultural and paleontological objects have been gathered not for the Bureau's use but for the benefit of the public. The BLM has gathered data for all of the non-Federal facilities (type of collection, location, website, year established, attendance figures, collection type, professional organization membership, academic accreditation, museum accreditation and assessments, etc.). This data demonstrates that the facilities are professional institutions capable of caring for Federal collections; however, the BLM does not directly manage the material in the collections.

Because most of the collections originating from BLM-managed land are housed in non-Federal facilities, the BLM's relationship with these curatorial facilities is crucial to the continued management and protection of these collections. Non-Federal facilities provide access to researchers and scientists, and develop public displays utilizing the collections. Collections in external repositories thus fulfill their mission and are being curated and fully used for public benefit, all at little or no cost to the American public.

Table 7 - Number of Facilities and Condition of Museum Collections

Location	Number					Condition
	2004 Balance	2005 Increase	2005 Decrease	2005 Net Change	2005 Balance	
Non-Federal (External) Facilities	154	3	(2)	1	155	Good—12 Fair—42 Unknown - 101
BLM Facilities	3	—	—	—	3	Good - 3

Collections in Federal Facilities

Outside of the millions of objects residing in non-Federal facilities, the BLM curates objects in three BLM facilities: the Anasazi Heritage Center (AHC) in Dolores, Colorado, transferred to BLM management in 1988; the Billings Curation Center (BCC) in Billings, Montana, established in 1984; and the National Historic Oregon Trail Interpretive Center (NHOTIC) on Flagstaff Hill, Oregon, opened in 1992. It is the BLM's policy that museum collections will not be housed in the Bureau's field offices.

Anasazi Heritage Center (AHC)

The AHC is the Bureau's only collections facility and museum. It features the Anasazi (ancestral Puebloan) culture as well as other cultures of the Four Corners region. The museum has permanent exhibits, archaeological sites, special exhibits and events, traveling exhibits, educational resources for teachers, archaeological research collections, and an excellent interactive website (www.co.blm.gov/ahc/index.htm). AHC collections are principally archaeological materials, along with some historic and paleontological materials.

Billings Curation Center (BCC)

A much smaller entity, the BCC was established to curate artifacts collected from public lands in Montana and North and South Dakota. The primary objectives of the BCC are to assist these three BLM states in complying with the Native American Graves Protection and Repatriation Act (NAGPRA), and to ensure that collections (which are representative of nearly 12,000 years of prehistory and history in the Northern Plains) and associated records serve scientific researchers, the BLM, and other Federal agency personnel. The center has no gallery spaces, but it does host researchers and interns. This year the interactive website for the center was once again expanded (www.mt.blm.gov/bcc/). BCC collections are principally



The Powers-Yonkee Site at the Billings Curation Center in Montana.

archaeological materials, along with some historic materials. The center is valued as an important research and resource management tool.

National Historic Oregon Trail Interpretive Center (NHOTIC)

The NHOTIC features exhibits, living history areas (including pioneer encampment and mining), a theater, an outdoor amphitheater, interpretive trails, and a picnic area. It provides majestic scenery and unique vistas of the historic ruts of the Oregon Trail. The center's goal is to interpret the story of the Oregon Trail and its impact on western American history. This is achieved, in great part, through the use of artifacts. Artifacts, along with artwork, text, videos, sound effects, and dioramas, present well-rounded, fact-filled exhibits and programs. The Center also provides research for mail and telephone requests and maintains an excellent interactive website (oregontrail.blm.gov/). NHOTIC collections are principally archaeological materials, along with historic materials and some natural history materials.

Change in Museum Collections Facilities from 2004 TO 2005

The number of BLM curation facilities was unchanged in FY 2005, while the net

number of non-Federal facilities identified as holding BLM collections increased from 154 to 155. Additional research into facility holdings resulted in two facilities being deleted, while the creation of new collections resulted in an additional three facilities.

Condition of Museum Collections

Background

The museum collections and the associated records under the BLM’s stewardship are stored in professional facilities whose mission, among other things, is to preserve them. Generally, museums and facilities preserve museum objects in a manner that is appropriate to the nature of the materials; that protects them from breakage and possible deterioration from diverse temperatures and relative humidity, visible light, ultraviolet radiation, dust, soot, gases, mold, fungus, insects, rodents, and general neglect; that preserves data so it can be studied in future analyses; and that protects collections from fire and theft. It is unavoidable that all museum objects will ultimately deteriorate over time with use. The goal of safeguarding museum objects is to preserve them for as long as possible and to manage their condition during their intended use so as not to unduly hasten their deterioration.

Condition Assessment

The condition of museum collections in BLM facilities is good. These three internal facilities have management and accountability policies, procedures, and systems in place (i.e., governance, finance, security, interpretation, outreach, care or “curation,” scope of collections, acquisitions, deaccessioning, legal and safety issues, documentation, and risk management).

The BLM has not conducted formal inspections of the 155 non-Federal facilities. The Department of the Interior has created a scheme for facility-level condition standards in

which one of three standards may be used to assess facility condition. Only *one* standard is necessary to rate any one particular facility.

- American Association of Museums (AAM) Accreditation: If the facility has received accreditation by the AAM, a “fair” rating may be assessed for facility condition.
- A Department of the Interior Manual (411 DM) checklist that may be used to assess condition.
 - Good Facility Condition: 70% or more of the applicable DOI standards are met at a facility.
 - Fair Facility Condition: between 50% and 70% of the applicable DOI standards are met at a facility.
 - Poor Facility Condition: less than 50% of the applicable DOI standards are met at a facility
- Army Corps of Engineers (COE) scores: The U.S. Army Corps of Engineers Mandatory Center of Expertise for the Curation and Management of Archeological Collections scores may be used if one was performed for the facility in question.
 - Good Facility Condition: 70% or higher score assigned by COE for a facility.
 - Fair Facility Condition: between 50% and 70% score assigned by COE for a facility.
 - Poor Facility Condition: less than 50% score assigned by COE for a facility

Using a combination of the standards above, the BLM can state that 12 facilities are in good condition and 42 facilities are in fair condition. The remaining 101 facilities are deemed to be in unknown condition since they have not been rated according to the above standards. However, no problems are known to exist.

INVESTMENT IN RESEARCH AND DEVELOPMENT

(Outlays in Millions of Dollars)						
Category	2001	2002	2003	2004	2005 ¹	Total
Applied Research	11.1	12.0	10.9	14.0	16.5	64.5
Development	1.4	.4	1.5	2.6	1.3	7.2
Total	12.5	12.4	12.4	16.6	17.8	71.7

¹ Outlays are estimated for 2005.

Program Overview

The primary objective of the BLM's research and development program is to make better use of new data, information, and knowledge to improve the management of our Nation's public lands and resources. The BLM's research and development program focuses on working with partners to identify scientific information needs and then communicating these needs to research agencies, universities, and other non-governmental organizations. Outlays for BLM's research and development program are shown above in Table 1. Applied research refers to a study to gain the knowledge or understanding needed to determine how a recognized and specific need can be met. Development refers to using knowledge and understanding gained from research to produce useful materials, devices, systems, or methods, including the design and development of prototypes and processes.

The Applications of Science program was established by Congress in 2002 in order to assure that scientific information is current and can be made available to BLM managers. The Application of Science program is now an important component of the BLM's research and development program, assisting the BLM in expanding its capacity to collect and use natural resource information.

The BLM has developed a formal science strategy that includes a process for identifying high-priority science needs and then meeting these needs either internally or in collaboration with science partners, such as the United States Geological Survey (USGS), other agency science providers, and universities. The strategy also includes identifying and cataloging scientific opportunities on the public lands, such as those found within national monuments, national conservation areas, and research natural areas. The BLM is currently preparing management plans for several national monuments and national conservation areas that will highlight science opportunities and research needs.

The USGS serves as the primary research science bureau for the Department of the Interior, addressing the scientific questions and research needs of the land management bureaus. The BLM relies



on the science capabilities within the USGS as its largest single source of scientific research support, although the BLM also works with other Federal agencies, state agencies, and other organizations to meet its overall science needs. The USGS geologic, water resources, and geography disciplines support the BLM's mineral assessment, mining-related hydrologic studies, and abandoned mine land efforts. The USGS biological resources discipline addresses most of the BLM's science needs relating to the management of biological resources.

The BLM is a founding partner in the network of Cooperative Ecosystem Studies Units (CESUs) that has been established recently at several of the Nation's leading universities by a number of Federal agencies. The BLM is increasingly making use of these CESU partnerships both to meet its own science needs and to involve U.S. universities and colleges to a greater extent in providing sound science for managing the public lands and resources.

2005 Program Performance Estimates

In 2005, the BLM began new and continued past research and development efforts, including:

- Initiating studies on salt loading into the Colorado River, a major concern since Colorado River water is a primary source of irrigation and drinking water for the Lower Basin states.
- Investigating the effectiveness of selected plants in removing toxic metals from mine wastes as part of the Kerber Creek abandoned mining permits.
- Continuing studies in the Cooperative Forest Ecosystem Research Program, emphasizing the influences of landscape patterns and management on the composition of terrestrial and aquatic species, a study of riparian linkage, an analysis of riparian management and conservation strategies, and post-fire rehabilitation and ecology.
- Continuing studies on the juniper invasion of shrub-steppe ecosystems in the northern Great Basin and Pacific Northwest.
- Concluding a four-year study in Utah of the symbiotic relationships between soil mycorrhizae and vegetative communities, and the importance of these relationships to the success of ecosystem restoration and rehabilitation efforts.
- Continuing the mapping of infestations and accurately monitoring the spread of invasive species on western rangelands, improving methods for predicting areas most vulnerable to invasions, and assessing the effects of management practices and natural disturbances on invasions.
- Continuing studies at the Grand Staircase-Escalante National Monument that focus on developing sustainable grazing and livestock management techniques compatible with the area's arid environment; characterizing the area's hydrology; monitoring changes in terrestrial and aquatic insects and invertebrates related to the cessation of grazing in the Escalante River corridor; and studying the distribution and ecology of Escalante River fishes.
- Continuing research efforts on wild horses that focus on population modeling and fertility control on herd dynamics, and working to refine multiple-year contraceptive vaccines.
- Continuing studies of the effects of livestock grazing on a community of species at risk of extinction in the San Joaquin Valley.

DEFERRED MAINTENANCE

This report displays the estimated dollar value of maintenance that was not performed when scheduled, and that has been delayed to a future period, for general property, plant, and equipment items and for stewardship assets. For this section, stewardship assets consist of constructed infrastructure such as roads, trails, bridges, major culverts, and dams on BLM land, but do not include land and the natural resources on the land or collectable and noncollectable heritage assets. Deferred maintenance includes preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it continues to provide acceptable services and achieves its expected life.

The BLM's capital assets include administrative facilities, recreation sites, and fire control facilities and buildings. Roads, trails, bridges, and associated improvements constitute the BLM's transportation system. Currently, the BLM maintains 4,300 buildings, 710 administrative sites, 2,498 recreation sites, 83,987 miles of roads, 859 bridges, 18,929 miles of trails, and 515 hazard rated dams. These assets support the management, use, and enjoyment of the public lands for commercial, recreational, and other purposes.

The trend has been for the BLM's inventory of fixed, capital assets (buildings, roads, recreation sites, etc.) to increase over time. However, with the implementation of the new Interior-wide Asset Management Plan (AMP), the BLM will streamline its portfolio of assets and optimize maintenance of those assets that contribute most significantly to its mission and strategic goals. The BLM expects to dispose of unneeded assets so it can affordably maintain and sustain its portfolio. Adequate funding and staffing for repairs and maintenance is essential if the Bureau is to maintain its facilities in good functioning condition and reduce its accumulated deferred maintenance workload.

The BLM is using the methodology developed for the 2004 Annual Report and Financial Statements to determine the 2005 deferred maintenance information. This methodology was devised to provide a reasonable, consistent, and auditable process based on the most current information available.

The methodology groups capital assets into major asset classes and uses recent baseline comprehensive condition assessment surveys performed by expert inspection teams composed of government and contractor personnel. The methodology consists of using field-collected data to (1) develop conceptual cost estimates based on square footage or other units of measure for corrective actions noted in the comprehensive condition assessments, and (2) extrapolate estimates for assets that have not yet had baseline condition



assessments. The combination of field-collected data and extrapolation provides the methodology for measuring the total deferred maintenance for each major asset class.

The BLM also reconfigured its asset categories in 2005 to correspond to the “roll up” format in the Department of the Interior’s Annual Report on Performance and Accountability. The reconfigured asset categories capture the same deferred maintenance data as before, but the major asset classes are grouped differently within each asset category.

For example, administrative sites and recreation sites were two of the major asset classes. The BLM is now reporting deferred maintenance for buildings on administrative and recreation sites and other structures on administrative and recreation sites. Baseline comprehensive condition assessments have been completed for all administrative and recreation sites, including on-site buildings and structures.

The BLM determines an asset’s current replacement value as part of the comprehensive condition assessments of administrative sites and recreation sites. Knowing the replacement value allows the BLM to use the industry standard Facilities Condition Index (FCI) as a method of measuring the condition and change of condition of facilities. The FCI is the ratio of accumulated deferred maintenance to the current replacement value ($FCI = \text{Deferred Maintenance} / \text{Current Replacement Value}$). It is an indicator of the depleted value of capital

assets. The general rule is that FCI should be below 0.10 for a facility to be considered in good condition. These comprehensive baseline condition assessments will eventually establish a performance-based annual maintenance management program.

Unlike buildings, structures, or machinery, land and the natural resources it contains, including natural heritage assets and paleontological properties, are not subject to periodic and/or recurring maintenance. As such, there is no deferred maintenance to be reported for these categories. Land is defined as the solid part of the earth, i.e., rocks and sediment.

As of August 15, 2005, the total accumulated deferred maintenance was estimated to range from \$387 million to \$473 million. The first accompanying table shows deferred maintenance by asset category.

A portion of the maintenance backlog has been developed into specific projects and included in the BLM’s Five-Year Deferred Maintenance and Capital Improvement Plan. The total deferred maintenance component in the FY 2006–2010 Plan is \$165 million, as shown in the second accompanying table by future funding year and subactivity (funding source). The \$165 million includes project-specific work, along with project and contract management, condition assessments, information technology, and other work directly related to deferred maintenance.

Estimated Range of Deferred Maintenance by Asset Category (dollars in thousands)								
			Estimated Range of Deferred Maintenance for 2005					
			General PP&E		Stewardship PP&E		Total	
Asset Category	Items Covered Note (1)	Condition Category Note (2)	Low	High	Low	High	Low	High
Roads, Bridges, Major Culverts, and Trails	A,B,C,D	G, F, P	-	-	\$219,525	\$268,308	\$219,525	\$268,308
Dams	A,B,C,D	G, F, P	-	-	\$22,451	\$27,440	\$22,451	\$27,440
Buildings on Administrative and Recreation Sites	A,B,C,D	G, F, P	\$59,771	\$73,053	-	-	\$59,771	\$73,053
Other Structures on Administrative and Recreation Sites	A,B,C,D	G, F, P	\$85,222	\$104,160	-	-	\$85,222	\$104,160
Total			\$144,993	\$177,213	\$241,976	\$295,748	\$386,969	\$472,961

Note (1) Items Covered:

A—Critical Health and Safety Deferred Maintenance: A facility deferred maintenance need that poses a serious threat to public or employee safety.

B—Critical Resource Protection Deferred Maintenance: A facility deferred maintenance need that poses a serious threat to natural or cultural resources.

C—Critical Mission Deferred Maintenance: A facility deferred maintenance need that poses a serious threat to a bureau's ability to carry out its assigned mission.

D—Compliance and other Deferred Maintenance: A facility deferred maintenance need that will improve public or employee safety, health, or accessibility; compliance with codes, standards, laws, complete unmet programmatic needs and mandated programs; and protection of natural or cultural resources to enhance a bureau's ability to carry out its assigned mission.

Note (2) Condition Assessment:

Good—Facility/equipment condition meets established maintenance standards, operates efficiently, and has a normal life.

Fair—Facility/equipment condition meets minimum standards but requires additional maintenance or repair to prevent further deterioration, increase operating efficiency, and achieve normal life expectancy.

Poor—Facility/equipment does not meet most maintenance standards and requires frequent repairs to prevent accelerated deterioration and provide a minimal level of operating function. In some cases that includes condemned or failed facilities.

Based on periodic condition assessments, an indicator of condition is the percent of facilities and items of equipment in each of the good, fair, or poor categories.

Deferred Maintenance by Future Funding Year and Subactivity (Funding Source) (dollars in thousands)						
Funding Source	Planned Deferred Maintenance Work ¹					
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	Total
MLR Deferred Maintenance ^{2 3}	28,463	29,112	29,991	30,258	30,781	148,605
O&C Deferred Maintenance ⁴	1,075	1,044	1,075	1,075	1,075	5,344
Construction	561	729	523	744	425	2,982
Wildland Fire ⁵	1,370	1,970	680	1,428	2,544	7,992
Total	\$31,469	\$32,855	\$32,269	\$32,430	\$34,825	\$164,923

¹ This table shows the deferred maintenance that has been developed into specific projects and included in the BLM's Five-Year Deferred Maintenance and Capital Improvement Plan. The \$165 million total for FY 2006–2010 includes other costs for project and contract management, condition assessments, information technology, and other work directly related to managing and reducing the maintenance backlog. The table does not include the capital improvement work associated with the projects.

² Management of Lands and Resources (MLR) is the major appropriation category in the BLM's annual budget.

³ The table does not include \$7 million set aside each year in MLR Deferred Maintenance for projects and improvements to benefit rangeland resources, as proposed in the President's 2006 Budget. The President's 2006 Budget zeroed out the Range Improvement program and, as an offset, the Department directed BLM to reserve \$7 million within the MLR Deferred Maintenance subactivity (1653) for use on projects and improvements to benefit rangeland resources. From the Project Data Sheet (PDS): "The rangeland improvements to be implemented with this funding will involve a variety of activities which will include rehabilitation of riparian areas, improvement and protection of fish and wildlife habitat, stabilization and enhancement of soil and water resources, expansion of habitat improvements related to wild horse and burro needs, and livestock management structures which provide for improved vegetation and livestock grazing capabilities."

⁴ Oregon and California Grant Lands (O&C) is a minor appropriation category that covers certain counties in western Oregon.

⁵ BLM projects only. The BLM's Five-Year Plan includes Wildland Fire projects for the Bureau of Indian Affairs, Fish and Wildlife Service, and National Park Service. Wildland Fire funding for these other bureaus comes through the BLM's appropriation for Wildland Fire Management.



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL

Washington, DC 20240

January 31, 2006

Memorandum

To: Kathleen Clarke
Director, Bureau of Land Management

From: Anne L. Richards *Anne L. Richards*
Assistant Inspector General for Audits

Subject: Independent Auditors' Report on the Bureau of Land Management's Financial Statements for Fiscal Years 2005 and 2004 (Report No. X-IN-BLM-0012-2005)

Attached is the subject KPMG LLP-prepared auditors' report (Attachment 1), which contains an unqualified opinion on the Bureau of Land Management's (BLM) financial statements. However, KPMG identified four reportable conditions in BLM's internal controls over financial reporting, none of which were considered material weaknesses. KPMG also found significant deficiencies in BLM's reporting on performance measures, the condition of stewardship land and museum collections, and deferred maintenance for stewardship land. In addition, KPMG found instances in which BLM's financial management systems did not fully comply with federal accounting standards and with the Federal Financial Management Improvement Act of 1996 (FFMIA). The report contains 13 recommendations that, if implemented, should resolve the findings.

In its December 22, 2005 response (Attachment 2) to the draft auditors' report, BLM agreed with four findings, partially agreed with two findings, and disagreed with three findings.

BLM also stated in its response that it agreed with five recommendations, none of which have been fully implemented. We will refer the five unimplemented recommendations to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.

In addition, BLM partially agreed with two and disagreed with six recommendations (see Attachment 3, "Status of Audit Report Recommendations"). These eight recommendations will be referred for resolution and tracking of implementation.

The Department of the Interior contracted with KPMG, an independent, certified public accounting firm, to audit BLM's financial statements for fiscal years 2005 and 2004. The contract required that KPMG conduct its audit in accordance with the "Government Auditing Standards" issued by the Comptroller General of the United States, the Office of Management and Budget's "Audit Requirements for Federal Financial Statements," and the

Government Accountability Office's/President's Council on Integrity and Efficiency's "Financial Audit Manual."

KPMG is responsible for the auditors' report and for the conclusions expressed in the report. We do not express an opinion on BLM's financial statements or KPMG's conclusions on the effectiveness of internal controls, on whether BLM's financial management systems substantially complied with FFMIA, or on compliance with laws and regulations.

The legislation, as amended, creating the Office of Inspector General requires semiannual reporting to the Congress on all audit reports issued, actions taken to implement audit recommendations, and recommendations that have not been implemented. Therefore, this report will be included in our next semiannual report.

We appreciate the cooperation and assistance of BLM personnel during the audit. If you have any questions, please contact me at 202-208-5512.

Attachments (3)

cc: Assistant Secretary, Land and Minerals Management
Chief Financial Officer, Bureau of Land Management
Director, Office of Financial Management
Audit Liaison Officer, Office of Financial Management
Audit Liaison Officer, Land and Minerals Management
Audit Liaison Officer, Bureau of Land Management
Focus Leader for Financial Reporting, Office of Financial Management
Focus Leader for Management Control and Audit Follow-up,
Office of Financial Management

ATTACHMENT 1



KPMG LLP
 Suite 2700
 707 Seventeenth Street
 Denver, CO 80202

Independent Auditors' Report

The Director of the Bureau of Land Management and
 the Inspector General of the U.S. Department of the Interior:

We have audited the accompanying consolidated balance sheets of the Bureau of Land Management (BLM) as of September 30, 2005 and 2004, and the related consolidated statements of net cost of operations, consolidated statements of changes in net position, combined statements of budgetary resources, consolidated statements of financing, and the consolidated statements of custodial activity for the years then ended (hereinafter referred to as the financial statements). The objective of our audits was to express an opinion on the fair presentation of these financial statements. In connection with our audits, we also considered BLM's internal control over financial reporting and tested BLM's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements that could have a direct and material effect on its financial statements.

Summary

As stated in our opinion on the financial statements, we concluded that BLM's financial statements as of and for the years ended September 30, 2005 and 2004 are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. As discussed in Note 18 to the financial statements, BLM adopted the provisions of Interpretation of Federal Financial Accounting Standards No. 6, *Accounting for Imputed Intra-departmental Costs: An Interpretation of SFFAS No. 4*, for the year ended September 30, 2005.

Our consideration of internal control over financial reporting identified the following reportable conditions. However, none of the reportable conditions are believed to be material weaknesses.

- A. Security and Internal Control over Information Technology Systems
- B. Adequate Segregation of Duties over Purchases
- C. Accounting for Mineral Leases
- D. Recording Year-end Liabilities

Our limited procedures over Management's Discussion and Analysis, Required Supplementary Stewardship Information, and deferred maintenance reported as Required Supplementary Information identified the following significant deficiencies.

- E. Reporting of Performance Measure Information in Management's Discussion and Analysis
- F. Reporting the Condition of Stewardship Land
- G. Reporting the Condition of Museum Collections
- H. Reporting of Deferred Maintenance Amounts for Stewardship Land

The results of our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, exclusive of those referred to in the *Federal Financial Management Improvement Act of 1996*

KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.

(FFMIA), disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards*, issued by the Comptroller General of the United States, or Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

The results of our tests of FFMIA disclosed instances where BLM did not substantially comply with the following provisions of FFMIA.

I. Federal Accounting Standards

The following sections discuss our opinion on the financial statements, our consideration of BLM's internal control over financial reporting, our tests of BLM's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements and management's and our responsibilities.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of the Bureau of Land Management as of September 30, 2005 and 2004, and the related consolidated statements of net cost of operations, consolidated statements of changes in net position, combined statements of budgetary resources, consolidated statements of financing, and the consolidated statements of custodial activity for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BLM as of September 30, 2005 and 2004, and its net costs, changes in net position, budgetary resources, reconciliation of net costs to budgetary obligations, and custodial activity for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 18 to the financial statements, BLM adopted the provisions of Interpretation of Federal Financial Accounting Standards No. 6, *Accounting for Imputed Intra-departmental Costs: An Interpretation of SFFAS No. 4*, for the year ended September 30, 2005.

The information in the Management's Discussion and Analysis, Required Supplementary Stewardship Information (Stewardship Assets), and Required Supplementary Information (Supplementary Statements of Budgetary Resources by Major Budget Accounts and Deferred Maintenance) sections is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America or OMB Circular A-136, *Financial Reporting Requirements, Part A, Form and Content of the Performance and Accountability Report*. We did not audit this information, and accordingly, we express no opinion on it. However, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. As a result of such limited procedures, we believe that the following is not in conformity with accounting principles generally accepted in the United States of America: (1) the reporting of relevant and timely performance measure information in Management's Discussion and Analysis, (2) the reporting of Required Supplementary Stewardship Information on the condition of stewardship land and museum collections, and (3) the reporting of Required Supplementary Information on the amount of deferred maintenance for stewardship land. Our limited procedures found BLM does not have adequate policies and procedures to report this information consistent with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect BLM's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements.

Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. However, none of the reportable conditions are believed to be material weakness.

(A) Security and Internal Control Over Information Technology Systems

Security and general controls over BLM's information technology systems have not been fully implemented. This is a repeat finding from the prior year, and even though BLM has made progress in implementing security controls in the past couple of years over its information systems, improvement is needed in the areas described below, as required by OMB Circular A-130, *Management of Federal Information Resources*. The access control conditions identified below could affect BLM's ability to prevent or detect unauthorized changes to subsidiary financial information, control electronic access to sensitive information, and protect its information resources.

Access controls should provide reasonable assurance that computer resources are protected against unauthorized modification, disclosure, loss, or impairment. The objectives of limiting access are to ensure that: (1) only authorized users have access to data and resources; (2) users have the minimum access necessary to perform their job functions; (3) access to very sensitive resources is limited to very few individuals; and (4) network security configurations are optimized to provide reasonable assurance that computer resources (data files, application programs, and computer-related facilities and equipment) are protected against unauthorized modification, disclosure, loss, or impairment. Certain procedural and technical access controls over BLM's financial applications have not been implemented or are not operating effectively to minimize the risks of unauthorized access to its systems and its data. Specifically, our audit found:

- Employee termination procedures are not sufficient to effectively remove in a timely manner terminated user accounts from BLM information systems.
- BLM has not validated the appropriateness and need for a significant number of contractor user IDs on its network active directory, and it is unclear how many of these users still require access.
- A significant number of generic user IDs on BLM's network active directory. These accounts have not been validated as to why generic access is needed, as opposed to unique user access.
- Lack of approvals over BLM user access to the Federal Personnel and Payroll System (FPPS).

- Lack of documentation supporting periodic reviews of user access appropriateness for BLM's Collection and Billing System (CBS) and the Interior Department Electronic Acquisition System (IDEAS).
- Lack of a process or procedure for ensuring select production databases are configured with a common baseline security configuration. For example, select databases contain default username and password combinations.

Recommendation

BLM should continue the development and implementation of procedures to improve the internal security and general controls over its information technology systems. Improved procedures should address the areas discussed above, as well as other areas that might impact the electronic data processing control environment, to ensure adequate security and protection of BLM's financial management systems.

Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our recommendations.

(B) Adequate Segregation of Duties Over Purchases

The principles of segregation of duties stipulate that no individual should have complete control over incompatible transaction processing functions, which include the initiation, approval, and execution of a transaction. Allowing a single individual to control all phases of a transaction creates a situation that permits errors or irregularities to go undetected.

Our audit found there are individuals in several BLM offices that have the individual ability to execute all the essential duties of the purchasing function. For example, individuals have the ability to create and approve a purchase requisition and purchase order, and then also have the ability to approve the invoice for payment.

Recommendation

BLM should implement procedures to ensure critical duties of the purchasing function are adequately segregated at all offices. If segregation of duties cannot be established, then additional periodic management reviews of the purchasing functions should be performed to ensure transactions are accounted for properly and do not contain instances of theft or fraud.

Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management partially agreed with our recommendation. Management indicated additional reviews over the purchasing function are needed at its National Training Center. BLM disagreed that changes are needed in other offices, given that hard-copy documentation usually exists indicating additional reviews of purchase transactions were performed.

Auditors' Response to Management's Response

There are BLM employees, mostly in large offices, with the ability to perform all functions of a purchasing transaction. It is important these abilities be limited to help prevent the possibility of

theft or misappropriation of assets. The critical point is not whether there is hard-copy documentation evidencing other reviews, but the ability for one individual to create and approve a purchase for payment. Further, the ability to enter and approve both purchase requisitions and purchase orders is against BLM policy, as outlined in BLM Instruction Memorandum No 99-135.

(C) Accounting for Mineral Leases

BLM processes collections from mineral leasing activity on its public lands, which includes leases for oil, gas, and coal. BLM collects the first year rent and bonus bid deposits related to this activity. These amounts are initially recorded as a liability awaiting adjudication. The adjudication process encompasses BLM's issuance or dismissal of a lease and is the determining factor in recognizing custodial revenue in BLM's statement of custodial activity. If adjudication results in a lease, the collections are transferred to the Minerals Management Service (MMS), which disburses the funds along with subsequent rents and royalties to states and other federal agencies. If a lease is not accepted, the collections are refunded. During fiscal year 2005, the BLM transferred approximately \$610 million to MMS.

BLM needs to improve policies and procedures over the accounting for mineral lease activity and the transfer of monies to MMS. Specifically, we noted the following:

- BLM does not have a formal detailed accounting policy for recognizing custodial revenue. Lack of a detailed policy increases the risk that amounts will be misclassified and reported in the incorrect year.
- BLM does not adhere to its policy to prepare and date the transmittal form on the same date the lease agreement is executed. The transmittal form contains detailed accounting information and is used to transfer monies to MMS. MMS uses information on the form to make disbursements. BLM's accounting division uses the form to determine the period in which lease revenues should be recognized, which is to correspond with the execution of a lease agreement. Our audit determined the timing between the dating of the transmittal form and the lease agreement, or vice versa, varied from 0 to 50 days. Lack of adherence to BLM's transmittal form dating policy increases the risk that amounts will be recorded in the incorrect year.
- BLM does not have sufficient policies and procedures over the review of lease information sent to MMS. In most BLM offices, the same individual prepares, reviews, and approves the lease agreement and the transmittal form. Failure to segregate these incompatible duties increases the risk that amounts will be misclassified and incorrectly reported, as evidenced by errors our audit discovered in the coding of transmittal forms. We identified two military leases that were coded incorrectly during the year. This resulted in errors in the MMS distribution process with a state being owed approximately \$6 million.
- BLM does not consistently transfer monies to MMS in a timely manner. BLM policy is to transfer monies to MMS within 14 days of the signing of a lease agreement. We selected a sample of 69 leases and determined that, on average, it took 28 days to complete the transfer once a lease had been signed, and, in some cases, took up to 180 days.

Recommendation

BLM should improve its policies and procedures over the accounting for mineral lease activity and the transfer of monies to MMS.

Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our recommendations.

(D) Recording Year-end Liabilities

BLM does not have adequate procedures to identify and record all liabilities at year-end. Our audit discovered approximately \$21 million in unrecorded liabilities at the end of fiscal year 2005. Specifically, we identified the following misstatements.

- Federal accounting standards require that revenue from exchange transactions be recognized when goods or services are provided at a price, and if advance payments are made, such amounts should be recorded as a deferred revenue liability until the point in time the exchange occurs. As of year-end, BLM had collected \$6.6 million from land sales for which it had not exchanged legal title to the land. BLM erroneously recognized these advance payments as earned revenue, as opposed to a deferred revenue liability.
- Undistributed collection liabilities are amounts collected by BLM from activity on its federal lands that are due to other governmental entities, primarily the U.S. Treasury. As of year-end, BLM had collected approximately \$14.7 million for which it had erroneously not recorded an undistributed collection liability.

While the above adjustments are not considered material to BLM's fiscal year 2005 financial statements, a lack of adequate procedures and related controls in future years over the recording of year-end liabilities may result in more significant misstatements.

Recommendation

BLM should improve its procedures over the identification and recording of year-end liabilities. In addition, appropriate controls should be implemented to ensure the reviews of year-end liabilities are conducted.

Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our recommendations.

Internal Control Over Performance Measure Information Reported in Management's Discussion and Analysis

With respect to the design of internal controls relating to the existence and completeness of assertions over performance measures determined by management to be key and reported in Management's Discussion and Analysis, we noted certain significant deficiencies in internal control over reported performance

measures discussed in the following paragraphs that, in our judgment, could adversely affect BLM's ability to collect, process, record, summarize, and report performance measures in accordance with management's criteria.

(E) Reporting of Performance Measure Information in Management's Discussion and Analysis

The Government Performance and Results Act (GPRA) requires agencies to formulate strategic plans, identify major strategic goals, and report performance measures and results related to these goals. Further, OMB Circular A-136 requires agencies to report in the Management's Discussion and Analysis section of the annual report objective and relevant performance measures that disclose the extent to which programs are achieving their intended objectives.

BLM can improve the type of performance measures it reports in Management's Discussion and Analysis. Specifically, BLM is currently not reporting performance measures related to its wildland fire management, land sales, and helium programs. These are large programs, referred to throughout BLM's annual report, that account for a significant portion of BLM's financial activity. For example:

- BLM provides fire protection on approximately 390 million acres of public and state land and was appropriated \$800 million in fiscal year 2005 for wildland fire management.
- During 2005, BLM collected \$1.2 billion from land sales. At year-end, BLM had \$1.7 billion in investments related to these land sales, which will be used to acquire sensitive lands or to make improvements to existing government assets.
- During 2005, BLM collected \$89 million in helium revenue. At year-end, BLM had 26 billion standard cubic feet of helium, which is carried at \$304 million in the financial statements. The helium amounts will be used to repay approximately \$1.1 billion in BLM debt.

A lack of performance information, for the above significant programs, results in users of the financial statements not having a basis to determine the extent such programs are achieving their intended objectives.

In addition to the above, for certain performance measures in Management's Discussion and Analysis, BLM has reported results based on prior-year data. Many of these measures are included in the Department of the Interior's Management's Discussion and Analysis. The Department cannot report accurate information when BLM has not established effective procedures for gathering information in a timely manner.

Recommendations

1. BLM should include in its Management's Discussion and Analysis section performance measures related to its significant programs, which include the wildland fire management, land sales, and helium programs.
2. BLM should revise its performance data collection processes to allow for up-to-date accomplishments to be reported for all performance targets.

Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our recommendations.

Internal Control Over Required Supplementary Stewardship Information

We noted certain significant deficiencies in internal control over Required Supplementary Stewardship Information discussed in the following paragraphs that, in our judgment, could adversely affect BLM's ability to collect, process, record, and summarize required supplementary stewardship information on the condition of stewardship land and museum collections.

(F) Reporting the Condition of Stewardship Land

Accounting standards for federal entities establish minimum reporting requirements for stewardship land. These standards require BLM to report, as required supplementary information in its stewardship section of its annual report, the condition of stewardship land.

In addition, the Accounting and Auditing Policy Committee of the Federal Accounting Standards Advisory Board (FASAB) commissioned the Stewardship Guidance Work Group to prepare the *Reporting and Assurance Guide for Stewardship Land (SL) and Heritage Assets (HA)*. The report, which is still in draft form, concluded one of the most meaningful criteria for measuring the condition of stewardship land originates from the fact the federal government has been entrusted with, and made accountable for, stewardship lands that are held for the long-term benefit of the Nation. Hence, the most important information about the condition of stewardship land is whether or not it has been safeguarded and protected against waste, loss, and misuse; managed consistent with its intended use in accordance with federal laws and regulations; and not materially degraded while under government care. The report further concluded, for sources of condition information, an entity may assess condition as part of its normal management role and existing systems. This may include condition information assessment surveys, annual or perpetual inventories, technical studies, budget requests, etc.

Based on the above, we concluded BLM is not using the appropriate basis in its annual report for assessing and reporting the condition of its stewardship land. In its fiscal year 2005 annual report, BLM reported the condition of its stewardship land as acceptable, and that assessment was based on resource production and revenues generated from the public lands. That assessment did not consider the aggregate results of condition information that BLM gathers as part of its ongoing operational processes. For example, as part of its land management operations BLM performs various condition assessments, which include: (1) Ecological Site Inventories, which provide a reference for determining the land's capability to produce forage and habitat, for assessing land health, and for monitoring the characteristics of the resource. (2) Land Health Assessments, which ascertain whether land health standards have been achieved and which describe a level of ecologic functionality for water quality, wildlife habitat, soil stability, and nutrient and energy cycling. (3) Fire Regime Condition Class, which is a standardized tool for determining the degree of departure from reference condition vegetation, fuels, and disturbance regimes. In many cases, the completion of the above studies is ongoing, and the preliminary results indicate, in certain situations, that the condition of the land is not acceptable and is in need of intervention.

We believe BLM's disclosures on the condition of stewardship lands are substantially not complete. Asserting that the condition of land is evidenced merely by resource production and revenue generated from the land reports little or no substantive information on the true condition of the land. Further, BLM has not met its reporting responsibilities to the general public by not reporting, in its annual report, the results of condition assessments conducted as part of its general operations.

Recommendations

To provide more useful and meaningful information to the readers of BLM's annual report, BLM should consider the intent of the federal accounting standards in reporting the condition of its stewardship land and adhere to the principles incorporated in FASAB's commissioned Stewardship Guidance Work Group draft report, *Reporting and Assurance Guide for Stewardship Land (SL) and Heritage Assets (HA)*. Accordingly, we recommend:

1. BLM measure and report the condition of its land by taking into consideration the use of the land and the condition of the water and vegetation upon that land.
2. Develop a written policy on the types of land that do not need assessment based on limited human intervention and susceptibility to deterioration.
3. Complete, and periodically update, condition assessments that are performed as part of BLM's normal management role and existing systems (e.g. ecological site inventory assessments, land health assessments, and fire regime condition assessments).
4. Report the condition of the land based on the summarized results of existing systems. The condition, and support for the condition, should conceivably come from the current assessments that BLM performs as part of its normal management role and existing systems. These condition assessments and the related controls over the assessment process should be appropriately documented.

Through the use of these forms of information gathering techniques, BLM with limited effort and cost could report on the condition of the land as a whole, and provide more meaningful information to readers of stewardship land information.

Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management disagreed with our recommendation. Management indicated the accounting standards define land as essentially rock and sediment, and as such, the definition excludes the resources upon the land.

Auditors' Response to Management's Response

Statement of Federal Financial Accounting Standards (SFFAS) No. 8, *Supplementary Stewardship Reporting*, paragraph 81, requires federal agencies to report in its stewardship section of its annual report the condition of stewardship land. We disagree the accounting standards, in assessing the condition of stewardship land, have excluded natural resources, such as the condition of vegetation and water upon the land. We believe BLM, with limited effort and cost, could report the condition of stewardship land using assessments it performs as part of its normal management operations. Such assessments have not indicated that BLM land, in all cases, is in acceptable condition.

Disclosing the results of land condition assessments would provide more meaningful information to the readers of BLM's annual report and would meet the intent of the federal accounting standards in reporting the condition of stewardship land.

(G) Reporting the Condition of Museum Collections

Accounting standards for federal entities establish minimum reporting requirements for museum collections taken off the public lands. These standards require BLM to report, as required supplementary information in its stewardship section of its annual report, the number of museum collections in terms of physical units and the condition of such collections. To meet the reporting requirements BLM defines a museum collection unit as an individual museum facility, and reports that it has identified, through questionnaires and its internal archaeological and paleontological permit process, 155 nonfederal museum facilities that contain museum items originating from BLM public lands.

BLM needs to improve its assessment and reporting of the condition of museum collections. Specifically, we found:

- BLM has not assessed, in accordance with the Department of the Interior's standards, the condition of 98 of its 155 identified facilities.
- BLM is not disclosing the condition of museum collections in accordance with federal accounting standards. BLM considers museum collections to be in stable condition if the facility is in stable condition. However, for financial reporting purposes, the assessment of museum collections should ultimately address the underlying condition of the individual items as opposed to the facility housing those items.

Recommendation

BLM should continue to complete its review of the nonfederal facilities in accordance with the Department of the Interior's guidance and consider such information in determining the condition of museum collections. However, for financial reporting purposes, the assessment of museum collections should ultimately address the underlying condition of the individual items as opposed to the facility housing those items. If BLM does not know the condition of the individual items, then such a statement should be made in the annual report along with the reasons why such condition is unknown.

Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management disagreed with our recommendation. Management indicated that BLM believes museum objects in nonfederal facilities, which are the majority of BLM's museum collections, do not meet the definition of BLM property, and BLM is in the process of obtaining guidance from FASAB on this issue. BLM stated it reported condition information on museum collections in accordance with the Department of the Interior's policy.

Auditors' Response to Management's Response

BLM has assessed the condition of museum collections at the facility level for 57 of 155 facilities. However, it has not completed assessments on the majority of the identified facilities. Further, we believe reporting the condition of the facility does not address the true condition of the individual

museum collections. The combination of these two conditions results in incomplete museum collection disclosures. We encourage BLM to continue to seek guidance from FASAB for reporting museum collections.

Internal Control Over Required Supplementary Information

We noted certain significant deficiencies in internal control over the reporting of deferred maintenance amounts discussed in the following paragraphs that, in our judgment, could adversely affect BLM's ability to collect, process, record, and summarize in a timely manner deferred maintenance amounts reported as Required Supplementary Information to the financial statements.

(H) Reporting of Deferred Maintenance Amounts for Stewardship Land

Accounting standards for federal entities establish minimum reporting requirements for stewardship land. These standards require BLM to report, as Required Supplementary Information to the financial statements, the amount of deferred maintenance for stewardship land. Federal accounting guidance defines deferred maintenance as maintenance that was not performed when it should have been or was scheduled to be and which, therefore, was put off or delayed for a future period. Maintenance is the act of keeping fixed assets in acceptable condition. It includes preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it continues to provide acceptable services.

Our audit found that BLM has not reported in its annual report deferred maintenance costs related to stewardship land. Throughout BLM's annual report and annual budget requests, there are references to known instances of BLM stewardship land in need of intervention, and future outlays of monies and efforts are necessary to bring the land into an acceptable condition. If land treatments require the expenditure of monies, or employee efforts, and are not performed within the current fiscal year, then maintenance has been deferred, and an appropriate dollar amount should be estimated and reported for financial reporting purposes.

Recommendation

BLM should develop a process, consistent with accounting principles generally accepted in the United States of America, for estimating deferred maintenance costs on stewardship land. Such costs should encompass land that is in need of intervention and future outlays of efforts and monies that are necessary to bring the land into an acceptable condition.

Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management disagreed with our recommendation. Management indicated that BLM's stewardship land does not have deferred maintenance as defined by the accounting standards.

Auditors' Response to Management's Response

SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, paragraph 83, requires federal agencies to report in its deferred maintenance section of its annual report the amount of deferred maintenance for stewardship land. BLM has reported known instances of land that is in need of intervention and has requested future outlays to correct these conditions in various budget requests. Therefore, we recommend BLM develop a method to report deferred maintenance amounts on stewardship land as required by the accounting standards.

A summary of the status of prior year reportable conditions and significant deficiencies is included as Exhibit I. We also noted other matters involving internal control over financial reporting and its operation that we have reported to the management of BLM in a separate letter dated November 4, 2005.

Compliance and Other Matters

The results of our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements described in the Responsibilities section of this report, exclusive of those referred to in *Federal Financial Management Improvement Act of 1996* (FFMIA), disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 01-02.

The results of our tests of FFMIA disclosed instances described below where BLM's financial management systems did not substantially comply with the federal accounting standards. The results of our tests of FFMIA disclosed no instances in which BLM's financial management systems did not substantially comply with federal financial management system requirements and the United States Standard General Ledger at the transaction level.

(I) Federal Accounting Standards

As discussed in the sections of our report entitled Internal Control over Performance Measure Information Reported in Management's Discussion and Analysis, Internal Control Over Required Supplementary Stewardship Information, and Internal Control Over Required Supplementary Information, BLM needs to improve its policies and procedures for reporting relevant and timely performance measure information, the condition of stewardship land, the condition of museum collections, and the amount of deferred maintenance for stewardship land.

OMB Circular A-136, Section 2.2C Part 2: Performance Section, OMB Circular A-136 requires agencies to report in the Management's Discussion and Analysis section of the annual report objective and relevant performance measures that disclose the extent to which programs are achieving their intended objectives. Our audit determined BLM is not reporting relevant and timely performance measure information in Management's Discussion and Analysis.

SFFAS No. 8, *Supplementary Stewardship Reporting*, paragraph 81, establishes minimum reporting requirements for stewardship land. These requirements require BLM to report in its stewardship section of its annual report the condition of stewardship land. Our audit determined BLM's disclosures on the condition of stewardship lands are substantially not complete, and BLM is not meeting its reporting responsibilities to the general public by not reporting, in its annual report, the results of condition assessments conducted as part of its general operations.

SFFAS No. 8, *Supplementary Stewardship Reporting*, paragraph 50, establishes minimum reporting requirements for museum collections. These requirements require BLM to report in its stewardship section of its annual report the condition of museum collections. Our audit determined BLM's disclosures on the condition of such collections are substantially not complete, given BLM has not assessed a large number of the nonfederal facilities containing BLM museum collections, and such assessments don't address the underlying condition of the individual museum items.

SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, paragraph 83, establishes minimum reporting requirements for deferred maintenance. These requirements require BLM to report in its

deferred maintenance section of its annual report deferred maintenance for each major class of asset, which includes stewardship land. BLM has not reported in its annual report any deferred maintenance costs related to stewardship land.

Recommendation

We recommend BLM strengthen its policies and procedures to ensure performance measure information, reported in Management's Discussion Analysis; the condition of stewardship land and museum collections, reported as Required Supplementary Stewardship Information; and the amount of deferred maintenance for stewardship land, reported as Required Supplementary Information, are prepared in accordance with federal accounting standards.

Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our recommendation to improve the reporting of performance information in the Management's Discussion and Analysis section of the annual report. As discussed in the sections of our report entitled Internal Control over Required Supplementary Stewardship Information and Internal Control over Required Supplementary Information, management did not agree with our recommendations to improve disclosures on the condition of stewardship land and the condition of museum collections and to identify and report the amount of deferred maintenance for stewardship land.

Auditors' Response to Management's Response

As discussed in the sections of our report entitled Internal Control over Required Supplementary Stewardship Information and Internal Control over Required Supplementary Information, federal accounting standards require BLM to report in its annual report the condition of stewardship land, the condition of museum collections, and the amount of deferred maintenance for stewardship land. We believe BLM needs to improve its reporting in these areas to meet the requirements of the federal accounting standards.

Responsibilities

Management's Responsibilities

The *Government Management Reform Act of 1994* (GMRA), *Accountability of Tax Dollars Act*, and *Government Corporation Control Act* require agencies each to report annually to Congress on their financial status and any other information needed to fairly present their financial position and results of operations. To assist the Department of the Interior in meeting these requirements, BLM prepares financial statements in accordance with Part A of OMB Circular A-136.

Management is responsible for the financial statements, including:

- Preparing the financial statements in conformity with accounting principles generally accepted in the United States of America;
- Preparing the Management's Discussion and Analysis (including the performance measures), Required Supplementary Stewardship Information, and Required Supplementary Information;
- Establishing and maintaining internal controls over financial reporting; and

- Complying with laws, regulations, contracts, and grant agreements, including FFMIA.

In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies. Because of inherent limitations in internal control, misstatements, due to error or fraud may nevertheless occur and not be detected.

Auditors' Responsibilities

Our responsibility is to express an opinion on the fiscal year 2005 and 2004 financial statements of BLM based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, and OMB Bulletin No. 01-02. Those standards and OMB Bulletin No. 01-02 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BLM's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.

In planning and performing our fiscal year 2005 audit, we considered BLM's internal control over financial reporting by obtaining an understanding of BLM's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in *Government Auditing Standards* and OMB Bulletin No. 01-02. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of our audit was not to provide assurance on BLM's internal control over financial reporting. Consequently, we do not provide an opinion thereon.

As required by OMB Bulletin No. 01-02, in our fiscal year 2005 audit, we considered BLM's internal control over Required Supplementary Stewardship Information by obtaining an understanding of BLM's internal control, determining whether these internal controls had been placed in operation, assessing control risk, and performing tests of controls. Our procedures were not designed to provide assurance on internal control over Required Supplementary Stewardship Information, and accordingly, we do not provide an opinion thereon.

As further required by OMB Bulletin No. 01-02, in our fiscal year 2005 audit, with respect to internal control related to performance measures determined by management to be key and reported in the Management's Discussion and Analysis section, we obtained an understanding of the design of significant

internal controls relating to the existence and completeness assertions. Our procedures were not designed to provide assurance on internal control over reported performance measures, and accordingly, we do not provide an opinion thereon.

As part of obtaining reasonable assurance about whether BLM's fiscal year 2005 financial statements are free of material misstatement, we performed tests of BLM's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 01-02, including certain provisions referred to in FFMIA. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to BLM. However, providing an opinion on compliance with laws, regulations, contracts, and grant agreements was not an objective of our audit, and accordingly, we do not express such an opinion.

Under OMB Bulletin No. 01-02 and FFMIA, we are required to report whether BLM's financial management systems substantially comply with (1) federal financial management systems requirements, (2) applicable federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA Section 803(a) requirements.

Distribution

This report is intended solely for the information and use of BLM's management, the U.S. Department of the Interior Office of Inspector General, OMB, the Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 4, 2005, except for Note 22,
which is as of November 16, 2005

Exhibit I

BLM
 Summary of the Status of Prior Year
 Reportable Conditions and Significant Deficiencies
 September 30, 2005

Ref	Condition	Status
A	Accounting for Mineral Leases	Condition has been downgraded from a material weakness in the prior year to a reportable condition in fiscal year 2005. See fiscal year 2005 reportable condition C.
B	Security and Internal Control Over Information Technology Systems	Condition has not been corrected and is repeated in fiscal year 2005. See fiscal year 2005 reportable condition A.
C	Internal Control Over Charge Cards	Condition has been corrected.
D	Internal Control Over Payments in Lieu of Taxes (PILT)	Condition no longer applies to BLM. PILT program has been transferred to another DOI agency.
E	Reporting the Condition of Stewardship Land	Deficiency has not been corrected and is repeated in fiscal year 2005. See fiscal year 2005 significant deficiency F.
F	Reporting the Number of Museum Items Held in Nonfederal Facilities	Deficiency has been corrected. SFFAS No. 29, <i>Heritage Assets and Stewardship Land</i> , provided clarification on reporting museum collections. SFFAS No. 29 allowed agencies to report the number of museum collections at the facility level as opposed to the individual object level.
G	Reporting of Deferred Maintenance Amounts for Stewardship Land	Deficiency has not been corrected and is repeated in fiscal year 2005. See fiscal year 2005 significant deficiency H.

ATTACHMENT 2



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
WASHINGTON, D.C. 20240
<http://www.blm.gov>



DEC 22 2005

In Reply Refer to:
1306 (BC-610)

MEMORANDUM

To: Assistant Inspector General for Audits
Attention: Anne L. Richards

From: *ec* Kathleen Clarke *Lauree E. Berner*
Director, Bureau of Land Management

Subject: Draft Independent Auditors' Report on the Bureau of Land Management's
(BLM) Financial Statements for Fiscal Years 2005 and 2004
(Assignment No. X-IN-BLM-0012-2005)

Thank you for the opportunity to review and comment on the above-referenced draft report. We appreciate the efforts that the Office of Inspector General and KPMG have provided on our behalf. The BLM's written comments and responses are detailed in the attachment.

If you have any questions regarding this response, please contact Jeannette Davis-Callahan, BLM National Business Center, at (303) 236-7396.

1 Attachment
1 - Response to Auditor's Report above (8 pp)

Draft Independent Auditors' Report on the Bureau of Land Management's
Financial Statements for Fiscal Years 2005 and 2004
(Assignment No. X-IN-BLM-0012-2005)

Recommendation A: Security and Internal Control over Information Technology Systems

The BLM should continue the development and implementation of procedures to improve the internal security and general controls over its information technology systems. Improved procedures should address the areas discussed in the Independent Auditor's Report, as well as other areas that might impact the electronic data processing control environment, to ensure adequate security and protection of BLM's financial management systems.

Response:

The BLM concurs with the recommendations. The following actions will be taken to address the specific items noted.

Employee Termination Procedures

The BLM will develop formal policy and guidance for its information technology systems for separation of employees. Current policies will be evaluated for secondary controls. NHRMC will query the FPPS database on a bi-weekly basis to ensure terminated employees are out of the critical systems. Further control processes for performing timely periodic reviews will be established by all responsible divisions within the BLM.

Contractor User IDs on the BLM's Active Directory

The BLM will conduct an inventory of all user accounts; all unused accounts will be removed from the BLM's systems. Additionally, all used accounts will be checked for legitimacy. The BLM will develop a standardized contractor separation procedure and work with the contractor project managers and their representatives to ensure that the BLM is notified in a timely manner when contract personnel leave the BLM.

Significant Number of Generic User IDs

The BLM will conduct an inventory of all generic user accounts. All generic accounts that are not assigned to a specific person and justified in writing will be removed from the BLM's systems. Procedures will be developed to establish a standardized methodology and justification for establishing non-user accounts.

Lack of Approvals over BLM User Access to Federal Personnel Payroll System (FPPS)

The BLM will reissue an Instruction Memorandum instructing State/Center/Office Personnel Officers to review current users accessing FPPS for clearly defined need to access the system. The Human Resource Officers will provide copies of all access forms to the National Human Resources Management Center (NHRMC). Those individuals without an access form will be deleted from the system. NHRMC and Human Resource Officers will review system access on a quarterly basis.

Lack of Documentation Supporting Periodic Reviews of User Access in the Collections and Billings System (CBS) and Interior Department Electronic Acquisition System (IDEAS)

The CBS and IDEAS Management Teams will develop formal policy and procedures to establish timely periodic reviews of user access listings and to assign appropriate personnel to perform the review.

Lack of a Process for Ensuring Production Databases Are Configured with a Common Baseline Security Configuration

The finding is valid for three non-financial systems. The BLM will investigate the use of automated security tools to provide periodic audits of the Oracle database passwords. The only Oracle-based financial system identified is IDEAS, which had no default username and password combination during FY 2005.

Recommendation B: Adequate Segregation of Duties

The BLM should implement procedures to ensure critical duties of the purchasing function are adequately segregated at all offices. If segregation of duties can not be established, then additional periodic management reviews of the purchasing functions should be performed to ensure transactions are accounted for properly and do not contain instances of theft or fraud.

Response:

The BLM partially concurs with the recommendation. The BLM agrees additional approvals are needed and recommends that approvals be performed by an individual other than the person making the award for the National Training Center (NTC). This will require additional access to IDEAS by a Contracting Officer (Purchasing Agent) for approval authority of Purchase Requests.

KPMG identified 45 issues related to segregation of duties for 13 IDEAS users. Of the 45 instances, there were only 2 cases that did not have a hard-copy Purchase Request (PR) signed by a supervisor in the official file folder. The BLM disagrees that a review should be performed solely within the electronic application. The official file folder is the hard-copy award folder. Therefore, the risk is minimal because the official file copy contains a PR with a supervisor's signature.

Recommendation C: Accounting for Mineral Leases

The BLM should improve its policies and procedures over the accounting for mineral lease activity and the transfer of monies to MMS.

Response:

The BLM concurs with the recommendation. The BLM will improve its policies and procedures over accounting for mineral lease activity and the transfer of monies to MMS.

Recommendation D: Recording Year-end Liabilities

BLM should improve its procedures over the identification and recording of year-end liabilities related to undistributed collections. Specifically, BLM needs to improve its

year-end analysis of undistributed collection amounts to identify unusual account relationships that exist between collection and transfer accounts. In addition, appropriate controls should be implemented to ensure the review is conducted.

Response:

The BLM concurs with the recommendation.

The BLM performs monthly and quarterly general ledger account analytic reviews. During FY 2006, an edit check will be incorporated into this process to ensure proper general ledger account postings within the unavailable special receipt funds.

Recommendation E: Reporting of Performance Measure Information in Management's Discussion and Analysis

The BLM should include in its Management's Discussion and Analysis section performance measures related to its significant programs, which include the wildland fire management, land sales, and helium programs.

The BLM should revise its performance data collection processes to allow for up-to-date accomplishments to be reported for all performance targets.

Response:

The BLM concurs with the recommendations.

The BLM agrees to report performance measures for wildland fire management, land sales, and helium sales.

In 2005 and earlier years, the Office of Fire and Aviation reported the GPRA measures on a Department-wide basis, so the BLM did not include BLM-specific information for these measures in the Performance and Accountability Report (PAR). However, the BLM has collected and reviewed this information on a Bureau-wide basis and agrees to include BLM-specific results for these measures in FY 2006.

The BLM acknowledges that there were no efficiency measures for the land sales program in 2005. However, the BLM has developed one efficiency measure as a result of the PART process that examined the Southern Nevada Public Land Management Act program. This measure assesses the timeliness of the BLM's ability to offer land parcels for sale within 12 months of being nominated, thus measuring the BLM's responsiveness to the local government and the community. The BLM is in the process of implementing the measure and collecting performance information.

The BLM has identified the need to develop appropriate performance measures for the helium program; we are developing these measures for finalization during FY 2006.

The BLM will develop a process to collect performance results in a timely manner for inclusion in its annual report

Recommendation F: Reporting the Condition of Stewardship Land

To provide more useful and meaningful information to the readers of BLM's annual report, BLM should consider the intent of the federal accounting standards in reporting the condition of its stewardship land and adhere to the principles incorporated in FASAB's commissioned Stewardship Guidance Work Group draft report, *Reporting and Assurance Guide for Stewardship Land (SL) and Heritage Assets (HA)*.

Response:

The BLM does not concur with the recommendation.

Based on FASAB's authoritative pronouncements in Standards 8 and 29, the BLM believes that its reporting was done in accordance and fully in compliance with the current standards. On the other hand, the finding relies almost entirely not on officially issued standards but rather on a draft report, *Reporting and Assurance Guide for Stewardship Land (SL) and Heritage Assets (HA)*. While the draft report was prepared by the Stewardship Guidance Work Group, which was commissioned by FASAB's Accounting and Auditing Committee and even included BLM and other Interior participation for the product, we believe retrospectively that the draft report was, at the very least, premature in much of its discussion relating to condition information.

The finding fails to take into consideration crucial language found in FASAB Standards 8 and 29 themselves. According to SFFAS 8, Paragraph 71, "'Land' is defined as the solid part of the surface of the earth. *Excluded* [emphasis added] from the definition are the natural resources (that, is depletable resources, such as mineral deposits and petroleum; renewable resources, such as timber; and the outer-continental shelf resources) related to land." The same identical definition of land is found in SFFAS 29, Paragraph 34. Footnote 17 to the latter states, "The Board presently has an active project to address standards for natural resources, for which the Board is considering developing individual standards for each type of natural resource separately. To begin the project, the Board will be addressing oil and gas resources. The framework for the oil and gas resource phase of the project will be used as a model when addressing the other types or logical sets of natural resources (e.g., timber, grazing land, solid leasable minerals) in subsequent phases of the project." FASAB in a very straightforward manner is clearly distinguishing between land as essentially rock and sediment from any type of natural resource.

The Department of the Interior has taken the position that it "will not perform formal condition assessments of stewardship land. Likewise, the Department will not perform parcel-by-parcel reviews of stewardship land, which would not be feasible or cost-effective."

The BLM has stewardship responsibilities over the natural resources on its lands and provides condition assessments on selected resources in the BLM's *Public Land Statistics (PLS)* and other reporting. For example, approximately 159 million acres of the BLM's

261 million acres is found within grazing allotments, and reporting on the vegetation on these lands is found in PLS Table 2-1, "Percent of Rangeland Acreage by Ecological Status by State." However, SFFAS 29 clearly states that FASAB will be addressing grazing land as a resource in future guidance, and there is currently no reporting requirement for this resource, particularly given FASAB's current definition of "land."

In light of BLM's multiple-use mission as defined by the Federal Land Policy and Management Act (FLPMA) of 1976, we believe that defining "acceptable" condition for "rock and sediment" in terms of "when it is adequate for the uses authorized during the period of the report" and the "needs intervention" condition category in terms of "not supporting any of the uses authorized during the period of the report" is entirely reasonable, useful, valid, and fully in accord with SFFAS 8 and 29. Using these definitions, the BLM can state that the condition of the Public Lands is "acceptable."

Recommendation G: Reporting the Condition of Museum Collections

BLM should continue to complete its review of the nonfederal facilities in accordance with the Department of the Interior's guidance and consider such information in determining the condition of museum collections. However, for financial reporting purposes, the assessment of museum collections should ultimately address the underlying condition of the individual items as opposed to the facility housing those items. If BLM does not know the condition of the individual items, then such a statement should be made in the annual report along with the reasons why such condition is unknown.

Response:

The BLM does not concur with the recommendation.

The BLM believes that collections in non-Federal facilities do not meet the SFFAS 6 criteria for being classified as BLM property. The collections in non-Federal facilities were not gathered for use by the BLM and the BLM does not plan to use them for any Federal purpose. The BLM does not intend to recover museum objects from the non-Federal facilities. As such, the BLM has only a reversionary interest in these items. Based on these considerations, a letter was sent to FASAB requesting a decision on whether or not museum collections in non-Federal facilities are in fact BLM property and should be included in reporting of heritage assets. At this point, a response has not been received from FASAB. However, the BLM continues to work with other agencies and bureaus within the Department of the Interior to secure information on the non-Federal facilities.

The recommendation and its associated findings reflect a significant departure from the requirements of SFFAS 29. Moreover, the recommendation indicates a fundamental misunderstanding of condition reporting related to museum collections. SFFAS 29 states the following:

- Paragraph 81: "The standard emphasizes reporting on asset categories, rather than individual assets."

- Paragraph 84: “Defining physical units as individual items to be counted is neither required nor prohibited. Particularly for collection-type heritage assets, it may be more appropriate to define the physical unit as a collection, or a group of assets located at one facility, and then count the number of collections or facilities.”

The recommendation directs the BLM to report museum collection information on an individual item basis for condition information. This is not required by SFFAS 29. Furthermore, reporting condition on individual museum collection items is at best a highly nebulous concept. Museum collections cannot be subject to the same condition standards as personal property. Pre-historic pottery, for example, that is retrieved from an archaeological dig in broken pieces (“shards”) cannot be deemed to be in “poor” condition. The pottery shards may be glued together to recreate a partial or even an entire pottery piece, but the pottery is nevertheless still broken. The original condition in which the item was found cannot be reversed, but the item could deteriorate beyond the condition in which it was found through improper care. The emphasis for reporting museum collection condition information is correctly placed on the facility housing the museum collection itself, because the facility itself determines whether the collection is in stable condition. Numerous factors such as temperature, relative humidity, and dust and pest control are used to evaluate facilities to determine their ability to minimize any deterioration that could happen to its contents. This methodology is consistent with standard professional museum practice as recommended by museum conservators and museum associations. Moreover, attempting to do an item-by-item condition assessment could very well result in additional damage to museum collections through unnecessary handling, so it is therefore not a general museum practice to conduct such assessments.

The BLM reported condition information on museum collections in accordance with Departmental policy, standards, and guidance. The Department determined that the most relevant information in assessing condition of museum collections is the stability of the environment in which the collection is housed. This methodology was recommended by the Department-wide Interior Museum Property Committee (composed of museum professionals representing all Interior bureaus and offices) and approved by both the Department's Museum Program and the Assistant Secretary for Policy, Management, and Budget. This methodology is also consistent with performance measures in the Department's strategic plan.

Recommendation H: Reporting of Deferred Maintenance Amounts for Stewardship Land

BLM should develop a process, consistent with accounting principles generally accepted in the United States of America, for estimating deferred maintenance costs on stewardship land. Such costs should encompass land that is in need of intervention and future outlays of efforts and monies are necessary to bring the land into an acceptable condition.

Response:

The BLM does not concur with the recommendation.

Unlike buildings and machinery, land (defined by FASAB "as the solid part of the surface of the earth," i.e., rock and sediment) and the natural resources on land (minerals, trees, shrubs, water, grass, wildlife and fish, etc.) are not subject to periodic and/or recurring maintenance (the act of keeping fixed assets in a usable condition). As such, natural resources are not subject to deferred maintenance (postponed maintenance). Instead, land and the resources on land are subject to the forces of nature and man has only limited ability to influence the results of natural forces and no ability to know in advance what the location and results of those natural forces will be. Additionally, some of the effects of various natural events, such as fires, while initially seeming detrimental are actually beneficial to the long-term health of the land and its resources. For these reasons, the concept of "maintenance of fixed assets" does not apply to natural resources and the BLM does not schedule or defer maintenance activities on the natural resources that exist on the public lands. The Department of the Interior has taken the following position:

The Department has determined that stewardship land managed by the Department does not have deferred maintenance as defined by SFFAS No. 6. Accordingly, deferred maintenance estimates will not be included in the Performance and Accountability Report for either stewardship land or for heritage assets comprising primarily land and natural features. For these reasons, the Department does not impose a reporting requirement for bureaus to estimate and report deferred maintenance for bureau stewardship land in their respective financial statements.

This situation is both recognized and supported by the Office of Management and Budget. OMB Circular A-136 (Financial Reporting Requirements) states under Section 11.2 (Deferred Maintenance), "Determination of acceptable condition, therefore, affects the amounts of deferred maintenance. In some cases, such as heritage assets and stewardship land, management may determine that maintenance is not needed. In that case, deferred maintenance would not exist."

The finding cites the BLM's Budget Justifications and other documents to show that the BLM does devote substantial attention and resources to natural resource treatments when and if inventory, assessment, and/or monitoring activities disclose that current resource conditions do not meet the objectives for one or more of the uses authorized at that time for a given tract of land. However, resource treatments are not maintenance and are never identified as such. Unlike regularly scheduled routine or preventative maintenance or repairs, resource treatments often consist of altering use on an as-needed, ad hoc basis and then letting nature take its course. Resource treatments take many forms, such as adjusting or withholding use, chemical or mechanical activities, plantings, seeding, prescribed fire, etc. Treatments are not typically applied universally, cyclically, annually, periodically, or in any other manner that is subject to recurring actions that can be planned or scheduled for defined tracts of land.

Recommendation I: Federal Accounting Standards

We recommend BLM strengthen its policies and procedures to ensure performance measure information, reported in Management's Discussion Analysis; the condition of stewardship land and museum collections, reported as Required Supplementary Stewardship Information; and the amount of deferred maintenance for stewardship land, reported as Required Supplementary Information, are prepared in accordance with federal accounting standards.

Response:**Performance Measure Information**

The BLM concurs with the recommendation and, as discussed in recommendation E, will develop a process to collect and report performance measures for wildland fire management, land sales, and helium sales.

Condition of Stewardship Land

As discussed in recommendation F, the BLM does not concur with the recommendation to consider and adhere to standards and principles of FASAB's commissioned Stewardship Guidance Work Group. The BLM believes that its reporting was done in compliance with the current standards and guidance from the Department of the Interior.

Condition of Museum Collections

As discussed in recommendation G, the BLM does not concur with the recommendation to follow DOI's guidance as well as report the condition of individual items as opposed to the facility housing those items. The BLM reported condition information on museum collections in accordance with Departmental guidance and SFFAS 6 and 29.

Deferred Maintenance Amounts for Stewardship Land

The BLM does not concur with the recommendation. As discussed in recommendation H, the BLM feels that land and natural resources are not subject to recurring maintenance as defined in SFFAS 6.

ATTACHMENT 3

STATUS OF AUDIT REPORT RECOMMENDATIONS

<u>Recommendation</u>	<u>Status</u>	<u>Action Required</u>
A, C, D, E.1, and E.2	Resolved; not implemented.	Recommendation will be referred to the Assistant Secretary, Policy, Management and Budget for tracking of implementation.
B and I F.1, F.2, F.3, F.4, G, and H	Unresolved.	Recommendation will be referred to the Assistant Secretary, Policy, Management and Budget for resolution.

**Cover photo:
The BLM works with other agencies,
groups, and local communities
to manage the public lands.**

Design and production by Jennifer Kapus, BLM's National Science and Technology Center Publishing Staff.

BLM/BC/GI-05/002+1300

