



Annual Report

Fiscal Year 2004





Punctuating the National Mall in the style of a classical Greek Temple, the Lincoln Memorial is one of 29 national memorials within the National Park System. NPS PHOTO

Cover: Generations continue to find inspiration in units of the National Park System, ranging from easily recognized icons such as the Lincoln Memorial to lesser known sites in 49 states, the District of Columbia, American Samoa, Guam, Puerto Rico, Saipan, and the Virgin Islands. An estimated 274 million people visited the national parks in 2004. NPS PHOTO

Annual Report

Fiscal Year 2004

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U.S. Department of the Interior
National Park Service
Washington, DC

Mission Statement

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

Delicate Arch endures as one of more than 2,000 fantastic erosional features shaped by the forces of wind and water in Arches National Park.

PHOTO BY NEAL HERBERT

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Thousands of people visit the Tidal Basin in Washington D.C. each spring for the National Cherry Blossom Festival. Originally a gift from Japan in 1912, more than 3,700 cherry trees now grow on the National Mall.

PHOTO © ELLIS-SAWYER/FINLEY-HOLIDAY FILMS

Management Discussion and Analysis: A Message From the Director

“The many places entrusted to our care are components of a unified system, each displaying an element of our natural and human history, jointly creating an understanding of our shared heritage.”



Fran P. Mainella, Director of the
National Park Service

NPS PHOTO

Each year, I am pleased to make the National Park Service Annual Report available to those who are interested in our work. The report for FY 2004 highlights recent accomplishments and points out the direction we are taking into the new year. This overview addresses the variety and complexity of the Service’s responsibilities and accomplishments.

The National Park Service has an important mission and a wide range of tasks and projects designed to serve that mission. But we need the help of countless partners, who should have an honest assessment of what we have done and how.

This Annual Report is important and should be shared with our many partners—the corporate and private citizens and organizations who support, encourage, and benefit from our work. We are pleased to be able to make it available for all.

The places and programs entrusted to the National Park Service protect grand vistas and promote scientific inquiry; they provide spaces for respite and recreation, places to reflect our human heritage. In their diversity and nuance, they preserve the identity of a great nation. The many places entrusted to our care are components of a unified system, each displaying an element of our natural and human history, jointly creating an understanding of our shared heritage.

During this past year, we have made great strides in several areas. We have continued to whittle away at vast backlog of maintenance deficiencies in the parks. We have built a system to identify and

prioritize the backlog reduction projects to make the most efficient and effective use of the resources available to us. We have also kept up our progress in the Natural Resource Challenge, strengthening our own program and aligning it with the needs of the natural resources in our care and the managers responsible for their protection and perpetuation.

We have developed an equally focused effort to define and support the educational needs of the nation with improved in-park programs and facilities and outreach programs. In the new era of concern for enhanced homeland security, we have also improved the training and equipment of law enforcement personnel and emergency responders who serve our parks and their visitors.

The successful audit of the NPS financial records and system is a significant accomplishment that reflects our Servicewide commitment to transparent management accountability, open to public review and scrutiny. We are working together for common goals and inviting both active participation and close observation of every park and program we manage.

I encourage everyone to read this report for a better understanding of both the goals and accomplishments of the National Park Service in the last fiscal year.

A handwritten signature in dark ink that reads "Fran P. Mainella". The signature is written in a cursive, flowing style.

Fran P. Mainella, Director
National Park Service



An intermittent stream flanks a sandstone wall studded with alcoves in the remote Maze District of Canyonlands National Park.

PHOTO BY NEAL HERBERT

Management Discussion and Analysis: NPS Mission and Organizational Structure

“The National Park Service preserves unimpaired the natural and cultural resources and intrinsic values of the National Park System for the enjoyment, education, and inspiration of this and future generations.”

—NATIONAL PARK SERVICE ORGANIC ACT, 1916

MISSION AND HISTORY

On August 25, 1916, President Woodrow Wilson signed the act creating the National Park Service, a federal bureau in the Department of the Interior. The Organic Act of the National Park Service states *“the Service thus established shall promote and regulate the use of Federal areas known as national parks, monuments and reservations . . . by such means and measures as conform to the fundamental purpose of the said parks, monuments and reservations, which purpose is to conserve the scenery and the natural and historic objects and the wild life therein and to provide for the enjoyment of the same in such manner and by such means as will leave them unimpaired for the enjoyment of future generations.”*

The National Park Service continues to strive to meet those original goals while filling many roles: guardian of our diverse cultural and recreational resources, environmental advocate, world leader in the parks and preservation community, and pioneer in the drive to protect America’s open space.

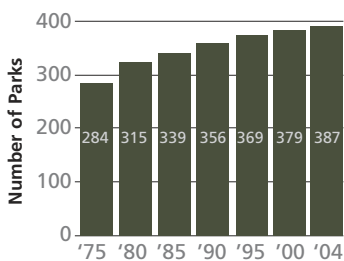
SIZE AND COMPOSITION

Additions to the National Park System generally are made through acts of Congress, and national parks can be created only through such acts. The President has authority, under the Antiquities Act of 1906, to proclaim national monuments on lands already under federal jurisdiction.

National Park Service Mission Guiding Principles

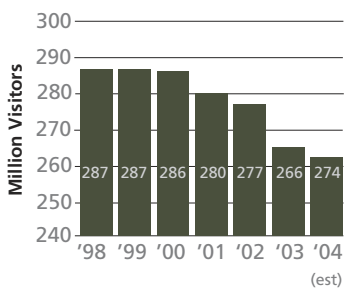
Excellent Service	Providing the best possible service to park visitors and partners.
Productive Partnerships	Collaborating with federal, state, tribal, and local governments, private organizations, and businesses to work toward common goals.
Citizen Involvement	Providing opportunities for citizens to participate in the decisions and actions of the National Park Service.
Heritage Education	Educating park visitors and the general public about their history and common heritage.
Outstanding Employees	Empowering a diverse work force committed to excellence, integrity, and quality work.
Employee Development	Providing developmental opportunities and training so employees have the “tools to do the job” safely and efficiently.
Wise Decisions	Integrating social, economic, environmental, and ethical considerations into the decision-making process.
Effective Management	Instilling a performance management philosophy that fosters creativity, focuses on results, and requires accountability at all levels.
Research and Technology	Incorporating research findings and new technologies to improve work practices, products, and services.
Shared Capabilities	Sharing technical information and expertise with public and private land managers.

National Park System Growth



Nine new units have been added to the NPS since FY 2000.

Recreational Visits Per Year



Visitation at national parks has declined in recent years due to the events of September 11, 2001, as well as adverse economic conditions.

In 2004 the National Park System consisted of 387 units encompassing more than 84 million acres of land in every state except Delaware. Park units are also located in the District of Columbia, American Samoa, Guam, Puerto Rico, and the Virgin Islands.

National Park System units presently bear 20 designations which include *national park*, *national monument*, *national historic site*, *national recreation area*, *national river*, *national battlefield*, and *national scenic trail*. These designations are rooted in the National Park System's legislative and administrative history. Different designations provide protection appropriate to the resource by varying limits to use or access. The National Park Service also works with affiliated areas including *national heritage areas*. See the Required Supplementary Stewardship Information section of this report for further information about the composition of the National Park System.

VISITATION

Visitation to the National Park System in calendar year 2003, the latest year for which data is available, declined by approximately four percent from 2002 due to the adverse economic conditions affecting visitation patterns. The events of September 11, 2001, have also created lingering adverse effects on visitation patterns. Visitation in 2003

totaled approximately 265.8 million, 11.2 million less than in 2002. The estimated visitation in 2004 is 274 million, an increase of about three percent from 2003.

VISITOR SERVICES

National parks are established to encourage and service visitation while protecting and preserving the resources of the National Park System. A customer satisfaction survey at all National Park System units indicates a customer satisfaction rating of 95 percent, meeting the goal established by the NPS in its strategic plan.

ORGANIZATIONAL STRUCTURE

The National Park Service is a bureau within the Department of the Interior. The National Park Service is administered by a Director (a position which requires Senate confirmation) who reports to the Secretary of the Interior.

Servicewide programs and grant programs for entities outside of the National Park Service are administered through Associate Directors. Responsibilities have been redistributed and categorized in a reorganization effort that became effective at the beginning of FY 2003.

The National Park System is organized into seven regions: Alaska, Intermountain, Midwest, National Capital, Northeast,

South Rim visitors scan the horizon at Grand Canyon National Park in search of California condors. A successful reintroduction program recently produced the first condor hatched and fledged in Arizona in more than a century. PHOTO BY DIANE LIGGETT





Pacific West, and Southeast. A Regional Director, who provides line supervision for all park superintendents within the region, heads each. There are also 10 support offices distributed among the regions.

The National Leadership Council (NLC), composed of the Director, Deputy Directors, Associate to the Director, Associate Directors, Comptroller, Chief of the U.S. Park Police, and the seven Regional Directors, sets policy and the overall direction for the National Park Service.

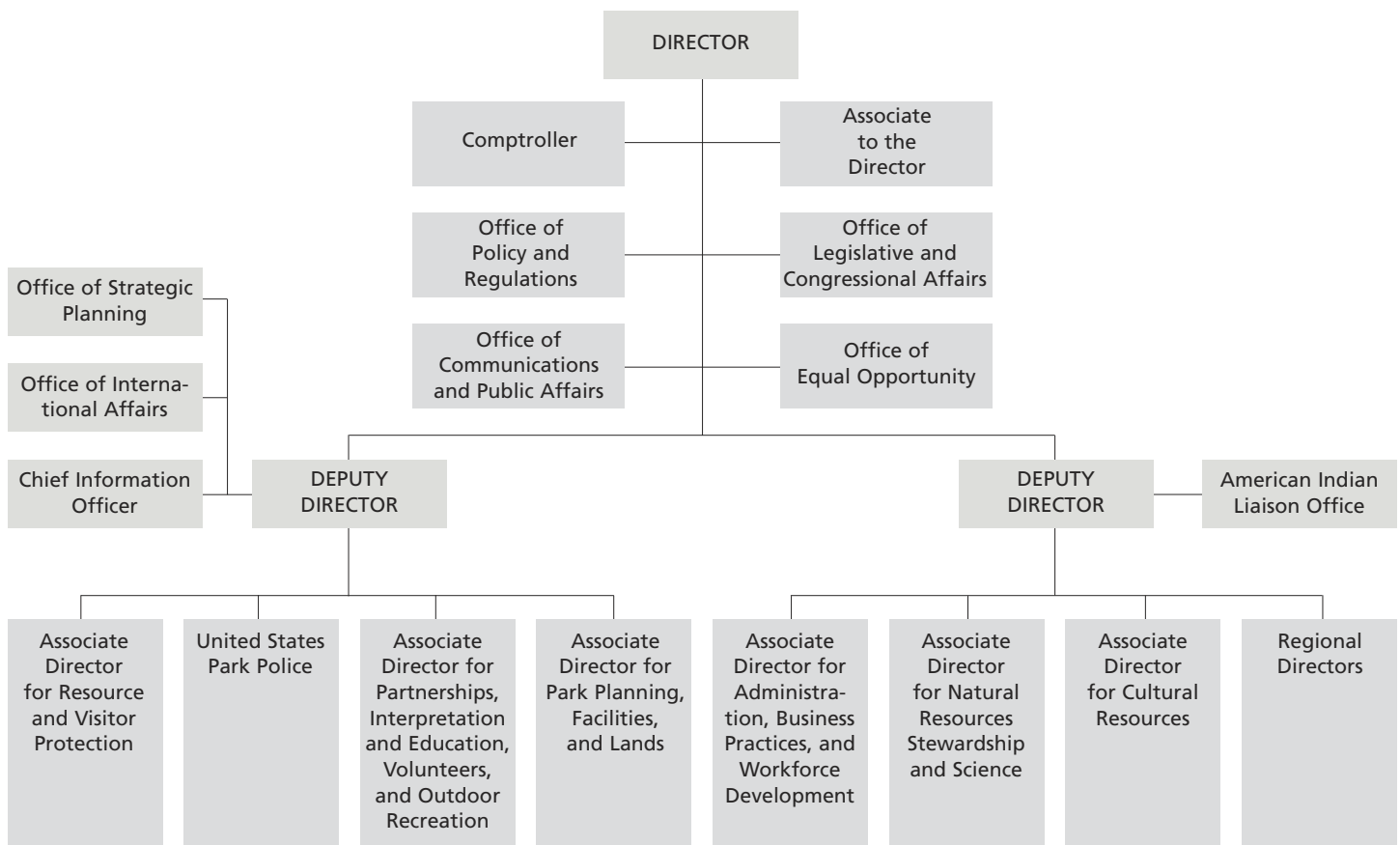
STAFFING

In FY 2003 the National Park Service used 20,574 full-time equivalents (FTE). The FTE count equates to an on-board strength of about 25,000 employees during the summer

months when visitation is at its peak. Fiscal Year 2004 FTE usage was 20,399, and FTE usage in FY 2005 is estimated to be 20,637.

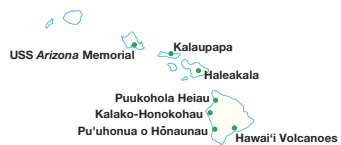
The Volunteers in Parks Program continues to prove a major force in accomplishing the National Park Service mission. During Fiscal Year 2003, 121,000 volunteers contributed 4.5 million hours of service to the NPS through 350 VIP programs across the country. Valued at the private sector rate of \$17.19 an hour, this equates to more than \$74 million in value provided to the National Park Service. The expected VIP contribution for FY 2004 is 123,000 volunteers working approximately 4.6 million hours. At a projected rate of \$17.60 an hour, this equates to approximately \$81 million in volunteer work.

FY 2004 Organization of the National Park Service





HAWAII

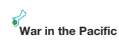


United States Territories

AMERICAN SAMOA



GUAM



PUERTO RICO VIRGIN ISLANDS



The National Park System



National Park System Units by Region

ALASKA REGION

1. Alagnak Wild River	7. Denali NPres	13. Katmai NPres	19. Noatak NPres
2. Aniakchak NM	8. Gates of the Arctic NP	14. Kenai Fjords NP	20. Sitka NHP
3. Aniakchak NPres	9. Gates of the Arctic NPres	15. Klondike Gold Rush NHP	21. Wrangell-Saint Elias NP
4. Bering Land Bridge NPres	10. Glacier Bay NP	16. Kobuk Valley NP	22. Wrangell-Saint Elias NPres
5. Cape Krusenstern NM	11. Glacier Bay NPres	17. Lake Clark NP	23. Yukon-Charley Rivers NPres
6. Denali NP	12. Katmai NP	18. Lake Clark NPres	

INTERMOUNTAIN REGION

24. Alibates Flint Quarries NM	44. Chickasaw NRA	65. Grant-Kohrs Ranch NHS	85. Petroglyph NM
25. Amistad NRA	45. Chiricahua NM	66. Great Sand Dunes NP	86. Pipe Spring NM
26. Arches NP	46. Colorado NM	67. Great Sand Dunes NPres	87. Rainbow Bridge NM
27. Aztec Ruins NM	47. Coronado NMem	68. Guadalupe Mountains NP	88. Rio Grande Wild & Scenic River
28. Bandelier NM	48. Curecanti NRA	69. Hohokam Pima NM	89. Rocky Mountain NP
29. Bent's Old Fort NHS	49. Devils Tower NM	70. Hovenweep NM	90. Saguaro NP
30. Big Bend NP	50. Dinosaur NM	71. Hubbell Trading Post NHS	91. Salinas Pueblo Missions NM
31. Big Thicket NPres	51. El Malpais NM	72. John D Rockefeller Jr. Memorial Parkway	92. San Antonio Missions NHP
32. Bighorn Canyon NRA	52. El Morro NM	73. Lake Meredith NRA	93. Sunset Crater NM
33. Black Canyon of the Gunnison NP	53. Florissant Fossil Beds NM	74. Little Bighorn NM	94. Timpanogos Cave NM
34. Bryce Canyon NP	54. Fort Bowie NHS	75. Lyndon B Johnson NHP	95. Tonto NM
35. Canyon de Chelly NM	55. Fort Davis NHS	76. Mesa Verde NP	96. Tumacacori NHP
36. Canyonlands NP	56. Fort Laramie NHS	77. Montezuma Castle NM	97. Tuzigoot NM
37. Capitol Reef NP	57. Fort Union NM	78. Natural Bridges NM	98. Walnut Canyon NM
38. Capulin Volcano NM	58. Fossil Butte NM	79. Navajo NM	99. Washita Battlefield NHS
39. Carlsbad Caverns NP	59. Gila Cliff Dwellings NM	80. Organ Pipe Cactus NM	100. White Sands NM
40. Casa Grande Ruins NM	60. Glacier NP	81. Padre Island NS	101. Wupatki NM
41. Cedar Breaks NM	61. Glen Canyon NRA	82. Palo Alto Battlefield NHS	102. Yellowstone NP
42. Chaco Culture NHP	62. Golden Spike NHS	83. Pecos NHP	103. Yucca House NM
43. Chamizal NMem	63. Grand Canyon NP	84. Petrified Forest NP	104. Zion NP
	64. Grand Teton NP		

MIDWEST REGION

105. Agate Fossil Beds NM	120. George Washington Carver NM	133. Knife River Indian Village NHS	144. Pea Ridge NMP
106. Apostle Islands NL	121. Grand Portage NM	134. Lincoln Boyhood NMem	145. Perry's Victory & International Peace Memorial
107. Arkansas Post NMem	122. Harry S Truman NHS	135. Lincoln Home NHS	146. Pictured Rocks NL
108. Badlands NP	123. Herbert Hoover NHS	136. Little Rock Central High School NHS	147. Pipestone NM
109. Brown v. Board of Education NHS	124. Homestead National Monument of America	137. Minuteman Missile NHS	148. Saint Croix NSR
110. Buffalo NR	125. Hopewell Culture NHP	138. Mississippi National River & Rec Area	149. Scotts Bluff NM
111. Cuyahoga Valley NP	126. Hot Springs NP	139. Missouri National Rec River	150. Sleeping Bear Dunes NL
112. Dayton Aviation NHP	127. Indiana Dunes NL	140. Mount Rushmore NMem	151. Tallgrass Prairie NPres
113. Effigy Mounds NM	128. Isle Royale NP	141. Nicodemus NHS	152. Theodore Roosevelt NP
114. First Ladies NHS	129. James A Garfield NHS	142. Niobrara National Scenic Riverway	153. Ulysses S Grant NHS
115. Fort Larned NHS	130. Jefferson National Expansion Memorial	143. Ozark National Scenic Riverways	154. Voyageurs NP
116. Fort Scott NHS	131. Jewel Cave NM		155. William Howard Taft NHS
117. Fort Smith NHS	132. Keweenaw NHP		156. Wilson's Creek NB
118. Fort Union Trading Post NHS			157. Wind Cave NP
119. George Rogers Clark NHP			

NATIONAL CAPITAL REGION

158. Antietam NB	168. George Washington Memorial Parkway	176. Monocacy NB	187. Washington Monument
159. Arlington House	169. Greenbelt Park	177. National Capital Parks (Central & East)	188. White House
160. Catocin Mountain Park	170. Harpers Ferry NHP	178. National Mall	189. Wolf Trap National Park for the Performing Arts
161. Chesapeake & Ohio Canal NHP	171. Korean War Veterans Memorial	179. Pennsylvania Avenue NHS	
162. Clara Barton NHS	172. Lyndon B. Johnson Memorial Grove on the Potomac	180. Piscataway Park	
163. Constitution Gardens	173. Lincoln Memorial	181. Potomac Heritage NST	
164. Ford's Theatre NHS	174. Manassas NBP	182. Prince William Forest Park	
165. Fort Washington Park	175. Mary McLeod Bethune Council House NHS	183. Rock Creek Park	
166. Franklin D Roosevelt Memorial		184. Theodore Roosevelt Island	
167. Frederick Douglass NHS		185. Thomas Jefferson Memorial	
		186. Vietnam Veterans Memorial	

National Park System Units by Region

NORTHEAST REGION

190. Acadia NP	210. Federal Hall NMem	227. Hampton NHS	247. Saint Paul's Church NHS
191. Adams NHP	211. Fire Island NS	228. Home of FD Roosevelt NHS	248. Saint-Gaudens NHS
192. Allegheny Portage RR NHS	212. Flight 93 NMem	229. Hopewell Furnace NHS	249. Salem Maritime NHS
193. Appomattox Court House NHP	213. Fort McHenry NM & Historic Shrine	230. Independence NHP	250. Saratoga NHP
194. Assateague Island NS	214. Fort Necessity NB	231. John F Kennedy NHS	251. Saugus Iron Works NHS
195. Bluestone NSR	215. Fort Stanwix NM	232. Johnstown Flood NMem	252. Shenandoah NP
196. Booker T Washington NM	216. Frederick Law Olmsted NHS	233. Longfellow NHS	253. Springfield Armory NHS
197. Boston African American NHS	217. Fredericksburg/Spotsylvania Battlefield Mem	234. Lowell NHP	254. Statue of Liberty NM
198. Boston NHP	218. Friendship Hill NHS	235. Maggie L Walker NHS	255. Steamtown NHS
199. Boston Harbor Islands NRA	219. Gateway NRA	236. Marsh-Billings-Rockefeller NHP	256. Thaddeus Kosciuszko NMem
200. Cape Cod NS	220. Gauley River NRA	237. Martin Van Buren NHS	257. Theodore Roosevelt Birthplace NHS
201. Castle Clinton NM	221. General Grant NMem	238. Minute Man NHP	258. Theodore Roosevelt Inaugural NHS
202. Cedar Creek and Belle Grove NHP	222. George Washington Birthplace NM	239. Morristown NHP	259. Thomas Stone NHS
203. Colonial NHP	223. Gettysburg NMP	240. New Bedford Whaling NHP	260. Upper Delaware Scenic & Recreational River
204. Delaware NSR	224. Governor's Island NM	241. New River Gorge NR	261. Valley Forge NHP
205. Delaware Water Gap NRA	225. Great Egg Harbor Scenic and Recreational River	242. Petersburg NB	262. Vanderbilt Mansion NHS
206. Edgar Allan Poe NHS	226. Hamilton Grange NMem	243. Richmond NBP	263. Weir Farm NHS
207. Edison NHS		244. Roger Williams NMem	264. Women's Rights NHP
208. Eisenhower NHS		245. Sagamore Hill NHS	
209. Eleanor Roosevelt NHS		246. Saint Croix Island IHS	

PACIFIC WEST REGION

265. Big Hole NB	280. Great Basin NP	295. Manzanar NHS	309. Redwood NP
266. Cabrillo NM	281. Hagerman Fossil Beds NM	296. Minidoka Internment NM	310. Rosie the Riveter/ WWII Home Front NHP
267. Channel Islands NP	282. Haleakala NP	297. Mojave NPres	311. Ross Lake NRA
268. City of Rocks National Reserve	283. Hawaii Volcanoes NP	298. Mount Rainier NP	312. San Francisco Maritime NHP
269. Crater Lake NP	284. John Day Fossil Beds NM	299. Muir Woods NM	313. San Juan Island NHP
270. Craters of the Moon NM	285. John Muir NHS	300. National Park of American Samoa	314. Santa Monica Mountains NRA
271. Craters of the Moon NPres	286. Joshua Tree NP	301. Nez Perce NHP	315. Sequoia NP
272. Death Valley NP	287. Kalaupapa NHP	302. North Cascades NP	316. U.S.S. Arizona Memorial
273. Devils Postpile NM	288. Kaloko-Honokohau NHP	303. Olympic NP	317. War in the Pacific NHP
274. Ebey's Landing NH Reserve	289. Kings Canyon NP	304. Oregon Caves NM	318. Whiskeytown-Shasta-Trinity NRA
275. Eugene O'Neill NHS	290. Lake Chelan NRA	305. Pinnacles NM	319. Whitman Mission NHS
276. Fort Clatsop NMem	291. Lake Mead NRA	306. Point Reyes NS	320. Yosemite NP
277. Fort Point NHS	292. Lake Roosevelt NRA	307. Pu'uhonua o Honaunau NHP	
278. Fort Vancouver NHS	293. Lassen Volcanic NP	308. Puukohola Heiau NHS	
279. Golden Gate NRA	294. Lava Beds NM		

SOUTHEAST REGION

321. Abraham Lincoln Birthplace NHS	337. Chattahoochee River NRA	354. Great Smoky Mountains NP	371. Obed Wild & Scenic River
322. Andersonville NHS	338. Chickamauga and Chattanooga NMP	355. Guilford Courthouse NMP	372. Ocmulgee NM
323. Andrew Johnson NHS	339. Christiansted NHS	356. Gulf Islands NS	373. Poverty Point NM
324. Big Cypress NPres	340. Congaree NP	357. Horseshoe Bend NMP	374. Russell Cave NM
325. Big South Fork National River & Rec Area	341. Cowpens NB	358. Jean Lafitte NHP & Pres	375. Salt River Bay NHP & Ecological Preserve
326. Biscayne NP	342. Cumberland Gap NHP	359. Jimmy Carter NHS	376. San Juan NHS
327. Blue Ridge Parkway	343. Cumberland Island NS	360. Kennesaw Mountain NBP	377. Shiloh NMP
328. Brices Crossroads NBS	344. De Soto NMem	361. Kings Mountain NMP	378. Stones River NB
329. Buck Island Reef NM	345. Dry Tortugas NP	362. Little River Canyon National Preserve	379. Timucuan Ecological & Historic Preserve
330. Canaveral NS	346. Everglades NP	363. Mammoth Cave NP	380. Tupelo NB
331. Cane River Creole NHP	347. Fort Caroline NMem	364. Martin Luther King, Jr. NHS	381. Tuskegee Airmen NHS
332. Cape Hatteras NS	348. Fort Donelson NB	365. Moores Creek NB	382. Tuskegee Institute NHS
333. Cape Lookout NS	349. Fort Frederica NM	366. Natchez NHP	383. Vicksburg NMP
334. Carl Sandburg Home NHS	350. Fort Matanzas NM	367. Natchez Trace NST	384. Virgin Islands Coral Reef NM
335. Castillo de San Marcos NM	351. Fort Pulaski NM	368. Natchez Trace Pkwy	385. Virgin Islands NP
336. Charles Pickney NHS	352. Fort Raleigh NHS	369. New Orleans Jazz NHP	386. Wright Brothers NM
	353. Fort Sumter NM	370. Ninety Six NHS	

WASHINGTON OFFICE

387. Appalachian NST	IHS	International Historic Site	NL	National Lakeshore	NRA	National Recreational Area
	NB	National Battlefield	NM	National Monument	NS	National Seashore
	NBP	National Battlefield Park	NMem	National Memorial	NSR	National Scenic River
	NBS	National Battlefield Site	NMP	National Military Park	NST	National Scenic Trail
	NHP	National Historical Park	NP	National Park	NW&SR	National Wild and Scenic River
	NHS	National Historic Site	NPres	National Preserve		
	NHT	National Historic Trail	NR	National River		



Propane-powered shuttle buses reduce traffic, air pollution, and noise in Zion National Park. The clean-running vehicles are part of a sustainable transportation system that includes pedestrian paths, outdoor exhibits, and an energy-efficient visitor center. PHOTO BY TOM HARADEN

Management Discussion and Analysis: NPS Performance Goals and Results

STRATEGIC GOALS AND RESULTS

The Government Performance and Results Act (GPRRA)¹ requires the National Park Service to have a strategic plan that includes a comprehensive statement of mission, as well as outcome-related goals and objectives to fulfill that mission. In FY 2004 the National Park Service updated its Strategic Plan to cover Fiscal Years 2004 to 2008.

National Park Service annual goals are published in the Annual Performance Plan (part of the NPS Budget), and actual performance is reported in the Department's *Annual Report on Performance and Accountability*², as well as in the NPS Budget Justification. In FY 2003 and FY 2004 the National Park Service updated its strategic plan goals as required by GPRRA. During this time, the National Park Service linked its strategic goals with the Strategic Plan goals of the U.S. Department of the Interior (DOI). This process required the NPS to adopt additional goals and to modify some

existing goals to more closely link with DOI strategic goals whenever practical.

The National Park Service strategic goals fully comply with OMB's definition of "performance goals" as stated in Circular A-11, July, 2004: "A target level of performance at a specified time or period expressed as a tangible, measurable outcome, against which actual achievement can be compared, including a goal expressed as a quantitative standard, value, or rate. A performance goal is comprised of a performance measure with targets and time frames The distinction between *long-term* and *annual* refers to the relative time frames for achievement of the goals."

The mission goals of the NPS fall into four mission-related categories: (I.) Preserve Park Resources, (II.) Provide for the Public Enjoyment and Visitor Experience of Parks, (III.) Strengthen and Preserve Natural and Cultural Resources, and Enhance Recreational Opportunities Managed by

Relation of National Park Service Mission Goals to U.S. Department of the Interior Strategic Plan

NPS Mission Goal	Relevance to U.S. Department of the Interior Strategic Plan	
	DOI Strategic Mission Goal	DOI Outcome Goal
1. Preserve Park Resources	1. Resource Protection	<ul style="list-style-type: none"> ■ Improve Health of Watersheds and Landscapes ■ Sustain Biological Communities ■ Protect Cultural and Heritage Resources
2. Provide for Public Enjoyment and Visitor Experience of Parks	2. Recreation	<ul style="list-style-type: none"> ■ Improve Access to Recreation ■ Ensure Quality of Recreation ■ Receive and Provide Fair Value in Recreation
	3. Serving Communities	<ul style="list-style-type: none"> ■ Protect Lives, Resources, and Property
3. Strengthen and Preserve Natural and Cultural Resources, and Enhance Recreational Opportunities Managed By Partners	2. Recreation	<ul style="list-style-type: none"> ■ Improve Access to Recreation ■ Ensure Quality of Recreation ■ Receive and Provide Fair Value in Recreation
	3. Serving Communities	<ul style="list-style-type: none"> ■ Protect Lives, Resources, and Property
4. Reimbursable Activity and Other	4. Reimbursable Activity and Other	<ul style="list-style-type: none"> ■ Meet the spirit and intent of the Economy Act.

¹ GPRRA was passed in 1993 to improve operational efficiency and effectiveness by requiring agencies to define their mission goals and identify long- and short-term program goals through strategic planning, and to measure and evaluate program accomplishments through annual performance reports to the American people.

² Refer to the DOI Annual Report on Performance and Accountability for a comprehensive accounting of NPS performance against goals for FY 2004.

Partners, and (IV.) Reimbursable Activity and Other. Each of these mission goals relates to a strategic goal of the Department of the Interior. In this Management Discussion and Analysis, four annual performance goals were selected to highlight the NPS accomplishments for FY 2004.

I. Preserve Park Resources

This goal category reflects the National Park Service commitment to preserve, restore, and maintain natural and cultural resources and associated values in good condition, as well as to manage such resources within their broader ecosystem and cultural context. Long-term goals include the preservation, restoration, or maintenance of ecosystems, rare plant and animal populations, archeological and ethnographic resources, world heritage sites, historic structures and objects, and subsistence activities relevant to the purpose and significance of the site.

In addition to the goals that directly address preserving the resource, this goal category also includes goals supporting National Park Service contributions to scholarly and scientific research about the nature and condition of the resource. The National Park Service has fundamental information requirements to support sound decisions about managing natural and cultural resources within the National Park System. Two performance goals were selected to highlight the accomplishments in preserving natural and cultural resources. Total costs incurred in FY 2004 for these were approximately \$769 million.

Ia1. Disturbed Lands/Exotic Plant

Species: This goal addresses resource conditions in parks and includes restoration of lands impacted by former uses and

containment of invasive plant species. Long-term and annual goals were established based on past performance trends and known or anticipated appropriations. As conditions warrant, the targets are revised.

While part of the same goal, performance measures are different for disturbed lands and exotic vegetation. By FY 2008 the National Park Service intends to restore 5 percent of the targeted acres of parkland disturbed by development or agriculture as of 2003, or 21,850 of 437,150 acres. The long-term goal for FY 2008 for exotic vegetation is to contain exotic vegetation on 9.6 percent of targeted acres of parkland, or 250,000 of 2.6 million acres.

The National Park Service projected that, by the end of FY 2004, it would restore 2 percent of the 235,000 acres of lands disturbed from earlier development, or 4,700 acres. Parks estimated they would spend \$16.6 million to accomplish this restoration work. Actual accomplishment is estimated to be 4,500 acres of disturbed lands restored, or 1.96 percent of the lands disturbed from earlier development, based on estimated data. Final data will not be available until the end of the first quarter of FY 2005. The NPS does not expect to meet the FY 2004 target when all data are available and validated.

The National Park Service also projected that it would restore 1.5 percent (41,500 acres) of nearly 2.6 million acres of lands impacted by exotic plant species. Parks estimated that they would spend \$25.5 million on exotic vegetation containment. Actual accomplishment is estimated to be 80,000 acres of impacted lands restored, or 3.1 percent of the projection, based on estimated data. Final data will not be available, verified, and validated until the

Goal Ia1. Restore Parklands Impacted by Former Uses and That Contain Invasive Plants										
Target	Measure	FY 2000 Performance	FY 2001 Performance	FY 2002 Performance	FY 2003 Performance	New Base: Targeted Acres	FY 2004 Goal		Estimated FY 2004 Performance	
							Number	% of Base	Number	% of Base
Disturbed Parklands	Acres Restored	1,030	7,500 (Base Year)	1,065	4,960	235,000	4,700	2.0%	4,500	1.96%
Exotic Vegetation	Acres Restored	50,631	33,300 (Base Year)	71,700	162,480	2,600,000	41,500	1.5%	80,000	3.10%

end of the first quarter of FY 2005. The NPS expects to exceed the FY 2004 target.

The National Park Service can report only estimated data at this time, and has high confidence in the accuracy of those estimates. Statistical estimation was used to develop the estimated performance based on past performance trends and funding levels for FY 2004.

la5. Historic Structures: The objective of this goal is to increase the number of historic structures contained on the List of Classified Structures (LCS) that are in “good” condition. Historic and prehistoric structures commemorating important people, events, and cultures of our national heritage provide the basis for the creation and operation of 235 of 387 units of the National Park System. Maintaining these structures in good condition protects our national heritage, meets the requirements of the National Historic Preservation Act, and contributes to the cultural resource integrity of the National Park System.

The List of Classified Structures is the primary database containing condition information on park historic structures. Structures on the LCS are on, or are eligible for, the National Register of Historic Places, or are otherwise treated as cultural resources. The condition of historic structures is listed as good, fair, and poor. Good condition indicates that the structure and its significant features need only routine repairs or cyclic maintenance (i.e., once every three years). Historic structures not in good condition may experience permanent loss of historic fabric. That is, architectural elements that contribute to the historic nature of the structure may be lost. Such loss impairs the historical

integrity of the structures. The long-term goal for FY 2008 is to have 47 percent of the historic structures on the current LCS in good condition. Performance for the goal has remained nearly level for many years. Typically, easily-improved structures have already been brought to good condition, while structures newly added to the inventory tend to be in less-than-good condition, obscuring improvements. Maintaining structures in good condition is an expensive process, leaving few fiscal resources for improving the condition of other structures.

In 2002, 11,946 structures were identified in good condition, whereas in 2003, 11,753 structures were reported as being in good condition. This apparent deterioration of historic structure condition was due primarily to the transfer of 517 structures from NPS management to the Presidio Trust, of which 86 percent were in good condition. In addition, 159 structures were added to the LCS, making a net change to the LCS database of 358 structures less than in FY 2002. This effectively reduced the baseline by which the performance is measured, significantly reduced the number of structures in good condition, and increased the number of structures in poor, fair, and unknown condition.

The National Park Service projected that 45 percent of structures with condition information listed on the LCS at the end of FY 2004 would be in good condition. Parks estimated that they would spend \$151 million to reach this goal. There are 26,585 structures with condition information listed on the List of Classified Structures at the end of FY 2004. Actual performance for FY 2004 indicates that the NPS met its projected performance. The number of

Goal la5. Increase Number of Historic Structures on LCS That Are in Good Condition

Target	Measure	FY 2000 Performance	FY 2001 Performance	FY 2002 Performance	FY 2003 Performance	Base: Number of LCS Structures	FY 2004 Goal		FY 2004 Performance	
							Number	% of Base	Number	% of Base
Structures On the Current Year List of Classified Structures	Structures in Good Condition	43.6% (10,659 of 24,225 base)	44% (11,535 of 26,223 base)	44.5% (11,946 of 26,859 base)	44% (11,753 of 26,859 base)	26,531 (planned) 26,585 (actual)	11,938	45%	12,102	45.5%

structures on the LCS in good condition was 12,102 or 45.5 percent.

II. Provide for the Public Enjoyment and Visitor Experience of Parks

The objectives in this goal category are inclusive of the mandate in the NPS Organic Act (1916) “. . . to provide for the enjoyment of the (resources) in such manner and by such means as will leave them unimpaired for the enjoyment of future generations.” The goal category includes all National Park Service goals for visitor satisfaction, enjoyment, safety, appreciation, and understanding.

These goals include the broad range of visitor experiences in the parks. The NPS estimates it will receive a 3.1 percent increase in recreation visits (274 million) in 2004. Enjoyment of the parks and their resources is a fundamental part of the visitor experience. Visitor enjoyment and safety are affected by the quality of park programs, facilities, and services, whether provided by the National Park Service, a concessioner, or a contractor.

Visitors’ park experiences grow from enjoying the park and its resources to understanding why the park exists and the significance of those resources. Satisfactory visitor experiences build public support for preserving this country’s heritage and help develop a better understanding of the diversity of experiences and people that build a nation.

Serving visitors requires that the National Park Service maintain a physical inventory containing approximately 18,982 buildings, 543 campgrounds with more than 14,805 sites, 12,194 paved and unpaved road miles, more than 4,800 housing units, and more than 1,300 utility systems. These and all other NPS facilities must be maintained at an operational level that ensures safe use

by the visitor and continued protection, preservation, and serviceability of the facilities. Total costs incurred in FY 2004 for goals II and III were approximately \$1.5 billion for the “recreation mission” and approximately \$.5 billion for the “serving communities mission.”

Ila1. Visitor Satisfaction: While many factors affect visitor use and enjoyment, this goal focuses on providing the facilities, services, and recreational opportunities for visitor use, comfort, and enjoyment. Servicewide baseline and performance information is derived from the Visitor Services Project annual surveys. Facilities, services, and recreational opportunities identified by visitors as “good” and “very good” define “satisfied.” The long-term goal for FY 2008 is to maintain the 95 percent level of park visitor satisfaction with appropriate park facilities, services, and recreational opportunities. This goal was determined based on past performance trends and will be reevaluated if the current trend in visitor satisfaction continues. The NPS expects to exceed the projected FY 2004 results for annual survey of visitor satisfaction for a 96 percent satisfaction rate Servicewide based on a statistical evaluation of existing data and past performance. Parks estimated they would spend \$514 million to maintain parks in a condition visitors would consider “good” or “very good.”

III. Strengthen and Preserve Natural and Cultural Resources, and Enhance Recreational Opportunities Managed by Partners

This goal category focuses on the many partnership programs legislated under the National Historic Preservation Act, the Historic Sites Act, the Land and Water Conservation Fund Act, the Wild and Scenic Rivers Act, and others. Natural and cultural resources include properties

Goal Ila1. Park Visitors Are Satisfied With Their National Park Experience

Target	Measure	FY 2000 Performance	FY 2001 Performance	FY 2002 Performance	Performance		
					FY 2003 Performance	FY 2004 Goal	Estimated FY 2004 Performance
Visitor Satisfaction	Percent of Visitors Surveyed Who Rank Park Facilities, Services, and Recreational Opportunities as “Very Good” or “Good”	95%	95%	95%	96%	95%	96%

listed on the National Register of Historic Places, wild and scenic rivers, national trails, national landmarks, and heritage and recreation areas.

These goals address the results of a broad range of programs that assist partners to preserve our natural and cultural, and recreational resources. These programs encompass formal partnership programs with more than 60 other federal agencies, 59 states and territories, more than 1,000 local governments, more than 300 Indian tribes, foreign governments, private organizations, friends groups, academic institutions, and the general public. These goals include increasing the number of significant historic, archeological, and natural properties that are protected and improving customer satisfaction with NPS technical assistance.

Some goals relate only to recreational opportunities external to the National Park System through the provision of conservation assistance for adding miles of trails and rivers, and acres of parks and open space, to meet America’s outdoor recreation needs, and through improving community satisfaction with NPS partnership assistance.

In addition to assisting others develop recreational resources, the NPS also ensures that transferred federal lands or land purchased by federal dollars for recreational purposes continue to serve their role for improving the recreational opportunities available. One performance goal was selected to represent the accomplishments in this goal category. Total costs incurred in FY 2004 for goals II and III were approximately \$1.5 billion for the “recreation mission” and approximately \$.5 billion for the “serving communities mission.”

IIIb1. Conservation Assistance: This goal tracks results of NPS technical assistance to states, communities, and nonprofit organizations to protect additional resources and to provide increased local recreational opportunities through financial and technical assistance, as well as coordination of federal assistance.

By supporting the development of more resources such as trails, rivers, and open spaces for the American people, the NPS and its partners enhance the visitor experience and increase recreational opportunities. The long-term goal for FY 2008, working from the baseline established in 1997, is to conserve an additional 13,730 miles of trails, 8,910 miles of protected river corridors, and 1,114,300 acres of parks and open space with NPS partnership assistance. Both the long-term and annual goals are established based on past performance trends and known appropriation levels.

Based on preliminary information provided by state and local partners, the NPS expects to report that nearly 10,033 miles of trails have been added, 5,390 miles of river corridor have been added, and 889,759 acres of parks and open space have been added to the 1997 baseline. Based on DOI guidelines for determining goal status, which allows for a +-5 percent margin for success, NPS goals are met. The difference between actual and planned number of acres added was 1.4 percent, which falls in the +-5 percent margin for success.

VERIFICATION AND VALIDATION OF PERFORMANCE MEASURES

To manage performance in a dispersed organization, current and reliable information must be readily accessible across the organization. The National

Goal IIIb1. Protect Conservation Areas and Provide Recreational Opportunities Through Assistance to State and Local Government and Nonprofit Groups

Target	Measure	FY 2000 Performance	FY 2001 Performance	FY 2002 Performance	Performance		
					FY 2003 Performance	FY 2004 Goal	Estimated FY 2004 Performance
National Recreation and Preservation Areas	Added to NPS Since 1997:						
	Miles of Trails	4,343	6,465	7,704	9,140	9,450	10,033
	Miles of River Corridor	2,540	3,172	4,058	5,050	5,370	5,390
	Acres of Park and Open Space	655,551	726,900	782,710	846,282	902,700	889,759

Fifty American flags surround the Washington Monument, representing the 50 states of the nation.

PHOTO © RUSS FINLEY/FINLEY-HOLIDAY FILMS



Park Service provides quality control, verification, and validation of all data through the application of several methods.

- A technical guidance manual was developed to improve the reliability of performance data, and to clarify definitions and the applicability of the goals. Technical guidance is updated yearly to ensure that the best reporting guidance reaches the field, where much of the performance information is gathered.
- Each region has assigned at least one employee as the Regional Performance Management Coordinator, who reports to the Regional Director, to assure that parks and programs are complying with the process.
- Each region has identified Regional Goal Contacts (regional subject matter experts) for each Servicewide goal. The Regional Goal Contacts provide verification and validation of the performance data at the Region level. National subject matter experts perform similar duties at the Servicewide level.
- These goal contacts are tasked with the job of managing their assigned goals, including identifying issues with consistency, assuring reporting by all parks with that particular resource, and identifying additional problems

and solutions that will improve the verification and validation of data across the service.

- Senior Executive Service (SES) employees have individual employee performance standards that directly address the quality of the data reported.

IMPROPER PAYMENTS INFORMATION ACT OF 2002 (IPIA)

Narrative Summary of Implementation Efforts for FY 2004

The National Park Service identified the types of payments it makes and evaluated the risks of those payments being erroneous, improper, or otherwise incorrect. The National Park Service used the same criteria for improper payments as defined in the Improper Payments Information Act and Office of Management and Budget guidance. The NPS then assessed the risk of each type of payment for improper payments and applied that risk to its programs, using the same program criteria used by all Department of the Interior Bureaus. The risk assessment showed that eight programs (representing 89 percent of NPS expenditures) had a low risk for improper payments, and the remaining three programs had a moderate risk, but that existing controls and processes would prevent or detect such payments.

In addition to the risk assessment described, the NPS also participated in a DOI-wide functional review of payments. The results of that review confirmed the risk assessment's results (i.e., that the NPS payments are not at a high risk for improper payments). The NPS therefore concluded that it had adequate controls and processes to prevent improper payments.

There is a positive management control environment at the NPS that values ethical behavior and recognizes the importance of internal controls. It has developed policies, procedures, and systems that are designed to prevent improper payments. There are structured controls at the park level that include separation of purchasing, receiving, and recording duties, expenditure reviews, and account reconciliations. Every non-grant and non-travel payment is fully audited for correctness at the central finance office. There is an active program of internal program evaluations that include regional operations reviews, management assistance reviews, and financial specific internal control reviews. The National Park Service is subject to programmatic audits by the DOI Inspector General and the Government Accountability Office, as well as the annual financial statement audit. The National Park Service is also actively participating with a contractor to search for and recover any improper payments. The contractor has been given four years of payment information and unlimited access to the payment files to search for candidates for improper payments. This activity will continue for the next several years. The National Park Service has a number of policies and activities in place to prevent and detect improper payments, and an active program to search for and recover any that may have occurred.

PROGRESS TOWARDS PRESIDENT'S MANAGEMENT AGENDA/OMB SCORECARD

The National Park Service is committed to management excellence and believes that through effective management of resources it can increase the current level of visitor services while reducing operational shortfalls. The National Park Service has embraced the President's Management Agenda as a guide in order to achieve its goal of management excellence.

The NPS has made great strides in the strategic management of human capital and competitive sourcing, which is allowing the NPS to achieve its most efficient organization Servicewide. Complementing the change management improvements, the NPS is constantly looking for ways to improve financial management, accountability, and transparency of the agency, as well as integrating the NPS budget to performance accomplishments and Departmental and agency goals. Overarching all improvements is the NPS commitment to expanding electronic government applications at all levels of the organization, which is allowing the NPS be more productive and efficient.

National Park Service progress towards accomplishing the President's Management Agenda in FY 2004 is demonstrated by the improved OMB Scorecard ratings between October 2003 and May 2004. The Scorecard rating for Human Capital improved from 6.7 to 7.7; the rating for E-Government improved from 6.0 to 7.0; the rating for Competitive Sourcing improved from 9.8 to 10; the rating for Financial Management improved from 7.1 to 8.1; and the rating for Budget/Performance Integration improved from 6.8 to 7.0.



Ancestral Puebloan structures of the Square Tower Group at Hovenweep National Monument are remnants of a year-round settlement occupied 700 to 800 years ago by an agrarian society of as many as 500 people. The monument protects five prehistoric villages built on mesa tops and in canyons throughout a 20-mile area.

PHOTO BY NEAL HERBERT

Management Discussion and Analysis: Analysis of Financial Statements

LIMITATIONS OF FINANCIAL STATEMENTS

Responsibility for the integrity and objectivity of the financial information presented in the financial statements lies with National Park Service management. The financial statements and supplemental schedules included in this report reflect the financial position and results of operation of the NPS pursuant to the requirements of 31 U.S.C. 3515 (b). While these statements have been prepared from the books and records of the NPS in accordance with guidance provided by generally accepted accounting principles (GAAP) for federal entities and the formats prescribed by OMB, the statements are in addition to the 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 the NPS is an agency of the Executive Branch of the United States Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.

EXPENSES

As shown on the Consolidating Statement of Net Cost, the FY 2004 total cost of services provided for the year ending September 30, 2004, was \$2,923,011 thousand, an increase of \$136,273 thousand over the FY 2003 total for the year ended September 30, 2003, of \$2,786,738 thousand. The total increase in expenses in FY 2004 over FY 2003 can be attributed to the increase in appropriations received in FY 2004 over FY 2003 of approximately \$88,413 thousand. Appropriations increased as a result of cost of living increases and increases for deferred maintenance projects. The difference between the increase in expenses and the increase in appropriations is the result of incurring deferred maintenance and other costs on multi-year appropriations received in prior years. Under GPRA, strategic plans are to be revised and updated every three years. Accordingly, the NPS updated the GPRA in its strategic plan in FY 2004. As a result of this update, the NPS GPRA Goals applicable in FY 2001 through 2003 were replaced with three GPRA Mission Goals,

supported by eight Departmental-level End Outcome Goals. The FY 2004 Mission Goals are: Resource Protection, Resource Use, Recreation, Serving Communities, and Reimbursable Activity and Other. The FY 2003 data is reported according to the GPRA plan in effect for that year. Therefore, the earned revenue gross cost and net cost by program are not compared on the FY 2003 and FY 2004 Statements of Net Cost.

During the last quarter of FY 2004, many parks in the southeastern United States bore the wrath of several potent hurricanes. As a result, widespread damage was reported throughout the affected areas. Assessments of the damage are still being made, but the best current estimate indicates that replacement costs of damaged or destroyed assets are approximately \$25,140 thousand. In addition, approximately \$26,812 thousand worth of repair costs were incurred as direct result of the effects of the hurricanes. A supplemental congressional appropriation has been requested, and it is anticipated that it should cover the bulk of the additional replacement and repair costs.

REVENUES

In general, NPS strategic goals are intended to be funded by general government funds derived from tax receipts and other sources. However, entrance fees and other collections are supporting an increasing number of NPS activities. Approximately \$280,673 thousand was earned in revenues derived from the public during FY 2004 for the year ending September 30, 2004. This represents an increase of \$19,267 thousand (7.4%) from FY 2003 revenues for the year ending September 30, 2003, of \$261,406 thousand. This increase is primarily due to an increase in reimbursable activity with the public.

ASSETS

The Consolidated Balance Sheet shows FY 2004 assets totaling \$19,637,006 thousand for the year ending September 30, 2004, an increase of \$614,312 thousand (3%) over FY 2003 assets totaling \$19,022,694 for the year ending September 30, 2003.

Exotic Plant Management Teams at Point Reyes National Seashore work to eradicate nonnative iceplant from the coastal-scrub ecosystem. Funded by the Natural Resource Challenge Program, Exotic Plant Management Teams assist parks in combating and controlling exotic plants by providing a highly trained mobile strike force of plant management specialists. NPS PHOTO



Fund Balance with Treasury of \$18,603,252 thousand and General Property, Plant and Equipment, net, of \$980,224 thousand comprise 99% of total NPS total assets for the year ended September 30, 2004. A significant portion of the Fund Balance with Treasury amounting to \$16,312,709 thousand is attributed to the restricted Land and Water and Historic Preservation Funds for the year ended September 30, 2004. An increase in the Land and Water and Historic Preservation Funds accounts for the bulk of the growth in the NPS Fund Balance with Treasury. General property, plant and equipment increased primarily due to an increase in construction work-in-progress projects. NPS reports values for General Property, Plant and Equipment exclusive of stewardship land and heritage buildings and structures. These stewardship and heritage assets are priceless; therefore, no identifiable financial value can be adequately represented on a numerically based balance sheet. Given this, no financial value is incorporated in the General Property, Plant and Equipment figure for them. An in-depth discussion of these assets is presented in the Required Supplementary Stewardship Information section of this report.

LIABILITIES AND NET POSITION

Total liabilities for FY 2004 of \$1,358,579 thousand as of September 30, 2004, are shown on the NPS Consolidated

Balance Sheet, representing an increase of approximately 113% over FY 2003 liabilities of \$636,872 thousand as of September 30, 2003. This increase is due to a change in accounting practice where the United States Park Police Pension Liability of approximately \$639.5 million is being reported by the NPS for the first time in FY 2004. This liability has two components, \$604.6 million of long-term actuarial and \$34.9 million representing the current portion. The current portion is presented as part of the accrued payroll and benefits to the public on the Consolidated Balance Sheet.

Federal agencies, by law, cannot make any payments unless Congress has appropriated funds. National Park Service "Funded Liabilities" are paid out of funds currently available to the agency. Unfunded liabilities of the NPS consist primarily of the United States Park Police Pension Plan, the Federal Employees Compensation Act (FECA) liability, unfunded annual leave, and legal and environmental contingent liabilities; which will be paid out funds made available to the agency in future years. However, under accounting concepts, these are considered to be liabilities in the current period.

Contingent liabilities reflect potential NPS responsibility for cleanup of contaminated

sites and legal claims brought against the agency. For financial statement purposes, National Park Service liability for environmental cleanup is limited to those sites where it is liable for remediation of the hazard (i.e., underground fuel tanks). There are also numerous sites, including abandoned mines and illegal waste dumps, where parties have caused contamination on lands managed by the NPS. Although such hazards do not constitute liabilities under federal accounting rules, the NPS will often, in its stewardship capacity, correct the environmental hazard. Wherever feasible the NPS will continue to initiate collection efforts against the responsible parties. The NPS has recognized \$7,513 and \$5,332 thousand for potential environmental cleanup liabilities and \$16,813 and \$8,755 thousand related to other claims and litigation for FY 2004 and 2003, respectively.

National Park Service net position at the end of FY 2004 on the Consolidated Balance Sheet and the Consolidated Statement of Changes in Net Position was \$18,278,427 thousand for September 30, 2004, a decrease of \$107,395 thousand over the FY 2003 amount of \$18,385,822 thousand. The NPS Net Position consists of two components: (1) Unexpended Appropriations of \$1,000,273 thousand, and (2) Cumulative Results of Operations of \$17,278,154 thousand.

RESULTS OF OPERATIONS

The Consolidated Statement of Changes in Net Position provides the accounting data that resulted in the change to the net position section of the Consolidated Balance Sheet since the beginning of the year. The most significant activity was the recording of the cumulative effect in the change of accounting practice in the amount of \$649.3 million for the United States Park Police Pension resulting in an adjusted beginning cumulative results of operation balance.

Appropriations received increased by approximately 5.5% or \$111,643 thousand during FY 2004 when compared to FY 2003. This is in line with expected increases to operating budgets due to payroll cost of living adjustments (COLA) and overall inflationary effects on recurring operating expenses. Appropriations used increased by \$136,727 or approximately 6.4% during

FY 2004 over FY 2003. This is in alignment with the overall increase in general operating expenses and construction expenditures.

The net transfers out without reimbursement increased by \$52,014 or 18.6% during FY 2004. This effect has been primarily attributed to a substantial decline in transfers required for fire suppression during FY 2004.

BUDGETARY RESOURCES

The NPS receives most of its funding from general government funds administered by the Treasury Department and appropriated for NPS use by Congress. Since budgetary accounting rules and financial accounting rules may recognize certain transactions and events at different points in time, appropriations used in any given period as reported on the Consolidated Statement of Changes in Net Position will not exactly match expenses for that period.

The Combined Statement of Budgetary Resources provides information on the budgetary resources that were made available to the NPS for the year and the status of those resources at the end of the fiscal year. Obligations of \$2,783,974 thousand and \$2,765,707 thousand were incurred in FY 2004 and FY 2003 on total budgetary resources of \$3,868,445 thousand and \$3,827,625 thousand for the years ending September 30, 2004, and 2003, respectively.



Washed out by Hurricane Ivan, a road on Santa Rosa Island is obscured by the sparkling white sands that usually attract many visitors to Gulf Islands National Seashore. Damage from hurricanes in FY 2004 affected 27 parks in 8 states and Puerto Rico. NPS PHOTO

Management Discussion and Analysis: Systems, Controls, Legal Compliances, and Future Effects

SYSTEMS, CONTROLS, AND LEGAL COMPLIANCES

The National Park Service periodically assesses its systems of management, administration, and financial controls in accordance with the standards, objectives, and guidelines prescribed by the Federal Management Financial Integrity Act (FMFIA) and the Office of Management and Budget. The objectives of these assessments are to ensure that:

- programs achieve their intended results.
- resources are used consistent with the agency mission.
- resources are protected from waste, fraud, and mismanagement.
- laws and regulations are followed.
- reliable and timely information is maintained, reported, and used for decision-making.

In performing these assessments, the NPS relies on the knowledge and experience that management gains from the daily operation of its programs and systems of accounting and administrative controls, and information obtained from sources such as management control assessments, OIG and GAO audits, program evaluations and studies, audits of financial statements, and performance plans and reports.

Based on the results of the FY 2004 assessment, the NPS Director concluded that the NPS system of management, administrative, and financial controls provides reasonable assurance that the objectives in the FMFIA have been achieved. Significant progress has been made towards the material weaknesses for the Oil/Hazmat Spill Response Program (identified in FY 2002) and the Structural Fire Program (identified in FY 2001). The existence of these material weaknesses does not prevent the NPS from providing reasonable assurance of the effectiveness of its management controls taken as a whole. Milestones in the corrective action plans for the Oil/Hazmat Spill Response Program and the Structural Fire Program are listed in the Material Weaknesses section.

Status of FY 2004 Management Control Reviews and OIG Audits

Forty-one management control reviews have been completed among four regions. Additional reviews have been initiated and remain incomplete. Reports of these reviews will appear in the NPS Annual Assurance Statement. The 41 completed assessments include 15 operational, 3 law enforcement, 9 environmental, 8 recreation fee, 2 safety, and 4 land and water management control reviews. In addition, 10 park/area financial/accountability reviews have been completed. All problems documented by these reviews are being addressed by park management.

An acquisition compliance review was completed at Grand Canyon National Park, resulting in the determination that contract operations were performed inadequately. The National Park Service has taken action to correct the deficiency and will continue to keep the DOI Office of Acquisition and Property Management informed of its progress.

The FY 2004 Departmental Functional Reviews (DFR) for property management were conducted, and the results reported to the DOI Office of Acquisition and Property Management on July 16, 2004.

Based on the results of the assessment, the NPS Property Management Program has improved significantly. This improvement is attributed to the use of the NPS Property Management website, seven web-based property management training courses, and park personnel taking the initiative to write standard operating procedures. The availability of the training courses affords all NPS personnel who are responsible for performing property management functions the opportunity to take on-line training and save thousands of dollars in travel and per diem costs.

Electronic surveys were conducted, and results indicated that most regional personnel are not conducting annual reviews at their park locations, and that all

Oakland Plantation at Cane River Creole National Historical Park offers visitors a glimpse of 200 years of history, including colonization, cotton agriculture, slavery, and French Creole architecture and culture.

PHOTO BY JESSICA SHELBY



property assets are not being entered into the Fixed Assets Subsystem (FAS) within five working days upon receipt of the assets. Based on the comments provided, the reason for the delay in entering property asset records into the FAS system is because property management is a collateral duty for most park employees.

In addition to the electronic surveys conducted, the DOI Office of Inspector General (OIG) conducted on-site reviews at the following parks: Acadia National Park, Jefferson National Expansion Memorial, and Golden Gate National Park. Although the OIG final report has not been issued, favorable results are expected. On a monthly basis, the Property Management Program Manager randomly requests supporting documentation from various parks and offices to validate entries made in the Fixed Assets Subsystem.

All survey results will be shared with each regional director, park superintendent, property manager, and other relevant personnel throughout the National Park Service. Regional property managers will review the comments and results of the FY 2004 surveys and ensure that the parks with deficiencies and problems are contacted and assistance provided, where applicable. Regional property managers will continue to be encouraged to utilize the

web-based Personal Property Performance Measurement Survey System more frequently to assess the effectiveness of the Regional Property Management Program.

The NPS will continue to emphasize (through personal property management information notices, the Property Management website, and training classes) that all property received must be entered into the FAS system within five working days upon receipt of assets, and that property management must be added as a critical element in the performance standards for all managers and personnel performing property management functions.

Status of Corrective Actions for FMFIA Material Weaknesses Targeted for Correction in FY 2004

A material weakness in the NPS Oil/Hazmat Materials Spill Response Program was identified in FY 2002. The corrective action plan, last updated in September 2004, identified actions taken to date. Details for the corrective action plan are listed below.

In July 2004 the National Park Service requested that the material weakness identified for the Structural Fire Program (originally identified in FY 2001) be downgraded from the list of material weaknesses reported in the Annual Performance and Accountability Report,

given the establishment of the corrective action plan and progress made toward its implementation. The NPS believes that the current program continues to implement adequate protection and safeguards for employees, visitors, structures, and their contents from the effects of fire as required by Director's Order 58. This does not imply that the important work of structural fire safety is complete. Identifying and correcting structural fire safety deficiencies is an ongoing process and will continue to be an NPS priority. A decision was made in October 2004 to downgrade the Structural Fire material weakness, pending receipt of funding to address this issue. Details for the corrective action plan are listed below.

The NPS is also a component of a Departmental material weakness in the Wireless Communications Program. The corrective action plan for this weakness exists under the direction of the Department's Office of Information Resources Management.

Material Weakness in the National Park Service Oil and Hazardous Materials Response Program

The following actions were identified as necessary to address oil and hazardous materials response in the National Park Service. All actions have been completed.

1. Immediate on-site corrective actions were taken where such actions could be implemented at little or no cost during the oil and HAZMAT system survey (e.g., placarding and labeling in accordance with applicable regulations).
2. Where corrective actions required significant expenditures (e.g., replacement of antiquated oil and HAZMAT distribution systems), EMP prioritized the funding of these requests.
3. The Response Program Lead position has been transferred by Director's memorandum to the Associate Director of Natural Resource Stewardship and Science so that a properly executed, written, full delegation of authority to establish and implement a bureauwide emergency hazardous materials response program consistent with existing and prevailing law can be formally developed and executed.

4. It was ensured that routine environmental audits at all NPS units have comprehensive oil and HAZMAT operations provisions incorporated into the audit protocols so that each park has appropriate management mechanisms in place to ensure that all aspects of its oil and HAZMAT operations are in compliance with all U.S. Environmental Protection Agency and U.S. Coast Guard regulations.
5. First-year follow-up assessments of high-risk park compliance of fuel transfer, storage, and handling operations were conducted.

Material Weakness in the National Park Service Structural Fire Response Program

The material weakness statement of October 2002 identified five steps to be taken to address the structural fire problem in the National Park Service. The NPS prepared a request in July 2004 to downgrade this material weakness due to progress made on corrective actions.

1. **Establish minimum structural fire safety requirements throughout the National Park System.** Director's Order 58, issued in 2000 and renewed in 2004, adopts the structural fire codes and standards of the National Fire Protection Association (NFPA) as the Servicewide minimum standard for fire protection. Through a 2001 memo, the Director also mandated regional directors to implement six steps to increase the structural fire safety in parks. Reference Manual 58 (RM-58), which provides additional field guidance, was issued in 2004 and distributed to the parks. The Structural Fire Advisory Group met and assisted in developing a long-term program, budget direction, and oversight. This advisory group continues to conduct quarterly teleconferences. A joint meeting of this group and the regional structural fire management officers is planned for November 2004.
2. **Provide for a fire safety risk assessment at each unit of the park.** Fire Protection Condition Assessments (FPCAs) have been made a part of the concessions contract renewal process at major park concession operations. This will not only identify potential fire and

life safety deficiencies, but provide that they be corrected on a planned basis throughout the life of the contract. The FPCA will also be made a portion of the Comprehensive Condition Assessment (CCA) of the Facility Management Software System (FMSS). This will assure that work orders are developed for deficiencies identified during the inspections of the buildings and provide a means of tracking accomplishments. The CCA is planned as a repetitive process, assuring a thorough inspection of facilities on a recurring basis. The annual fire inspection will be integrated into the FMSS system.

3. **Develop and implement a plan for correcting the identified needs and deficiencies in a timely manner.** The inclusion of the FPCA as a part of the concessions contract renewal process allows for a planned and scheduled correction of the deficiencies in concessions facilities. The inclusion of the FPCA and the annual fire inspection of NPS structures into FMSS provides a means of identifying and tracking deficiencies, as well as the generation of work orders as a programmatic means of correcting identified deficiencies. Reports generated from FMSS will be used to track which deficiencies have been corrected, what remains to be done, and the amount of approximate costs.
4. **Establish a process for ensuring that all new construction and major rehabilitation projects are reviewed for compliance with generally accepted fire codes by qualified personnel.** A memo requiring review of all design and construction projects by qualified personnel to assure that they meet compliance with the NFPA codes was issued to the Regional Directors and the Director of the Denver Service Center by the Associate Director of Visitor and Resource Protection on April 14, 2004. This memo also required that any new or modified fire alarm or sprinkler systems undergo NFPA-compliant acceptance testing before commissioning.
5. **Provide the employee training needed to accomplish these four tasks.** Suppression skills courses continued to be offered for those parks that maintain

their own brigades. Courses provided include basic firefighter and driver operator. Courses planned include basic firefighter, driver operator, and fire officer. Additional courses are scheduled for fall of 2004. A basic sprinkler system inspection, testing, and maintenance course (ITM) meeting NFPA 25 requirements was developed and presented with the cooperation of Aiken Technical College in Aiken, South Carolina. Additional ITM courses, and a course on the basics of fire alarm systems meeting NFPA 72 requirements, are scheduled for fall of 2004.

Status of Corrective Actions for FY 2003 Audited Financial Statement Issues

In FY 2003 the National Park Service Director concluded that the NPS was not in substantial compliance with applicable federal accounting standards based on the results of the independent audit of NPS financial statements conducted by KPMG LLP. Also, the NPS did not substantially comply with federal financial management systems requirements specified in OMB's Circular A-130, "Management of Federal Information Resources," and did not fully comply with or meet the objectives of Sections 4 of the FMFIA and OMB Circular A-127, due to material weaknesses in information system security controls throughout the Department. Lastly, it was recognized that the NPS's deferred maintenance tracking and stewardship reporting was not in compliance with federal accounting standards.

Progress continues in the areas of information system security controls and deferred maintenance accounting. A summary of the corrective action plan results for FY 2004 follows.

National Park Service Information Technology General Control Environment

In order to improve the entity-wide security system, strengthen access controls, update system software standards, indicate segregation of responsibilities, and approve and test continuity of operations plans, the following actions were targeted for completion by December 31, 2005. Several actions have already been completed.

1. Entity-wide Security

- The IDEAS security plan and risk assessment was finalized.

- The NPS obtained a certification and accreditation (C&A) on all of its major applications and general support systems except for one, which has an Interim Authority to Operate (IATO). The general support system with the IATO will receive a full accreditation based on DOI guidelines by December 31, 2005.
- Office of Personnel Management forms and procedures are used to initiate background check for new employees during new employee orientation.
- Work to complete documentation of the NPS Incident Response capability based on the draft DOI guidance will be completed by January 31, 2005.
- The NPS Computer Security Incident Response Team (CSIRT) is comprised of the Bureau and Regional IT Security Managers and key subject matter experts. Team members are trained in incident response and are prepared to assist local IT support staff within their respective region or office. Incident reporting and response, including the definitions of an incident, incident severity and reporting requirements, and roles and responsibilities are published on *InsideNPS*, found on the OCIO web page under IT Security. The NPS has draft incident response procedures, which will be finalized by January 31, 2005.

2. Access Controls

- Resource classification was completed during the asset valuation process.
- The NPS Personal Password Policy was revised on June 14, 2004. This policy describes the required complex password used to authenticate an identity or to verify access authorization.

3. System Software

- A Configuration Management Board was established to set policy and standards for system software.

4. Segregation of Responsibilities

- Development and documentation of responsibilities that should be segregated was originally scheduled to be completed by June 1, 2004; however, it was delayed until November 15, 2004. The NPS is in the process of identifying personnel who have IT security management duties and responsibilities, and also perform system and network administration duties or program software applications

and system administrations functions. Regions are working closely with the Bureau IT Security Manager to examine alternative controls, such as moving some security management responsibilities to a different organizational level if separation of duties at some locations is not cost effective. Where separation of duties is not feasible, the NPS will identify the lack of separation of duties in the security plans and formally accept the risk associated with the lack of separation of duties.

5. Service Continuity

- The Accounting Operations Center (AOC) and the National Information Service Center (NISC) finalized and implemented the Continuity of Operations Plans (COOP).
- AOC is waiting until the end of December 2004 to test COOP concurrently with the Contingency Plan (CP) being developed for AOC. The NPS will try to minimize any possible impact on AOC staff by testing during the Christmas week.
- The NISC included a business impact analysis in their COOP. The CP and CP test plan are complete and were delivered on July 15, 2004. A business impact analysis (BIA) was not conducted for IDEAS application specifically, but there was a BIA done for the Denver network, which included IDEAS.
- Contracts to develop contingency plans (CP) were written for 30 NPS sites for completion by December 30, 2004.

National Park Service Deferred Maintenance Accounting

The condition assessment process and the completion of condition assessments at all parks needed to be completed in order to accurately determine the deferred maintenance amounts. The following actions are included in the FY 2004 portion of the corrective action plan:

1. **Continue annual inventory and condition assessments for all units except Yellowstone NP, Gateway NRA, Appalachian National Scenic Trail, and Golden Gate NRA.**
 - All facility inventories have been updated in the Facility Management Software System (FMSS).

- By October 1, 2004, the NPS completed 95 percent of the annual condition assessments.
 - All identified facility deficiencies have been estimated by utilizing the cost estimating software system and entered into FMSS.
2. **Incorporation of all other occupied facilities into the asset inventory (concessioners, partners, etc.).**
 - All facility inventories were updated in FMSS.
 - By October 1, 2004, the NPS completed 100 percent of the high priority asset specification templates.
 3. **Incorporation of the inventory of critical systems on 100 percent of high-priority industry standard assets, utilizing a phased two-year approach ending in FY 2005.**
 - All Chiefs of Maintenance and Park Account Managers have completed the Asset Life Cycle Management on-line training program.
 - By October 1, 2004, 71 percent of the high priority industry standard assets were inventoried and documented.
 4. **Continue comprehensive assessments including evaluations of the nine parks with the largest inventory (Yellowstone NP, Golden Gate NRA, and Appalachian National Scenic Trail).**
 - By October 1, 2004, these nine parks had a complete baseline comprehensive assessment on their industry asset standards.
 5. **Perform analysis of work types based on data from comprehensive condition assessments from the first five of the nine parks with the largest inventory.**
 - By October 1, 2004, the necessary data had been collected.
 - The project is on track to have analysis completed by the target date of January 31, 2005. By this date, the results of the analysis will be made available and an implementation plan will have been developed to address component renewal requirements for the NPS.
 6. **Development of facility maintenance and operations performance measures.**
 - By October 1, 2004, facility performance measures had been developed.
 - The measures will be piloted on high priority building assets during FY 2005.
 7. **Update the Asset Priority Index (API) for all assets and develop training module for park management staff for more consistent application of the criteria.**
 - The pilot program was completed.
 - The pilot program results and recommendations were presented to Quality Review Board.
 - Revisions and decisions were presented to National Leadership Council.
 - An API website was created.
 - The API training curriculum was developed.
 - Park management staff completed the API training program.
 - As of October 1, 2004, the NPS had revised the API for seven percent of its assets. The completion date for having the API revised for all NPS assets has been changed from September 2004 to December 31, 2004.
 8. **Implement plan to reduce the deferred maintenance backlog.**
 - Projects submitted for funding from facility maintenance and construction programs in December 2003 included a Facility Condition Index (FCI) and an API.
 - By October 1, 2004, the Five Year Deferred Maintenance Project submission for FY 2006 contained both FCI and API data.

FUTURE EFFECTS OF EXISTING, CURRENTLY KNOWN DEMANDS, RISKS, UNCERTAINTIES, EVENTS, CONDITIONS, AND TRENDS

In FY 2004 the National Park Service continued the ongoing effort to prioritize its projects and operations in response to the constrained federal budget. Efforts to assess the condition of facilities and roads, to reduce the deferred maintenance backlog, and to inventory, monitor, and manage its natural resources remain high priorities. The Facilities Management Software System is now operating as a critical tool in the analysis of facility inventories and condition, and Facility Condition Indexes provide useful information on the relative condition of assets in need of maintenance or reha-

bilitation. In FY 2004 funding dedicated to deferred maintenance work totaled \$1,035 million, including funding dedicated to road maintenance and estimated fee receipts used for maintenance projects.

Maintenance funding needs must be managed within the context of continued concern over security, especially at icon parks and parks along international borders. Increasing absorptions of uncontrollable costs such as those related to benefits and pay; and external requirements related to Departmental initiatives regarding information technology systems also affected the limited resources of the National Park Service. Absorbing these costs reduces the ability of the NPS to prevent the deterioration of its infrastructure while meeting its mission goals. As funding to replace retiring personnel is diverted to cover other cost increases, financial pressure is likely to negatively affect basic park operations and services.

The National Park Service has participated in national efforts to improve homeland security over the past several years—at significant cost. For example, construction funding has been diverted to security needs, as has operational funding in times such as “Code Orange” periods in FY 2003 or through salary costs of increased numbers of law enforcement personnel. New security enhancement projects are underway at the Statue of Liberty and Independence Hall, along with existing projects at the Washington Monument and other NPS units. The costs of the war in Iraq have further increased pressure on the entire NPS budget. The National Park Service continues to attempt to augment its law enforcement ranger and U.S. Park Police staff as needed; however, finding, recruiting, and training personnel with the necessary skills is a challenge that will continue as other federal agencies compete with the NPS for the limited number of available skilled personnel. Constrained funding levels and displacement of lower-priority needs by security-related staffing and projects are likely to continue in future years and to adversely affect park budgets.

Another factor likely to continue impacting park budgets is the cost of computer and telecommunication security improvements. As required by the Clinger-Cohen Act and the U.S. Federal Court decision against the

Department of the Interior in *Cobel v. Norton*, the NPS is participating in the Department’s efforts to incorporate security into its information and systems architecture. This approach requires that all systems meet criteria for security accreditation and certification. Also required is training for program managers and employees, better development, management, maintenance, and monitoring of systems, and improved equipment and software necessary to support business operations and prevent unauthorized access to information and systems. The cost of these efforts and other Departmentwide initiatives, such as the introduction of Activity-Based Cost Management systems and the development of the Financial and Business Management System (FBMS), are expected to continue to place a significant burden on the NPS budget. Other Departmental initiatives include the competitive sourcing effort, several E-Government initiatives, the introduction of performance budgeting, and increasingly stringent financial reporting requirements. These factors all create a significant increase in the workload and financial burden on administrative functions throughout the National Park Service.

At a time when much of the National Park Service workforce is approaching retirement and funding constraints prevent significant increases in FTEs, successful human capital management remains critical to the ongoing effectiveness of the NPS organization. In FY 2004 National Park Service leadership approved the first comprehensive Workforce Plan addressing the entire NPS workforce, including volunteers, partners, concessioners, and contract workers. This was the first automated plan in the Department of the Interior and is available on the NPS intranet. The National Park Service also established a Recruitment Futures workgroup as the foundation for a comprehensive and collective effort to improve the NPS diversity profile, reflecting significant progress in the NPS diversity program. A work plan was established, and outreach efforts to improve diversity at all levels in the organization are fully supported by NPS leadership.

Much damage was done to National Park Service facilities and roads by Hurricanes Alex, Charlie, Frances, Ivan, and Jeanne during FY 2004, especially in parks of the NPS Southeast Region. At Gulf Islands National Seashore, Hurricane Ivan damaged

A debris field deposited by Hurricane Ivan lies outside park headquarters at Gulf Islands National Seashore. NPS PHOTO



the Weir Ship Island pier and boardwalk, washed away miles of road in the Perdido Key and Santa Rosa areas, and completely flooded buildings in the Fort Pickens and Naval Live Oaks areas. Hurricanes Frances and Ivan caused considerable harm to roads, trails, and dams, and destroyed a contact station and other facilities at the Blue Ridge Parkway. Overall, damage was caused at 27 parks in 8 states and Puerto Rico by hurricanes in FY 2004.

The “Emergency Supplemental Appropriations for Hurricane Disasters Assistance Act,” including \$50.8 million in damage repair funds for the NPS, was enacted as part of the FY 2005 Military Construction Act (P.L. 108-324), signed by the President on October 13.

Managing both staff and funding issues related to external requirements, while making progress in the areas of NPS infrastructure repair and natural resource management deficiencies, will continue to challenge NPS leadership in the years ahead. Increases in the cost of operating the National Park System such as increases in rental rates for NPS buildings, increases in utilities costs, and federal employee pay raises—all in large part absorbed by parks, programs, and offices, rather than directly funded—continue

to place strain upon the financial resources, and therefore the effectiveness, of the NPS organization. The National Park Service will continue to strive to fulfill its mission to provide recreation and preserve resources despite these challenges.

FINANCIAL MANAGEMENT CONTROLS AND ASSERTION

Federal Managers’ Financial Integrity Act (FMFIA)

The Federal Managers’ Financial Integrity Act (FMFIA) requires agencies to provide annually a statement of assurance regarding management controls and financial systems. Agency financial management controls and systems, taken as a whole, provide reasonable assurance that its accounting systems comply with appropriate federal requirements. This conclusion is based on the review and consideration of a wide variety of evaluations, internal analyses, reconciliations, reports, and other information, including quality assurance evaluations, Government Accountability Office and Office of Inspector General audits, and an independent public accountants opinion on our financial statements and reports on our internal control structure and compliance with laws and regulations.

**FMFIA Assurance Statement
Fiscal Year 2004**

On the basis of the National Park Service's comprehensive management control program, I am pleased to certify, with reasonable assurance, that the NPS's systems of accounting and internal controls are in compliance with the internal control objectives in OMB Circular A-123, Management Accountability and Control. I also believe these same systems of accounting and internal controls provide reasonable assurance that the Agency is in compliance with the provisions of the Federal Managers' Financial Integrity Act.



C. Bruce Sheaffer
Comptroller, Assistant Director



A researcher is framed by the formidable entrance to Deep Fall Cave in Great Basin National Park, where wild cave inventory and management projects have been funded by the Natural Resource Challenge Program. PHOTO BY JASON MATELAK

Financial Statements

**Department of the Interior, National Park Service
Consolidated Balance Sheet as of September 30, 2004, and 2003
(dollars in thousands)**

ASSETS (Note 2)	2004	2003
Intragovernmental Assets:		
Fund Balance with Treasury (Note 3)	\$ 18,603,252	\$ 18,095,406
Investments, Net	65	65
Accounts and Interest Receivable, Net (Note 4)	17,490	14,240
Other		
Advances and Prepayments (Note 5)	5,487	6,469
Total Intragovernmental Assets:	18,626,294	18,116,180
Cash	394	384
Accounts and Interest Receivable, Net (Note 4)	13,702	6,691
Loans and Interest Receivable, Net (Note 6)	3,958	4,317
General Property, Plant, and Equipment, Net (Note 7)	980,224	880,327
Other		
Advances and Prepayments (Note 5)	12,434	14,795
TOTAL ASSETS	\$ 19,637,006	\$ 19,022,694
LIABILITIES (Note 8)		
Intragovernmental Liabilities:		
Accounts Payable (Note 9)	\$ 26,197	\$ 25,093
Other		
Accrued Payroll and Benefits	59,162	57,044
Advances and Deferred Revenue (Note 10)	4,145	5,690
Deferred Credits (Note 10)	10	3,846
Judgment Fund	2,433	2,007
Other Liabilities	2,024	5,765
Total Intragovernmental Liabilities	93,971	99,445
Accounts Payable (Note 9)	163,742	121,716
Federal Employees Compensation Act Liability (Note 12)	240,469	256,635
Environmental Cleanup Costs (Note 13)	7,513	5,332
Other		
United States Park Police Pension Actuarial Liability (Note 11)	604,640	-
Accrued Payroll and Benefits	162,268	107,413
Advances and Deferred Revenue (Note 10)	13,351	9,119
Deferred Credits (Note 10)	2,070	1,138
Contingent Liabilities (Note 13)	16,813	8,755
Other Liabilities	53,742	27,319
TOTAL LIABILITIES	\$ 1,358,579	\$ 636,872
Commitments and Contingencies (Notes 13, 15, and 23)		
NET POSITION		
Unexpended Appropriations	1,000,273	983,029
Cumulative Results of Operations	17,278,154	17,402,793
TOTAL NET POSITION	18,278,427	18,385,822
TOTAL LIABILITIES AND NET POSITION	\$ 19,637,006	\$ 19,022,694

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

Department of the Interior, National Park Service
Consolidated Statement of Net Cost
For the Year Ended September 30, 2004
(dollars in thousands)

Resource Protection Mission	
Cost - Services Provided	\$ 796,191
Revenue Earned	(61,615)
Net Cost of Operations	734,576
Recreation Mission	
Cost - Services Provided	1,537,864
Revenue Earned	(198,313)
Net Cost of Operations	1,339,551
Serving Communities Mission	
Cost - Services Provided	510,381
Revenue Earned	(7,238)
Net Cost of Operations	503,143
Reimbursable Activity and Other	
Cost - Services Provided	78,575
Revenue Earned	(78,475)
Net Cost of Operations	100
TOTAL	
Cost - Services Provided	2,923,011
Revenue Earned	(345,641)
Net Cost of Operations (Note 14)	<u>\$ 2,577,370</u>

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

Department of the Interior, National Park Service
Consolidated Statement of Net Cost
For the Year Ended September 30, 2003
(dollars in thousands)

Strengthen and Preserve Natural and Cultural Resources and Enhance Recreational Opportunities Managed by Partners	
Cost - Services Provided	\$ 352,293
Revenue Earned	(13,981)
Net Cost of Operations	338,312
Preserve Park Resources	
Cost - Services Provided	937,028
Revenue Earned	(148,106)
Net Cost of Operations	788,922
Provide for the Public Enjoyment and Visitor Experience of Parks	
Cost - Services Provided	1,497,417
Revenue Earned	(173,325)
Net Cost of Operations	1,324,092
TOTAL	
Cost - Services Provided	2,786,738
Revenue Earned	(335,412)
Net Cost of Operations (Note 14)	<u>\$ 2,451,326</u>

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

**Department of the Interior, National Park Service
Consolidated Statement of Changes in Net Position
For the Years Ended September 30, 2004, and 2003
(dollars in thousands)**

	2004	2003
UNEXPENDED APPROPRIATIONS		
Beginning Balance	\$ 983,029	\$ 961,876
Budgetary Financing Sources:		
Appropriations Received, General Funds	2,154,954	2,043,311
Appropriations Transferred - In/Out	152,656	126,429
Appropriations - Used	(2,258,373)	(2,121,646)
Other Adjustments	(31,993)	(26,941)
Total Budgetary Financing Sources	17,244	21,153
Ending Balance - Unexpended Appropriations	<u>\$ 1,000,273</u>	<u>\$ 983,029</u>
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balances	\$ 17,402,793	\$ 16,822,223
Cumulative Effect of Change in Accounting Principle (Note 11)	(649,300)	-
Beginning Balances, as Adjusted	16,753,493	16,822,223
Budgetary Financing Sources:		
Appropriations - Used	2,258,373	2,121,646
Royalties Retained (Note 1.C)	1,054,996	1,049,817
Transfers - In/Out Without Reimbursement (Note 16)	(332,008)	(279,994)
Non-exchange Revenue:		
Donations and Forfeitures of Cash and Cash Equivalents	19,445	30,387
Other Budgetary Financing Sources and Adjustments (Note 17)	1,387	5,403
Other Financing Sources:		
Imputed Financing from Costs Absorbed by Others	98,007	87,966
Transfers - In/Out Without Reimbursement	1,770	8,431
Donations and Forfeitures of Property	61	8,240
TOTAL FINANCING SOURCES	\$ 3,102,031	\$ 3,031,896
NET COST OF OPERATIONS	(2,577,370)	(2,451,326)
ENDING BALANCE - CUMULATIVE RESULTS OF OPERATIONS	<u>\$ 17,278,154</u>	<u>\$ 17,402,793</u>

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

**Department of the Interior, National Park Service
 Combined Statement of Budgetary Resources
 For the Years Ended September 30, 2004, and 2003
 (dollars in thousands)**

	FY 2004 TOTAL BUDGETARY ACCOUNTS	FY 2003 TOTAL BUDGETARY ACCOUNTS
BUDGETARY RESOURCES		
Budget Authority:		
Appropriations Received	\$ 2,596,348	\$ 2,507,935
Net Transfers, Current Year Authority	31,087	41,412
Unobligated Balance:		
Beginning of Fiscal Year	1,061,916	1,154,050
Net Transfers, Unobligated Balance, Actual	18,426	-
Spending Authority From Offsetting Collections:		
Earned		
Collected	131,992	143,495
Receivable From Federal Sources	10,009	2,254
Change in Unfilled Customer Orders		
Advance Received	(1,160)	(30,781)
Without Advance From Federal Sources	29,459	9,308
Subtotal: Spending Authority From Offsetting Collections	170,300	124,276
Recoveries of Prior Year Obligations	25,349	24,480
Permanently Not Available	(34,981)	(24,528)
TOTAL BUDGETARY RESOURCES	<u>\$ 3,868,445</u>	<u>\$ 3,827,625</u>
STATUS OF BUDGETARY RESOURCES		
Obligations Incurred (Note 18):		
Direct	\$ 2,641,082	\$ 2,624,187
Reimbursable	142,892	141,520
Total Obligations Incurred	2,783,974	2,765,707
Unobligated Balance:		
Apportioned	1,057,856	1,034,643
Unobligated Balance Not Available (Note 18)	26,615	27,275
TOTAL STATUS OF BUDGETARY RESOURCES	<u>\$ 3,868,445</u>	<u>\$ 3,827,625</u>
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS		
Obligations Incurred	\$ 2,783,974	\$ 2,765,707
Obligated Balance, Net, Beginning of Fiscal Year	1,172,573	1,045,885
Obligated Balance, Net, End of Fiscal Year:		
Accounts Receivable	29,646	19,637
Unfilled Customer Orders From Federal Sources	99,274	69,815
Undelivered Orders	(1,075,383)	(1,085,152)
Accounts Payable	(233,292)	(176,873)
Less: Spending Authority Adjustments	(64,820)	(36,041)
OUTLAYS:		
Disbursements	2,711,972	2,602,978
Collections	(130,832)	(112,714)
Subtotal	2,581,140	2,490,264
Less: Offsetting Receipts (Note 19)	(202,578)	(189,910)
NET OUTLAYS	<u>\$ 2,378,562</u>	<u>\$ 2,300,354</u>

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

**Department of the Interior, National Park Service
Consolidated Statement of Financing
For the Years Ended September 30, 2004, and 2003
(dollars in thousands)**

	2004	2003
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary Resources Obligated:		
Obligations Incurred	\$ 2,783,974	\$ 2,765,707
Less: Spending Authority From Offsetting Collections/Adjustments	(195,649)	(148,756)
Obligations Net of Offsetting Collections and Adjustments	2,588,325	2,616,951
Less: Offsetting Receipts	(202,578)	(189,910)
Net Obligations	2,385,747	2,427,041
Other Resources:		
Donations and Forfeitures of Property	61	8,240
Transfers - In/Out Without Reimbursement	1,770	8,431
Imputed Financing From Costs Absorbed by Others	98,007	87,966
Net Other Resources Used to Finance Activities	99,838	104,637
TOTAL RESOURCES USED TO FINANCE ACTIVITIES	\$ 2,485,585	\$ 2,531,678
RESOURCES USED TO FINANCE ITEMS NOT PART OF NET COST OF OPERATIONS		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered But Not Yet Provided	42,087	(198,206)
Resources That Fund Expenses Recognized in Prior Periods	(254)	(4,489)
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations:		
Offsetting Receipts Not Part of the Net Cost of Operations	(963)	37
Resources That Finance the Acquisition of Assets	(178,217)	(167,933)
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Cost of Operations	1,882	5,403
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	(135,465)	(365,188)
TOTAL RESOURCES USED TO FINANCE NET COST OF OPERATIONS	\$ 2,350,120	\$ 2,166,490
COMPONENTS OF NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN CURRENT PERIOD		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability	6,322	2,800
Increase in Environmental and Disposal Liability	2,181	602
Other	14,505	46,414
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	23,008	49,816
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	78,321	76,216
Components of Net Cost of Operations Related to Transfer Accounts Where Budget or Proprietary Amounts are Reported by Other Federal Entities (Note 20)	125,694	158,783
Other	227	21
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	204,242	235,020
TOTAL COMPONENTS OF NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES	227,250	284,836
NET COST OF OPERATIONS	\$ 2,577,370	\$ 2,451,326

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

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Sol Duc Falls cascades through the lush temperate rainforest of Olympic National Park, designated a Biosphere Reserve in 1976 and a World Heritage Site in 1981. PHOTO BY BRYAN BELL

Notes to the Consolidated Financial Statements For the Years Ended September 30, 2004, and 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity. The National Park Service (NPS) is a bureau of the U.S. Department of the Interior (DOI), and is responsible for promoting and regulating designated areas within the National Park System. The NPS is also responsible for conserving the scenery, historic objects, and wildlife so that they may be enjoyed by future generations.

The Director of the National Park Service is responsible for administrative oversight and policy of the NPS, including authority over money and/or other budget authority made available to it.

In fulfilling its mission, the National Park Service administers a variety of funds:

■ **Land and Water Conservation and Historic Preservation Funds** - The Land and Water Conservation Fund (L&WCF) was enacted in 1964 (Public Law 88-578) to create and maintain a nationwide legacy of high quality recreation areas and facilities. The L&WCF Act established a funding source for both federal acquisition of authorized national park, conservation, and recreation areas, as well as grants to state and local governments to help them acquire, develop, and improve outdoor recreation areas. The Historic Preservation Fund (HPF), which was enacted in 1966 (Public Law 89-665), provides matching grants to encourage private and non-federal investment in historic preservation efforts nationwide, and assists state and local governments and American Indian tribes in expanding and accelerating their historic preservation activities nationwide. Historic Preservation Fund grants serve as a catalyst and “seed money” for preserving and protecting our nation’s irreplaceable heritage for this and future generations. Approximately \$900 million for the Land and Water Conservation Fund and \$150

million for the Historic Preservation Fund are transferred annually from the DOI’s Minerals Management Services to the NPS, the majority of which is royalties from Outer Continental Shelf oil deposits. The U.S. Congress also appropriated from the HPF receipt account to the respective expenditure accounts approximately \$75 million and \$70.8 million for FY 2004 and FY 2003, respectively. Each year amounts from the Land and Water Conservation Fund and Historic Preservation Fund are warranted to some of the bureaus within the Department of the Interior and the rest to the U.S. Department of Agriculture’s Forest Service Agency.

- **General/Appropriated Funds** - These funds include: (1) receipt accounts used to account for collections not dedicated to specific purposes, and (2) expenditure accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues. National Park Service principal general funds are:
- Operation of the NPS
 - National Recreation and Preservation
 - Construction
- **Trust Funds** - These funds are established to account for receipts held in trust for use in carrying out specific purposes and programs in accordance with an agreement or statute. National Park Service principal trust funds are:
- Cash Donations
 - Boyhood Home of Abraham Lincoln
 - Trust Fund Construction
 - Highway Maintenance and Construction
- **Deposit Funds** - These funds are established to account for receipts awaiting proper classification, or receipts held in escrow until ownership is established, when proper distribution can be made.

- **Special Funds** - These funds arise from receipts deposited into accounts established by the U.S. Department of Treasury (Treasury) that are earmarked by law for a specific purpose. They include both special receipt and special expenditure accounts. Funding for the first three of the receipt funds below must be appropriated by the United States Congress (Congress). Funding is immediately available upon receipt into the Treasury accounts for the two remaining special funds. National Park Service principal receipt funds are:

Special Funds

- Grants
- Land Acquisition and State Assistance
- Historic Preservation

Available Receipt Funds

- Recreational Fee Demonstration Program
- Operation and Maintenance of Quarters
- Park Concessions Franchise Fees

- **Special Account Funds** - As of September 30, 2004, the NPS had 71 concession agreements which contain provisions that provide for the establishment of escrow-type accounts to be used to develop, improve, and maintain visitor facilities. These “Special Account” funds are maintained in separate interest-bearing bank accounts of the concessioners. The concessioner periodically deposits a percentage of gross revenue in the account as provided in the concessioner agreement. While the funds may be disbursed only by approval of the concessioner and the park superintendent, they are normally intended, according to the contractual arrangements, to be used to improve or maintain the facilities used by the concessioner to provide services to visitors.

However, it is the opinion of the Solicitor of the Department of the Interior that:

“The funds contained in Concession Improvement Accounts . . . are owned by the concessioner and are not receipts of the United States. Expenditure of such funds by the concessioner are private expenditures, not governmental expenditures.”

Therefore, the balances, inflows, and outflows of these concessioner Special Accounts are not reflected in the consolidated financial statements of the NPS.

B. Basis of Accounting and Presentation.

These financial statements have been prepared to report the financial position, net cost, changes in net position, budgetary resources, and reconciliation of net costs to budgetary obligations of the NPS as required by the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. The consolidated/combined financial statements have been prepared from the books and records of the NPS in accordance with accounting principles generally accepted in the United States of America, the OMB, and NPS accounting policies, which are summarized in this note. These consolidated financial statements include all funds and accounts under the control of the NPS and allocations from other federal agency appropriations transferred to the NPS under specific legislative authority.

Intragovernmental assets and liabilities arise from transactions with other federal agencies. All significant intra-NPS transactions and balances have been eliminated from NPS consolidated balance sheets, statements of net cost, and statements of changes in net position. As provided by OMB Bulletin No. 01-09, as amended, the statements of budgetary resources were prepared on the combined basis; therefore, intra-NPS balances have not been eliminated from this statement.

These financial statements are different from the financial reports also prepared by the NPS pursuant to OMB directives, used to monitor and control NPS use of budgetary resources. 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 resources and legal authority to do so.

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 receipt or payment of cash. The budgetary accounting principles, alternately, are designed to recognize the obligation of funds according to legal requirements, which in many cases is prior to the occurrence of an accrual-based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of federal funds.

C. Revenues and Financing Sources.

The United States Constitution prescribes that no money may be expended by a federal agency unless and until funds have been made available by congressional appropriation. Thus, the existence of all financing sources is dependent upon congressional appropriation.

Financing Sources

Appropriations. The National Park Service receives the majority of its required funding to support its programs through appropriations authorized by Congress. The National Park Service receives annual, multi-year, and no-year appropriations that may be used, within statutory limits, for operating and capital expenditures. The NPS also receives transfers of appropriated and trust funds from other agencies to support various ongoing program requirements. The receipt and expenditure of such funding is reported on the Consolidated Statement of Changes in Net Position.

Imputed Financing Sources. In certain instances, operating costs of the NPS are paid out of funds appropriated to other federal agencies. For example, the Office of Personnel Management, by law, pays certain costs of retirement programs, and certain legal judgments against the NPS are paid from the Judgment Fund maintained by Treasury. When costs that are identifiable to the NPS and directly attributable to its operations are paid by other agencies, the NPS recognizes these amounts as operating expenses. In addition, the NPS recognizes an imputed financing source on the Consolidated Statement of Changes in Net Position to indicate the funding of NPS operations by other federal agencies.

Revenues

Exchange Revenue. The National Park Service classifies revenues as either exchange revenue or non-exchange revenue. Exchange revenues are those that derive from transactions in which both the government and the other party receive value, including park entrance fees and reimbursements for services performed for other federal agencies and the public. These revenues are presented on the NPS Consolidated Statement of Net Cost and serve to reduce the reported cost of operations. Reporting entities that provide goods and services to the public or another government entity should disclose specific information related to their pricing policies. We do not anticipate any losses under goods or services to occur.

Donated funds, reimbursements and grantor's requests, consistent with legislative authority, are available to the NPS when received. The National Park Service has legislative authority to collect revenues through user charges for a variety of activities that may or may not recover the full cost of the service. However, prices based on full cost in some activities would likely reduce the quantity of services sold; therefore, any difference between revenue currently earned, and projected revenue based on a full cost pricing model, would not provide an accurate indication of lost revenue.

Through special legislation, the NPS is authorized to establish/increase recreation use fees, which are not intended to recover the full cost of the service. The laws mandate the use of a portion of these fees collected from park visitors for the following:

- **Public Law 104-134** as amended gives the NPS authority through December 31, 2005, to allow all fee-collecting park sites to experiment with new or increased recreation fees. Parks participating in the demonstration program have until FY 2008 to spend at least 80 percent of the revenues collected at the site to help address unmet needs for visitor services, repairs and maintenance, and resource management. The remaining 20 percent can be spent at the discretion of the NPS. Recreation fees totaling \$130 million during FY 2004 and \$125 million during

FY 2003 were transferred to an available receipt account and allocated to the participating parks in accordance with authorizing legislation.

- **Public Law 105-391** gives the NPS permanent authority to spend 100 percent of revenues collected for Concession Franchise Fees. Parks collecting these revenues are authorized to use 80 percent of the collected revenues for concession-related expenditures. The remaining 20 percent can be spent at the discretion of the NPS. During FY 2004 and FY 2003, revenues collected for Concession Franchise Fees totaled \$27.6 million and \$25.5 million, respectively. Unlike the concession improvement accounts discussed in Note 1A, these franchise fees are reflected in the accompanying consolidated financial statements.

Non-Exchange Revenue. Non-exchange Revenues result from donations to the government and from the government's sovereign right to demand payment, including fines for violation of environmental laws. These revenues are not considered to reduce the cost of National Park Service operations and are reported on the Consolidated Statement of Changes in Net Position.

Royalties Retained. Royalties Retained include minerals receipts transferred to the National Park Service for the Land and Water Conservation Fund. These amounts are exchange revenue, but are presented on the Statement of Changes in Net Position in accordance with federal accounting standards.

D. Fund Balance with Treasury and Cash. National Park Service receipts and disbursements are processed by Treasury. Fund Balance with Treasury represents the unexpended balances of appropriation accounts, transfer accounts, deposit funds, and trust funds in NPS accounts which are available to pay current liabilities and to pay outstanding obligations, as well as funds restricted until future appropriations are received. Cash balances held outside of Treasury are imprest funds or petty cash, held by cashiers at NPS field units throughout the country. No cash is held in commercial bank accounts.

E. Accounts Receivable. Accounts receivable consist of amounts owed to the NPS by other federal agencies and the public. Accounts receivable typically arise from services provided on a reimbursable basis by the NPS to other government or non-government entities, or as a result of agreements with the NPS for remittance of fees from park concessioners. There are billed and unbilled accounts receivable amounts. Unbilled accounts receivable represent expenditures incurred by the NPS as a result of reimbursable agreements made with other entities that have yet to be notified of their indebtedness. Unbilled receivables are typically converted to billed receivables during the future operating period. Billed amounts represent those reimbursable NPS expenses for which the benefiting entities have been notified of their indebtedness. Amounts due from the public are stated net of an allowance amount for uncollectible accounts that is based on an analysis of outstanding receivable balances and past collection experiences. No allowance is established for intragovernmental receivables, as they are considered fully collectible from other federal agencies.

F. General Property, Plant, and Equipment. The National Park Service is authorized to purchase structures and equipment under a number of appropriations to facilitate the administration of the NPS, and to preserve natural and cultural resources. The NPS capitalizes real property (e.g., buildings, structures, and facilities), equipment, and internal use software with (1) an acquisition cost of at least \$100 thousand for real property, \$15 thousand for equipment, and \$100 thousand for internal use software; (2) an estimated useful life of two years or more; (3) no intention to be sold in the ordinary course of operation; and (4) the intention of being used. Before October 1, 2003, the NPS capitalized real property with an acquisition cost of at least \$500 thousand.

In accordance with the implementation guidance for Statement of Federal Financial Accounting Standard No. 6, the NPS recorded real property acquired on or before September 30, 1995, at estimated historical cost based on available historic supporting documents, current replacement

cost deflated to date of acquisition, and the cost of similar assets at the time of acquisition. The NPS capitalizes general property, plant, and equipment acquired after September 30, 1995, at acquisition cost. Assets transferred in from other federal entities are recorded at the gross cost less accumulated depreciation recorded by the transferring agency as of the date of transfer. Donated assets are recorded at the appraised value on date of donation.

All real property assets in service prior to FY 1996 are depreciated using the straight-line method over a useful life of 20 years. Assets placed in service during FY 1996 and thereafter are depreciated using the straight-line method where the useful life is based on four distinct asset classes. Fifteen-year property includes items such as roadside and trailside exhibits and markers, furnishings for historic structures, audiovisual installations, telephone distribution plants, and comparable assets used for two-way communication. Twenty-year property includes utility systems, sewage treatment facilities, non-permanent quarters, and other such assets. Residential property is buildings in which 80 percent or more is comprised of dwelling units (e.g., permanent quarters). These assets are depreciated over 27 years. Nonresidential property such as visitor centers, maintenance facilities, concessioner buildings, bridges, etc. is depreciated over 40 years.

Equipment is depreciated using the straight-line method. The useful life of equipment ranges from 5 to 25 years based on the Federal Supply Code. Software is depreciated over five years using the straight-line method. The National Park Service leases office space from the General Services Administration (GSA). The lease costs are comparable to commercial lease rates for similar properties.

The National Park Service has stewardship assets, such as land and nonmulti-use heritage assets (i.e., national monuments and cultural sites), that are not included on NPS financial statements in accordance with the accounting standards. For additional discussion of these stewardship assets, see the Required Supplementary Stewardship Section of this report.

G. Liabilities. Liabilities represent the amount of monies or other resources that are likely to be paid by the NPS as the result of a transaction or event that has already occurred. However, no liability can be paid by the NPS unless Congress and the President of the United States authorize payment through an appropriation. These statements include liabilities for which an appropriation has not been enacted, and thus are presented as liabilities not covered by budgetary resources, for there is no certainty that an appropriation will be enacted. Contingent liabilities are recorded in the accounting records when an event potentially leading to the recognition of a liability is probable, and the scope of the potential liability can be estimated. Management estimated accounts payable balances based on past history and current cost trends.

H. Environmental Cleanup Costs and Contingent Liabilities. The National Park Service is subject to loss contingencies pursuant to environmental laws and regulations that currently, and in the future, will require the NPS to take action to correct or ameliorate the effects on human health and the environment from releases of contaminants by the NPS or other parties. Contingencies may exist for various types of sites, including, but not limited to: (1) hazardous substance contaminated sites governed by the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA); (2) waste storage, treatment and disposal facilities governed by Subtitle-C of the Resource Conservation and Recovery Act (RCRA); (3) leaking underground storage tanks governed by Subtitle-I of RCRA; (4) proper closure and cleanup of solid waste landfills governed by Subtitle-D of RCRA; and (5) abandoned mining lands. When the government is not legally liable, but chooses to accept financial responsibility, the event is considered to be "Government Acknowledged." Government Acknowledged events are events that are of financial consequence to the federal government because it chooses to respond to the event. When the government accepts financial responsibility for cleanup, has an appropriation, and has begun incurring cleanup costs, then any unpaid amounts for work performed are included in accounts payable.

The amount of future cleanup cost to the NPS is subject to change due to these factors: (1) the unknown nature and extent of potential contamination; (2) the unknown timing and extent of the cleanup that may be required; (3) the determination of allocation of NPS liability vis-à-vis other responsible parties; (4) the extent to which such costs will be borne by or recovered from third parties; (5) inflation/deflation; (6) changes in cleanup technology; and (7) changes in applicable laws and regulations. While the NPS has provided for environmental obligations that are probable and reasonably estimatable, the amount of future costs is dependent on the results of activities in the period for which they are recognized. The NPS does not expect these costs to have a material effect on its consolidated financial position.

Changes in cleanup costs are developed in accordance with Departmental policy, which sets forth systematic processes for cost estimating and emphasizes development and retention of supporting documentation. Changes in cleanup cost estimates are based on progress made in, and revision of, the cleanup plans, assuming current technology, laws and regulations. There is no broad application of any particular inflation or deflation factors to prior estimates.

I. Personnel Compensation and Benefits. Accrued payroll and benefits represent salaries, wages, and benefits earned by employees, but not disbursed as of the last day of the fiscal year.

■ **Annual and Sick Leave Program.** Annual leave is accrued as it is earned by employees. The year-end annual leave is based on the amount of unused employee vacation time and current pay rates. Annual leave is disclosed as a liability not covered by budgetary resources because financing will be obtained from the then-current appropriations when used. The NPS expenses sick and other types of leave when used, but does not accrue the related costs because it is not earned and does not vest.

■ **Federal Employees Group Life Insurance (FEGLI) Program.** Most NPS employees are entitled to participate in the FEGLI Program. Participating employees can obtain “basic life” term

life insurance, with the employee paying two-thirds and the NPS paying one-third. Additional coverage is optional, to be paid fully by the employee. The basic life coverage may be continued into retirement if certain requirements are met. The Office of Personnel Management (OPM) administers this program and is responsible for the reporting of the basic life coverage. Because NPS contributions to the basic life coverage are fully allocated by OPM to the pre-retirement portion of coverage, the NPS has recognized the entire service cost of the post-retirement portion of basic life coverage as an Imputed Cost and Imputed Financing Source.

■ **Retirement Programs.** National Park Service employees participate in one of three retirement systems. National Park Service employees hired before January 1, 1984, participate in the Civil Service Retirement System (CSRS) to which the NPS makes matching contributions equal to seven percent of basic pay. The Federal Employee Retirement System (FERS) went into effect on January 1, 1987, pursuant to Public Law 99-335. Employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired before January 1, 1984, could have elected to either join FERS or remain in CSRS. A primary feature of FERS is that it offers a savings plan, to which the NPS automatically contributes one percent of pay and matches any employee contribution up to an additional four percent of pay. FERS employees can contribute up to 14 percent of their gross earnings to the plan. The National Park Service makes no matching contributions to the Thrift Savings Plan for CSRS employees. CSRS employees can contribute up to eight percent of their gross earnings to the plan. For employees hired since December 31, 1983, the NPS also contributes the employer’s matching share for social security.

The Office of Personnel Management is responsible for reporting the assets, accumulated plan benefits, and unfunded liabilities, if any, for the FERS and CSRS plans. The National Park Service recognized the full cost of providing future pension and other retirement benefits (ORB) for current employees on

the Statements of Net Cost as required by Statement of Federal Financial Accounting Standards (SFFAS) No. 5, *Accounting for Liabilities of the Federal Government*. Full cost includes pension and ORB contributions paid out of NPS appropriations and costs financed by OPM. The amount financed by OPM is recognized as an Imputed Financing Source on the Statement of Changes in Net Position. Reporting amounts such as plan assets, accumulated plan benefits, or unfunded liabilities, if any, is the responsibility of OPM.

National Park Service police officers hired on or before December 31, 1983, participate in the U.S. Park Police Pension Plan (the USPP Pension Plan) that is administered by the District of Columbia. This includes approximately 100 active and 600 retired police officers or their survivors. Each in-service member contributes seven percent of pay. The normal retirement benefit is 2.5 percent for each year of service up to 20 years, plus 3 percent for each year over 20, but no more than 80 percent in aggregate. Retirement is permitted after 20 years of Park Police service, but is mandatory by age 60. Annual benefits paid from the USPP Retirement System are funded on a pay-as-you-go basis.

The National Park Service reports and accounts for the pension liability and associated expense of the USPP Pension Plan in accordance with OMB guidance. National Park Service actuary estimates the government's future cost to provide benefits to current and future retirees using economic assumptions and historical cost information. The estimate is adjusted by the time value of money and the probability of having to pay benefits due to assumed decrements for mortality, morbidity, and terminations.

The actuarial liabilities are measured as of the first day of the year, with a "roll-forward," or projection to the end of the year, in accordance with SFFAS Interpretation Number 3, *Measurement Date for Pension and Retirement Health Care Liabilities*. The "roll-forward" considers all major factors that affect the measurement which occurred during the reporting year, including any raises, cost of

living allowances, and material changes in the number of participants.

J. Income Taxes. As an entity of the U.S. Government, the National Park Service is exempt from all income taxes imposed by any governing body, whether it is a federal, state, local, or foreign government, or a Commonwealth of the United States.

K. Use of Estimates. The preparation of consolidated financial statements requires management to make estimates and reasonable assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

NOTE 2. ASSETS

Assets of the National Park Service are designated in the following categories: entity, restricted, and non-entity. Entity assets are those currently available for use by the NPS. Restricted assets cannot be used until appropriated by Congress and primarily consist of the Land and Water Conservation Fund and Historic Preservation Fund.

National Park Service Assets, FY 2004
(dollars in thousands)

ASSETS	ENTITY UNRESTRICTED	ENTITY RESTRICTED	NON-ENTITY RESTRICTED	FY 2004
Intragovernmental Assets				
Fund Balance With Treasury	\$ 2,288,840	\$ 16,312,709	\$ 1,703	\$ 18,603,252
Investments	65	-	-	65
Accounts and Interest Receivable, Net	17,490	-	-	17,490
Other				
Advances and Prepayments	5,487	-	-	5,487
Total Intragovernmental Assets	\$ 2,311,882	\$ 16,312,709	\$ 1,703	\$ 18,626,294
Cash	394	-	-	394
Accounts and Interest Receivable, Net	13,504	-	198	13,702
Loans Receivable, Net	3,958	-	-	3,958
General Property, Plant, and Equipment, Net	980,224	-	-	980,224
Other				
Advances and Prepayments	12,434	-	-	12,434
TOTAL ASSETS	\$ 3,322,396	\$ 16,312,709	\$ 1,901	\$ 19,637,006

Non-entity assets are those assets held by the National Park Service, but not available to the NPS, and are assets that have been received or will be collected by the NPS, and that have been or will be subsequently transferred to Treasury. These amounts consist of certain recreation, entrance, and user fees collected at many of the parks. These fees are to be returned to Treasury following the end of each fiscal year, and therefore, are also reflected as a non-entity liability. All non-entity accounts receivable, when collected, are returned to Treasury and are stated net of allowances.

National Park Service Assets, FY 2003
(dollars in thousands)

ASSETS	ENTITY UNRESTRICTED	ENTITY RESTRICTED	NON-ENTITY RESTRICTED	FY 2003
Intragovernmental Assets				
Fund Balance With Treasury	\$ 2,268,467	\$ 15,821,391	\$ 5,548	\$ 18,095,406
Investments	65	-	-	65
Accounts and Interest Receivable, Net	14,240	-	-	14,240
Other				
Advances and Prepayments	6,469	-	-	6,469
Total Intragovernmental Assets	\$ 2,289,241	\$ 15,821,391	\$ 5,548	\$ 18,116,180
Cash	384	-	-	384
Accounts and Interest Receivable, Net	6,457	-	234	6,691
Loans Receivable, Net	4,317	-	-	4,317
General Property, Plant, and Equipment, Net	880,327	-	-	880,327
Other				
Advances and Prepayments	14,795	-	-	14,795
TOTAL ASSETS	\$ 3,195,521	\$ 15,821,391	\$ 5,782	\$ 19,022,694

NOTE 3. FUND BALANCE WITH TREASURY

Fund Balance with Treasury as of September 30, 2004, and 2003, by major category is as follows:

Fund Balance with Treasury (dollars in thousands)		
FUND BALANCES BY TYPE	FY 2004	FY 2003
Land and Water Conservation and Historic Preservation Fund	\$ 16,312,709	\$ 15,821,391
General Appropriated Funds	1,240,276	1,173,890
Special Funds	981,914	1,018,468
Trust Funds	63,148	73,622
Revolving Funds	1,390	1,390
Other Fund Types	3,815	6,645
TOTAL: FUND BALANCE WITH TREASURY BY FUND TYPE	\$ 18,603,252	\$ 18,095,406
STATUS OF FUND BALANCES	FY 2004	FY 2003
Unobligated Balance:		
Unavailable	\$ 16,343,503	\$ 15,856,346
Available	1,010,368	987,571
Obligated Balance Not Yet Disbursed	1,249,381	1,251,489
TOTAL: STATUS OF FUND BALANCE WITH TREASURY	\$ 18,603,252	\$ 18,095,406

Land and Water Conservation and Historic Preservation Fund balances are unavailable receipt accounts. General appropriated funds include funds for the operation of the National Park Service, construction, historic preservation, fire emergency, etc. Special funds are amounts appropriated from the Land and Water Conservation and Historic Preservation Funds for NPS use. Other fund types consist of Fee Demonstration, Maintenance of Quarters, Concession Franchise Funds, etc. Trust funds consist of Cash Donations, Boyhood Home of Abraham Lincoln, Trust Fund Construction, and Highway Maintenance and Construction.

The obligated and unobligated balances reported in the status of Fund Balance With Treasury table do not agree with the balances reported on the Combined Statement of Budgetary Resources because of the existence of various special and miscellaneous receipt funds that do not have budgetary authority over their fund balances.

NOTE 4. ACCOUNTS AND INTEREST RECEIVABLE, NET

Accounts Receivable as of the years ended September 30, 2004, and 2003, consists of monies owed to the NPS from other federal agencies and the public, as follows:

Accounts and Interest Receivable, Net (dollars in thousands)		
ACCOUNTS RECEIVABLE FROM FEDERAL AGENCIES	FY 2004	FY 2003
Current	\$ 76	\$ 3,396
1-180 Days Past Due	11	226
181-365 Days Past Due	3	113
More Than One Year Past Due	2	38
Total Billed Accounts Receivable - Federal	92	3,773
Unbilled Accounts Receivable	17,398	10,467
TOTAL ACCOUNTS RECEIVABLE - FEDERAL	\$ 17,490	\$ 14,240
ACCOUNTS RECEIVABLE FROM THE PUBLIC	FY 2004	FY 2003
Current	\$ 9,773	\$ 5,818
1-180 Days Past Due	1,355	382
181-365 Days Past Due	431	191
More Than One Year Past Due	221	64
Total Billed Accounts Receivable - Public	11,780	6,455
Unbilled Accounts Receivable	2,879	952
Unbilled Interest Receivable	1	1
Total Accounts Receivable - Public	14,660	7,408
Allowance for Doubtful Accounts	(958)	(717)
TOTAL ACCOUNTS RECEIVABLE - PUBLIC, NET OF ALLOWANCE	\$ 13,702	\$ 6,691
Change in Allowance for Bad Debts - Public		
Allowance for Doubtful Accounts, Beginning	717	804
Additions	241	-
Deletions	-	(87)
ALLOWANCE FOR BAD DEBTS, ENDING - PUBLIC	\$ 958	\$ 717

NOTE 5. ADVANCES AND PREPAYMENTS

Advances to Others as of September 30, 2004, and 2003, was comprised of amounts provided to the Department of the Interior components of \$4,583 thousand and \$3,957 thousand and other federal agencies of \$904 thousand and \$2,512 thousand, respectively. Advances to non-federal entities as of September 30, 2004, and 2003, were \$12,434 thousand and \$14,795 thousand, respectively.

Advances to non-federal entities as of the years ended September 30, 2004, and 2003, were comprised of the following:

Advances to Others (dollars in thousands)		
TYPE OF ADVANCE	FY 2004	FY 2003
Travel Advances	\$ 170	\$ 168
Grant Advances	12,264	14,627
TOTAL	\$ 12,434	\$ 14,795

The NPS policy is to disburse grants to states, territories, and Indian tribes to facilitate the accomplishment of its overall mission. The state grantee entities typically disburse funds to subrecipients to conduct specified activities.

NOTE 6. LOAN RECEIVABLE, NET

Pursuant to the Wolf Trap Farm Park Act (16 U.S.C. 284c(b)), the Wolf Trap Foundation for the Performing Arts (the Foundation) and the NPS amended their Cooperative Agreement to set up a repayment schedule of loan principal (the loan is non-interest bearing) to the Foundation totaling \$8,560 thousand authorized by the Act of November 28, 1990 (P.L. 101-636: 104 Stat. 4586). The loan principal is to be repaid to the NPS within 25 years from June 1, 1991, the date of the Amendment. The loan principal is repaid in equal annual installments of approximately \$360 thousand, except for the first three annual payments of \$215 thousand per year. Repayment of the loan principal may include a credit of up to \$60 thousand, annually, for public service tickets given to entities exempt from taxation pursuant to section 501(c)(3) of the Internal Revenue Code of 1986. In FY 2004 the NPS granted the full \$60 thousand credit to Wolf Trap. The monies that the NPS receives for repayment of this loan may be retained by the NPS until expended, in consultation with the Foundation, for the maintenance of structures, facilities, and equipment of the park. The remaining balance of this loan receivable is \$3,958 thousand and \$4,317 thousand as of September 30, 2004, and 2003, respectively.

NOTE 7. GENERAL PROPERTY, PLANT, & EQUIPMENT, NET

The National Park Service’s general property, plant, and equipment categories as of September 30, 2004, and 2003, with corresponding accumulated depreciation, are shown as follows:

**FY 2004 General Property, Plant, and Equipment, Net
(dollars in thousands)**

Category	Cost	Accumulated Depreciation	Net
Buildings	\$ 510,968	\$ (213,508)	\$ 297,460
Structures and Facilities	595,715	(275,737)	319,978
Construction-in-Progress - General	188,520	-	188,520
Equipment and Vehicles	360,209	(221,660)	138,549
Assets Under Capital Lease	28,000	(2,100)	25,900
Internal Use Software			
In Use	12,975	(3,158)	9,817
TOTAL	\$ 1,696,387	\$ (716,163)	\$ 980,224

**FY 2003 General Property, Plant, and Equipment, Net
(dollars in thousands)**

Category	Cost	Accumulated Depreciation	Net
Buildings	\$ 484,107	\$ (194,350)	\$ 289,757
Structures and Facilities	577,318	(247,475)	329,843
Construction-in-Progress - General	86,106	-	86,106
Equipment and Vehicles	341,226	(201,052)	140,174
Assets Under Capital Lease	28,000	(700)	27,300
Internal Use Software			
In Use	8,415	(1,268)	7,147
TOTAL	\$ 1,525,172	\$ (644,845)	\$ 880,327

NOTE 8. LIABILITIES

Liabilities covered by budgetary resources and liabilities not covered by budgetary resources are combined and presented together in the Balance Sheet. Liabilities covered by budgetary resources are funded liabilities to be paid with existing budgetary resources. Liabilities not covered by budgetary resources represent unfunded liabilities for which congressional action is needed before budgetary resources are provided to fund these liabilities. The NPS anticipates that the liabilities not covered by budgetary resources will be funded from future budgetary resources when required. The NPS receives budgetary resources for United States Park Police Pension Liability, unfunded payroll costs (billed portion of the Federal Employees Compensation Act), judgment fund, environmental cleanup costs, contingent liabilities, actuarial portion of the Federal Employees Compensation Act Liability, deferred credits, and other liabilities when they are needed for disbursement. The NPS receives budgetary resources for accrued annual leave when it is taken by employees. These categories as of September 30, 2004, and 2003, are detailed in the following tables:

FY 2004 Liabilities
(dollars in thousands)

LIABILITY	COVERED BY BUDGETARY RESOURCES	NOT COVERED BY BUDGETARY RESOURCES		TOTAL
	CURRENT	CURRENT	NON-CURRENT	FY 2004
Intragovernmental Liabilities:				
Accounts Payable	\$ 26,197	\$ -	\$ -	\$ 26,197
Other				
Accrued Payroll and Benefits	7,878	19,336	31,948	59,162
Advances and Deferred Revenue	4,145	-	-	4,145
Deferred Credits	-	10	-	10
Judgment Fund	-	-	2,433	2,433
Other Liabilities	-	2,024	-	2,024
Total Intragovernmental Liabilities	\$ 38,220	\$ 21,370	\$ 34,381	\$ 93,971
Public Liabilities:				
Accounts Payable	\$ 163,742	\$ -	\$ -	\$ 163,742
Federal Employees Compensation Act Liability	-	-	240,469	240,469
Environmental Cleanup Costs	-	-	7,513	7,513
Other				
United States Park Police Pension Actuarial Liability	\$ -	\$ -	\$ 604,640	\$ 604,640
Accrued Payroll and Benefits	41,414	34,860	85,994	162,268
Advances and Deferred Revenue	13,351	-	-	13,351
Contingent Liabilities	-	-	16,813	16,813
Deferred Credits	-	2,070	-	2,070
Other Liabilities	-	1,997	51,745	53,742
Total Public Liabilities	218,507	38,927	1,007,174	1,264,608
TOTAL LIABILITIES	\$ 256,727	\$ 60,297	\$1,041,555	\$1,358,579

FY 2003 Liabilities
(dollars in thousands)

LIABILITY	COVERED BY BUDGETARY RESOURCES	NOT COVERED BY BUDGETARY RESOURCES		TOTAL
	CURRENT	CURRENT	NON-CURRENT	FY 2003
Intragovernmental Liabilities:				
Accounts Payable	\$ 25,093	\$ -	\$ -	\$ 25,093
Other				
Accrued Payroll and Benefits	11,305	18,296	27,443	57,044
Advances and Deferred Revenue	5,690	-	-	5,690
Deferred Credits	-	3,846	-	3,846
Judgment Fund	-	-	2,007	2,007
Other Liabilities	-	5,765	-	5,765
Total Intragovernmental Liabilities	\$ 42,088	\$ 27,907	\$ 29,450	\$ 99,445
Public Liabilities:				
Accounts Payable	\$ 121,716	\$ -	\$ -	\$ 121,716
Federal Employees Compensation Act Liability	-	-	256,635	256,635
Environmental Cleanup Costs	-	-	5,332	5,332
Other				
Accrued Payroll and Benefits	27,741	-	79,672	107,413
Advances and Deferred Revenue	9,119	-	-	9,119
Contingent Liabilities	-	-	8,755	8,755
Deferred Credits	-	1,138	-	1,138
Other Liabilities	644	-	26,675	27,319
Total Public Liabilities	159,220	1,138	377,069	537,427
TOTAL LIABILITIES	\$ 201,308	\$ 29,045	\$ 406,519	\$ 636,872

NOTE 9. ACCOUNTS PAYABLE

The reported amounts for accounts payable include liabilities to other federal agencies and to the public. Amounts owed for goods and services received by the NPS total \$189,939 thousand and \$146,809 thousand, which include contract holdbacks of \$1,267 thousand and \$596 thousand at September 30, 2004, and 2003, respectively.

NOTE 10. ADVANCES, DEFERRED REVENUE, AND DEFERRED CREDITS

The reported amounts include advances to the NPS from other federal agencies and from the public for a total of \$19,576 thousand and \$19,793 thousand at September 30, 2004, and 2003, respectively. These advances are for the purchase of land with Title V monies, and reimbursable agreements for state-federal-academic partnerships in research and graduate education for the management of natural resources, and other programs.

NOTE 11. UNITED STATES PARK POLICE RETIREMENT SYSTEM LIABILITY AND EXPENSE

Effective on October 1, 2003, the NPS changed its method of accounting for its liability related to the U.S. Park Police Pension Plan (USPP Pension Plan). The National Park Service adopted OMB's guidance that requires the NPS to record a liability for the actuarial present value of the future benefits of the USPP Pension Plan. Previously, the NPS had not recognized a liability for the USPP Pension Plan, because the NPS is not the administrator of the USPP Pension Plan. As a result of the change in accounting for the USPP Pension Plan, the NPS adjusted net position as of October 1, 2003, by decreasing cumulative results of operations by approximately \$649,300 thousand.

In estimating the USPP Pension Plan liability and associated expense, the NPS actuary applies economic assumptions to historical cost information to estimate the government's future cost to provide benefits to current and future retirees. The estimate is adjusted by the time value of money and the probability of having to pay benefits due to assumed decrements for mortality, morbidity, and terminations. The following tables present the significant economic assumptions used to estimate the USPP Pension Plan Liability and associated expenses, and the change in the USPP Pension Plan Liability.

USPP Pension Plan Liability Factors

DESCRIPTION	FY 2004
Interest Rate	6.75%
Rate of Inflation	3.75%
Rate of Increases in Salary	4.25%

**USPP Pension Plan Liability Associated Expenses
(dollars in thousands)**

DESCRIPTION	FY 2004
Normal Cost	\$ 1,600
Interest Costs	41,500
Assumption Changes	\$ (25,305)
TOTAL PENSION EXPENSE	\$ 17,795

**Change in USPP Pension Plan Liability
(dollars in thousands)**

DESCRIPTION	FY 2004
Pension Liability at Beginning of Year	\$ 649,300
Pension Expense	17,795
Benefit Payments	\$ 27,595
LIABILITY AT END OF YEAR	\$ 639,500

Note: The long-term portion of the pension liability totaling \$604,640 thousand is presented separately on the balance sheet, and the short-term portion totaling \$34,860 thousand is presented as part of the accrued payroll and benefits to the public.

NOTE 12. FEDERAL EMPLOYEES COMPENSATION ACT LIABILITIES

The Federal Employees Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees insured on the job; employees who have incurred a work-related occupational disease; and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The FECA program is administered by the U.S. Department of Labor (DOL), which initially pays valid claims and unpaid billings, and subsequently seeks reimbursement from the NPS for the paid claims. Federal Employees Compensation Act liabilities include two portions: the first is the intragovernmental portion, amounting to \$48,340 thousand and \$45,739 thousand representing claims paid by DOL and billed to the NPS that remain unpaid at September 30, 2004, and 2003, respectively. This is based on actual claims paid by Labor, but not yet reimbursed by the NPS. The NPS reimburses Labor for the amount of the actual claims as funds are appropriated for this purpose. There is generally a two- or three-year time period between payment by Labor and reimbursement by Interior.

As a result, the NPS recognizes a liability for the actual claims paid by Labor and to be reimbursed by Interior. The second portion, the non-intragovernmental portion (actuarial FECA liability), amounted to \$240,469 thousand and \$256,635 thousand at September 30, 2004, and 2003, respectively. This portion represents the estimated liability for future workers' compensation benefits, including the expected liability for future workers' compensation benefits, including the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases. The liability is determined by the DOL annually, as of September 30, using a method that utilizes historical benefit payment patterns, wage inflation factors, medical inflation factors, and other variables. The projected annual payments are discounted to present value using OMB's economic assumptions for ten-year Treasury notes and bonds. To provide for the effects of inflation on the liability, wage 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 interest rate assumptions utilized for discounting were 3.84 percent in year one and 4.35 percent thereafter.

Labor also evaluated the estimated projections to ensure that the estimated future benefit payments are appropriate. The analysis included 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.

The Department of Labor calculated the estimated future benefit payments based on several assumptions. The interest rate assumptions utilized to discount the estimated future benefit payments to present value are 4.88 percent in year one and 5.24 percent thereafter. The wage inflation factors (Cost of Living Adjustments) and medical inflation factors (Consumer Price Index Medical Adjustments) used in the calculation are as follows:

Federal Employee Compensation Act (FECA) Wage Inflation Factors

Fiscal Year	Cost of Living Adjustments	Consumer Price Index Medical Adjustments
2005	2.03%	4.14%
2006	2.73%	3.96%
2007	2.40%	3.98%
2008	2.40%	3.99%
2009	2.40%	4.02%

NOTE 13. ENVIRONMENTAL CLEANUP COSTS AND CONTINGENT LIABILITIES

Environmental Cleanup Costs

The National Park Service has exercised due care to identify the presence or likely presence of environmental contamination. As a result of this due care process, the NPS has identified 200 sites within 80 park units potentially impacted by petroleum or other hazardous substance releases. At present, 74 of these sites are governed by the Resource Conservation and Recovery Act (RCRA), 92 are governed by the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), and 34 sites involve both RCRA and CERCLA. The National Park Service response activities to these identified sites include site characterization and sampling; risk assessment; removal of the contaminant source; treatment and/or containment of contaminated water and soil; and ongoing monitoring. There are no material changes in total estimated cleanup costs that are due to changes in law or technology. At this time, the National Park Service is unaware of any legacy waste located on property under its management. The majority of the sites requiring cleanup were contaminated by parties other than the NPS, such as other federal entities and external third parties, or the party who caused the contamination is unknown or in dispute. Several sites were contaminated before being designated as park land. Although the National Park Service did not cause the environmentally contaminated site, the NPS maintains a list of all such sites on NPS land and discloses the environmental cleanup costs for sites contaminated by others that the NPS plans to clean up, provided the costs are at least reasonably possible and estimable.

Contingent Liabilities

The National Park Service is a defendant in a number of lawsuits related to injuries, breach of contract, employee discrimination, and environmental suits where the plaintiff is seeking monetary damages. The National Park Service accrued for contingent liabilities that in the opinion of NPS management and legal counsel are probable of an adverse outcome. The NPS disclosed potential liabilities for contingent liabilities that, in the opinion of NPS management and legal counsel, have more than a remote likelihood of unfavorable outcome, but do not meet the criteria for liability recognition. In addition, there are a number of cases that have more than a remote likelihood of an unfavorable outcome where the potential liability cannot be estimated.

The following tables summarize the accrued and potential environmental cleanup costs and contingent liabilities.

Environmental and Contingent Liabilities Accrued (dollars in thousands)

LIABILITY	FY 2004	FY 2003
Estimated Environmental Cleanup Cost	\$ 7,513	\$ 5,332
Contingent Liabilities	16,813	8,755
TOTAL ENVIRONMENTAL AND CONTINGENT LIABILITIES ACCRUED	\$ 24,326	\$ 14,087

**Additional Potential Liabilities
(dollars in thousands)**

LIABILITY	FY 2004		FY 2003	
	LOWER END OF RANGE	UPPER END OF RANGE	LOWER END OF RANGE	UPPER END OF RANGE
Estimated Environmental Cleanup Cost	\$ 14,795	\$ 172,305	\$ 12,664	\$ 198,007
Contingent Liabilities	5,940	20,550	6,554	20,813
TOTAL ENVIRONMENTAL AND CONTINGENT POTENTIAL LIABILITIES	\$ 20,735	\$ 192,855	\$ 19,218	\$ 218,820

NOTE 14. NET COST (BY RESPONSIBILITY STATEMENT)

The Government Performance Results Act (GPRA) requires agencies to identify major strategic goals, and report performance and costs related to these goals. Under GPRA, strategic plans are to be revised and updated every three years. Accordingly, the National Park Service updated its strategic plan in FY 2004 and replaced the mission goals applicable in FY 2001 through 2003 with four new mission goals applicable in FY 2004 and thereafter. The FY 2004 mission goals and categories within each goal are summarized as follows:

1. Resource Protection
2. Recreation
3. Serving Communities
4. Reimbursable Activity and Other

OMB Bulletin No. 01-09 Form and Content of Agency Financial Statements requires that the presentation of the Statement of Net Cost align directly with the goals and outcomes identified in the strategic plan. Accordingly, the NPS has presented the earned revenues and costs in FY 2004 by the applicable mission goals and categories in the Department's FY 2004 Strategic Plan, and the earned revenues and gross costs for Fiscal Year 2003 by the applicable mission goals and categories in the Department's FY 2001 Strategic Plan. As a result, the FY 2004 Consolidated Statement of Net Cost is not comparable to the FY 2003 Consolidated Statement of Net Cost. Significant changes from FY 2003 to FY 2004 include the following:

- Costs and revenues associated with "Preserve Park Resources" in FY 2003 is primarily included in the Resource Protection Mission in FY 2004.
- Costs and revenues associated with "Provide for Public Enjoyment and Visitor Experience of Parks" and "Strengthen and Preserve Natural and Cultural Resources and Enhance Recreation Opportunities Managed by Partners" in FY 2003 are primarily included in the Recreation and Serving Communities Missions in FY 2004.
- Costs and revenues associated with reimbursable activity was moved to a separate program in FY 2004.

Intragovernmental costs represent the costs incurred to generate the related intragovernmental revenue. The National Park Service estimated intragovernmental costs as intragovernmental revenue plus an allocated portion of the retirement costs paid by OPM on behalf of the NPS that the National Park Service did not bill to intragovernmental customers.

The costs associated with acquiring, constructing, and renovating heritage assets were \$116,084 thousand and \$78,004 thousand for the years ended September 30, 2004, and 2003, respectively. The costs associated with acquiring and improving stewardship lands were \$86,520 thousand and \$98,204 thousand for the years ended September 30, 2004 and 2003, respectively. The tables on the following pages present NPS earned revenues, gross cost, and net cost of operations by program and by responsibility segment (dollars in thousands).

Department of the Interior, National Park Service, Public/Governmental Net Cost Disclosure for the Year Ended September 30, 2004 (dollars in thousands)

	NORTH- EAST REGION	SOUTH- EAST REGION	MID- WEST REGION	INTER- MOUNTAIN REGION	PACIFIC WEST REGION	ALASKA REGION	NATIONAL CAPITAL REGION	SUPPORT OFFICES	GRANTS PROGRAMS	TOTAL PROGRAMS
Resource Protection Mission										
Cost - Services Provided to the Public	\$ 148,293	\$ 123,488	\$ 92,731	\$ 161,935	\$ 144,644	\$ 49,677	\$ 49,334	\$ 18,189	\$ 0	\$ 788,291
Revenue Earned from the Public	(5,615)	(8,168)	(2,798)	(20,193)	(17,150)	(394)	(333)	(7)	(0)	(54,658)
Net Cost of Services to the Public	142,678	115,320	89,933	141,742	127,494	49,283	49,001	18,182	0	733,633
Cost - Services Provided to Federal Agencies	3,301	372	840	1,865	1,311	13	198	0	0	7,900
Revenue Earned from Federal Agencies	(2,790)	(337)	(765)	(1,706)	(1,173)	(11)	(175)	(0)	(0)	(6,957)
Net Cost of Services Provided to Federal Agencies	511	35	75	159	138	2	23	0	0	943
Net Cost of Operations	143,189	115,355	90,008	141,901	127,632	49,285	49,024	18,182	0	734,576
Recreation Mission										
Cost - Services Provided to the Public	234,296	169,200	134,540	281,644	261,387	49,910	122,807	36,327	232,727	1,522,838
Revenue Earned from the Public	(25,682)	(13,586)	(8,222)	(76,758)	(48,229)	(8,332)	(4,172)	(20)	(0)	(185,001)
Net Cost of Services to the Public	208,614	155,614	126,318	204,886	213,158	41,578	118,635	36,307	232,727	1,337,837
Cost - Services Provided to Federal Agencies	1,869	1,484	1,413	3,126	1,179	51	872	0	5,032	15,026
Revenue Earned from Federal Agencies	(1,610)	(1,281)	(1,219)	(2,697)	(1,018)	(44)	(753)	(0)	(4,690)	(13,312)
Net Cost of Services Provided to Federal Agencies	259	203	194	429	161	7	119	0	342	1,714
Net Cost of Operations	208,873	155,817	126,512	205,315	213,319	41,585	118,754	36,307	233,069	1,339,551
Serving Communities Mission										
Cost - Services Provided to the Public	78,684	64,171	48,591	100,695	127,042	20,859	37,257	27,982	0	505,281
Revenue Earned from the Public	(447)	(154)	(49)	(1,087)	(881)	(34)	(103)	(6)	(0)	(2,761)
Net Cost of Services to the Public	78,237	64,017	48,542	99,608	126,161	20,825	37,154	27,976	0	502,520
Cost - Services Provided to Federal Agencies	1,554	563	441	797	1,281	19	445	0	0	5,100
Revenue Earned from Federal Agencies	(1,364)	(494)	(387)	(699)	(1,125)	(17)	(391)	(0)	(0)	(4,477)
Net Cost of Services Provided to Federal Agencies	190	69	54	98	156	2	54	0	0	623
Net Cost of Operations	78,427	64,086	48,596	99,706	126,317	20,827	37,208	27,976	0	503,143
Reimbursable Activity and Other										
Cost - Services Provided to the Public	2,967	17,479	2,409	3,133	9,209	986	1,071	590	0	37,844
Revenue Earned from the Public	(3,117)	(16,810)	(2,063)	(2,556)	(10,690)	(707)	(1,265)	(1,045)	(0)	(38,253)
Net Cost of Services to the Public	(150)	669	346	577	(1,481)	279	(194)	(455)	0	(409)
Cost - Services Provided to Federal Agencies	4,801	3,352	1,666	5,058	13,688	1,371	6,154	4,641	0	40,731
Revenue Earned from Federal Agencies	(4,801)	(3,352)	(1,666)	(5,058)	(13,688)	(1,371)	(6,154)	(4,132)	(0)	(40,222)
Net Cost of Services Provided to Federal Agencies	0	0	0	0	0	0	0	509	0	509
Net Cost of Operations	(150)	669	346	577	(1,481)	279	(194)	54	0	100
TOTAL										
Cost - Services Provided to the Public	464,240	374,338	278,271	547,407	542,282	121,432	210,469	83,088	232,727	2,854,254
Revenue Earned from the Public	(34,861)	(38,718)	(13,132)	(100,594)	(76,950)	(9,467)	(5,873)	(1,078)	(0)	(280,673)
Net Cost of Services to the Public	429,379	335,620	265,139	446,813	465,332	111,965	204,596	82,010	232,727	2,573,581
Cost - Services Provided to Federal Agencies	11,525	5,771	4,360	10,846	17,459	1,454	7,669	4,641	5,032	68,757
Revenue Earned from Federal Agencies	(10,565)	(5,464)	(4,037)	(10,160)	(17,004)	(1,443)	(7,473)	(4,132)	(4,690)	(64,968)
Net Cost of Services Provided to Federal Agencies	960	307	323	686	455	11	196	509	342	3,789
Net Cost (Revenue) of Operations	\$ 430,339	\$ 335,927	\$ 265,462	\$ 447,499	\$ 465,787	\$ 111,976	\$ 204,792	\$ 82,519	\$ 233,069	\$ 2,577,370

**Department of the Interior, National Park Service
Public/Governmental Net Cost Disclosure
For the Year Ended September 30, 2003
(dollars in thousands)**

	NORTH- EAST REGION	SOUTH- EAST REGION	MID- WEST REGION	INTER- MOUNTAIN REGION	PACIFIC WEST REGION	ALASKA REGION	NATIONAL CAPITAL REGION	SUPPORT OFFICES	GRANTS PROGRAMS	TOTAL PROGRAMS
Strengthen and Preserve Natural and Cultural Resources and Enhance Recreational Opportunities Managed by Partners										
Cost - Services Provided to the Public	\$ 34,272	\$ 22,088	\$ 25,278	\$ 37,881	\$ 37,369	\$ 6,226	\$ 10,325	\$ 20,543	\$ 150,514	\$ 344,496
Revenue Earned from the Public	(853)	(1,584)	(323)	(1,253)	(1,799)	(126)	(445)	(27)	-	(6,410)
Net Cost of Services to the Public	33,419	20,504	24,955	36,628	35,570	6,100	9,880	20,516	150,514	338,086
Cost - Services Provided to Federal Agencies	539	529	265	737	1,687	2,453	1,180	407	-	7,797
Revenue Earned from Federal Agencies	(523)	(512)	(258)	(716)	(1,638)	(2,382)	(1,146)	(396)	-	(7,571)
Net Cost of Services Provided to Federal Agencies	16	17	7	21	49	71	34	11	-	226
Net Cost of Operations	33,435	20,521	24,962	36,649	35,619	6,171	9,914	20,527	150,514	338,312
Preserve Park Resources										
Cost - Services Provided to the Public	142,785	120,609	88,131	215,516	198,899	52,455	69,332	14,977	-	902,704
Revenue Earned from the Public	(12,732)	(14,031)	(6,123)	(43,075)	(34,309)	(2,501)	(1,963)	(229)	-	(114,963)
Net Cost of Services to the Public	130,053	106,578	82,008	172,441	164,590	49,954	67,369	14,748	-	787,741
Cost - Services Provided to Federal Agencies	2,286	2,841	1,406	3,528	5,587	11,133	5,695	1,848	-	34,324
Revenue Earned from Federal Agencies	(2,208)	(2,744)	(1,358)	(3,407)	(5,394)	(10,750)	(5,498)	(1,784)	-	(33,143)
Net Cost of Services Provided to Federal Agencies	78	97	48	121	193	383	197	64	-	1,181
Net Cost of Operations	130,131	106,675	82,056	172,562	164,783	50,337	67,566	14,812	-	788,922
Provide for the Public Enjoyment and Visitor Experience of Parks										
Cost - Services Provided to the Public	251,008	191,961	137,122	282,250	276,544	46,514	238,062	39,831	-	1,463,292
Revenue Earned from the Public	(19,390)	(15,304)	(6,572)	(51,761)	(38,420)	(4,387)	(3,972)	(227)	-	(140,033)
Net Cost of Services to the Public	231,618	176,657	130,550	230,489	238,124	42,127	234,090	39,604	-	1,323,259
Cost - Services Provided to Federal Agencies	2,292	2,818	1,391	3,498	5,569	11,015	5,714	1,828	-	34,125
Revenue Earned from Federal Agencies	(2,236)	(2,749)	(1,357)	(3,413)	(5,433)	(10,746)	(5,574)	(1,784)	-	(33,292)
Net Cost of Services Provided to Federal Agencies	56	69	34	85	136	269	140	44	-	833
Net Cost of Operations	231,674	176,726	130,584	230,574	238,260	42,396	234,230	39,648	-	1,324,092
TOTAL										
Cost - Services Provided to the Public	428,065	334,658	250,531	535,647	512,812	105,195	317,719	75,351	150,514	2,710,492
Revenue Earned from the Public	(32,975)	(30,919)	(13,018)	(96,089)	(74,528)	(7,014)	(6,380)	(483)	-	(261,406)
Net Cost of Services to the Public	395,090	303,739	237,513	439,558	438,284	98,181	311,339	74,868	150,514	2,449,086
Cost - Services Provided to Federal Agencies	5,117	6,188	3,062	7,763	12,843	24,601	12,589	4,083	-	76,246
Revenue Earned from Federal Agencies	(4,967)	(6,005)	(2,973)	(7,536)	(12,465)	(23,878)	(12,218)	(3,964)	-	(74,006)
Net Cost of Services Provided to Federal Agencies	150	183	89	227	378	723	371	119	-	2,240
Net Cost of Operations	\$ 395,240	\$ 303,922	\$ 237,602	\$ 439,785	\$ 438,662	\$ 98,904	\$ 311,710	\$ 74,987	\$ 150,514	\$ 2,451,326

NOTE 15. LEASES

Entity as Lessee

Capital Lease (Non-Federal) (dollars in thousands)

CAPITAL LEASES	FY 2004	FY 2003
Summary of Capital Leases:		
Building	\$ 28,000	\$ 28,000
Less: Accumulated Amortization	(2,100)	(700)
BUILDING, NET:	\$ 25,900	\$ 27,300

Capital Lease Liabilities

The National Park Service has recognized a non-federal capital lease liability in the amount of \$26,929 thousand. It contains a 20-year term with approximately 50,000 rentable square feet of office, storage, special purpose, and related space for the Western Archeological and Conservation Center in Tucson, Arizona. The National Park Service pays the lessor base annual rent of \$1,997 thousand commencing on April 1, 2003, payable at the rate of \$166 thousand per month. The base annual rent shall be adjusted annually throughout the term in accordance with the terms agreed upon. In addition, the NPS pays directly for any utilities consumed during the term, and shall reimburse the lessor for any and all real estate taxes levied against the premises during the term. The base annual rent includes no tenant improvement allowance. The National Park Service assumes an imputed interest rate of 5.07%

Capital Lease Liabilities - Future Payments Due (Non-Federal) (dollars in thousands)

	FY 2004
2005	\$ 1,997
2006	1,997
2007	1,997
2008	2,084
2009	2,172
After 5 Years	31,798
Total Future Lease Payments	42,045
Less: Imputed Interest	(15,116)
Net Capital Lease Liability	\$ 26,929
Lease Liabilities Covered by Budgetary Resources	\$ 0
Lease Liabilities Not Covered by Budgetary Resources	\$ 26,929

The Capital Lease Liability is included in the Other Liabilities for the years ended September 30, 2004, and 2003, for \$53,742 and \$27,319, respectively, on the Consolidated Balance Sheet.

Federal Real Property Operating Leases

The National Park Service leases various buildings from GSA. The terms of NPS rental agreements with GSA will vary according to whether the underlying assets are owned by GSA (or another federal agency) or rented by GSA from the private sector. For property owned by GSA, the NPS generally does not execute an agreement with GSA, nor is there a formal lease expiration date.

In urban areas or areas with a high concentration of federal requirements, GSA will generally add a provision to their Occupancy Agreement allowing the agency to vacate the space, whether government-owned or leased, with 180 days notice. For this they charge an annual eight percent of the rental payments for the life of the lease or assignment. GSA may, at its convenience and discretion, take the space off the agency bill in less than 180 days, but this would usually be if GSA was able to lease the space to another entity.

Leases in less active areas, such as rural or towns with a low federal contingent, do not have this provision included in the Occupancy Agreement (thus reducing the GSA charge to six percent) and, should the mission or program end before the expiration of the lease, the agency is responsible for paying the lease costs until the end of the lease or until the lease is either bought out (at agency expense); or the agency or GSA succeeds in leasing the space to another entity.

For purposes of disclosing future operating lease payments in the following table, GSA-owned real property leases are included in years 2005 through 2009. For all other real property, the future operating lease payments in the table are based on the lease terms. The estimated future lease payments for GSA real property leases are based on a 1.7 percent increase over the 2004 actual space rental expense for 2005 and an escalation of 1.5 percent per year for all periods after 2005.

Non-Federal Real Property Operating Leases

The National Park Service leases various buildings from the public. The future operating lease payments in the following table are based on the lease terms.

Federal Personal Property Operating Leases

The National Park Service leases personal property from other federal entities, including vehicles from GSA. For purposes of disclosing future operating personal property lease payments in the following table, personal property leases are included in years 2005 through 2009. The estimated future operating lease payments for GSA personal property leases are based on a 1.7 percent increase over the 2004 actual personal property rental expense for 2005 and an escalation of 1.5 percent per year for all periods after 2005.

Non-Federal Personal Property Operating Leases

The National Park Service leases various personal property from the public. The future operating lease payments are based on the lease terms.

Future Operating Lease Payments (dollars in thousands)

FISCAL YEAR	REAL PROPERTY		PERSONAL PROPERTY		TOTAL
	FEDERAL	NON-FEDERAL	FEDERAL	NON-FEDERAL	
2005	\$ 45,448	\$ 2,454	\$ 20,922	\$ 225	\$ 69,049
2006	46,130	2,433	21,235	228	70,026
2007	46,821	2,200	21,554	232	70,807
2008	47,524	2,136	21,877	235	71,772
2009	48,237	2,147	22,205	239	72,828
Thereafter	0	91,136	0	0	91,136
TOTAL FUTURE LEASE PAYMENTS	<u>\$ 234,160</u>	<u>\$ 102,506</u>	<u>\$ 107,793</u>	<u>\$ 1,159</u>	<u>\$ 445,618</u>

NOTE 16. TRANSFERS IN/OUT WITHOUT REIMBURSEMENT

Funds controlled by the Department of the Interior are transferred to the National Park Service for the purchase of land, grants to state and local government, and cleanup of hazardous material and other purposes as deemed appropriate. The NPS also transfers out certain monies to other Department of Interior agencies and other federal entities for similar purposes. The amount transferred to the NPS, and from other agencies, for the years ended September 30, 2004, and 2003, is as follows:

Transfers In/Out Without Reimbursement (dollars in thousands)		
TRANSFERS - IN	FY 2004	FY 2003
Bureau of Land Management	\$ 16,975	\$ 49,254
DOT, Federal Lands Highway	30,330	47,789
Fish and Wildlife Service	2,478	51,480
Other Agencies	3,215	2,689
SUBTOTAL TRANSFERS - IN	\$ 52,998	\$ 151,212
TRANSFERS - OUT		
Department of Agriculture, Forest Service (LWCF)	\$ (131,691)	\$ (133,815)
Bureau of Land Management (LWCF)	(18,600)	(54,550)
Fish and Wildlife Service (LWCF)	(221,419)	(239,841)
Other Agencies	(13,296)	(3,000)
SUBTOTAL TRANSFERS - OUT	\$ (385,006)	\$ (431,206)
NET TRANSFERS IN/OUT WITHOUT REIMBURSEMENT	\$ (332,008)	\$ (279,994)

NOTE 17. OTHER BUDGETARY FINANCING SOURCES AND ADJUSTMENTS

Other budgetary financing sources and adjustments consist of Title V and Title VI monies provided by the Department of the Interior, Office of the Secretary, of which \$1,387 thousand and \$5,403 thousand was used for the purchase of land, construction, and maintenance for the years ended September 30, 2004, and 2003, respectively.

NOTE 18. STATEMENT OF BUDGETARY RESOURCES

Permanent Indefinite Appropriation: The National Park Service has 12 "Permanent Indefinite" Appropriations. They are as follows:

- 14X5057 Fee Collection Support
- 14X5262 National Park Passport Program
- 14X5049 Operation and Maintenance of Quarters
- 14X5431 Park Concessions Franchises Fees
- 14X5164 Transportation Systems Fund
- 14X5412 Glacier Bay National Park Resource Protection
- 14X5663 Educational Expenses, Children of Employees,
Yellowstone National Park
- 14X5666 Payment In Lieu of Taxes, Grand Teton National Park
- 14X5076 Delaware Water Gap NRA, Route 209 Operations
- 14X5244 National Maritime Heritage Grants
- 14X5110 Fee Demonstration Program
- 14A1034 United States Park Police Pension

Each of these appropriations was established under different and specific Public Laws. For example, the authorizing legalization for the Recreation Fee Demonstration Program is P.L. 104-134, as amended; the National Park Passport Program is P.L. 105-391; the Operation and Maintenance of Quarters is P.L. 98-473, and so on. In all cases, the unobligated funds at the end of any given fiscal year remain available until expended and are to be obligated for the purposes as described in their authorizing legislation.

Appropriations Received: Appropriations Received as annotated on the Combined Statement of Budgetary Resources differs from that reported on the Consolidated Statement of Changes in Net Position, because the Appropriations Received amount on the Consolidated Statement of Changes in Net Position excludes dedicated collections and earmarked receipts.

Schedule of Obligations by Apportionment: National Park Service obligations incurred by apportionment category are as follows:

Obligations Incurred by Apportionment Category (dollars in thousands)		
CATEGORY B	FY 2004	FY 2003
Obligations Incurred:		
Direct	\$ 2,641,082	\$ 2,624,187
Reimbursable	142,892	141,520
TOTAL OBLIGATIONS INCURRED	\$ 2,783,974	\$ 2,765,707

National Park Service unobligated unavailable balances are as follows:

Unobligated Unavailable Balances (dollars in thousands)		
	FY 2004	FY 2003
Apportioned	\$ 26,615	\$ 27,275

The unobligated unavailable balances are comprised of remaining authority of expired annual and multi-year appropriations as of the end of each respective fiscal year.

NOTE 19. OFFSETTING RECEIPTS

The National Park Service has offsetting receipts of \$202,578 and \$189,910 for the years ended September 30, 2004, and 2003, respectively. Offsetting Receipts are cash collections, resulting from business-type activities that are credited to the offsetting receipt accounts and deducted from gross budget authority and outlays, rather than added to receipts. In accordance with the Treasury Annual Report, the receipts types included for the NPS are intrabudgetary receipts, and proprietary receipts from the public.

NOTE 20. STATEMENT OF FINANCING

The Statement of Financing reconciles that the financial net cost of operations with obligations of budget authority. Because the accrual-based measures used in the Statement of Net Cost differ from the obligation-based measures used in the Statement of Budgetary Resources, this reconciliation is useful in understanding the differences.

The Statement of Financing considers four types of activity: (1) resources used to fund activities, (2) resources used to fund items not part of the net cost of operations, (3) components of net cost of operations that do not require or generate resources during the reporting period, and (4) components of net cost that require future funding.

The Statement of Financing includes a section depicting the change in certain unfunded liabilities not covered by budgetary resources. The amounts in this section do not necessarily correlate to the change in liabilities not covered by budgetary resources as shown in Note 8, "Liabilities." Differences are primarily the result of certain Treasury requirements related to where changes in various liabilities are reported on the Statement of Financing. These requirements are dependent upon whether the change results in an increase or decrease to the liability account. Additionally, some liability accounts not covered by budgetary resources are not included in the Statement of Financing.

Allocation Transfers

OMB Circular A-11, "Preparation, Submission, and Execution of the Budget," requires the transferor (i.e., parent) to report the allocation transfers as part of the Statement of Budgetary Resources, while the recipient of allocation transfers (i.e., child) reports the proprietary activity on its Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position. This process creates a reconciling difference on the Statement of Financing.

The following table summarizes the transfer appropriations where the National Park Service is the recipient (i.e., child):

Transfer of Appropriations Where the National Park Service Is the Recipient (Child)
(dollars in thousands)

APPROPRIATION	TRADING PARTNER	NATURE AND PURPOSE OF TRANSFER	FY 2004 RECONCILING DIFFERENCE	FY 2003 RECONCILING DIFFERENCE
14-14-X-1618-010	Department of the Interior - Office of the Secretary	Funds to conduct natural resource damage assessment activities necessary to carry out the provisions of the Comprehensive Environmental Response, Compensation, and Liability Act and the Oil Pollution Act of 1990.	\$ 218	\$ 441
14-14-X-1121-010	Department of the Interior - Bureau of Land Management	For necessary expenses for the remedial action, including associated activities, of hazardous waste substances, pollutants, or contaminants pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act.	\$ 1,514	\$ 1,473
14-14-X-1125-010	Department of the Interior - Bureau of Land Management	For necessary expenses related to fire preparedness, suppression operations, fire science and research, emergency rehabilitation, hazardous fuel reduction, and rural fire assistance. An amount shall be available for the renovation or construction of fire facilities.	\$ 106,721	\$ 114,437
14-14-X-5198-010	Department of the Interior - Office of the Secretary	Funds to conduct natural resource damage assessment activities necessary to carry out the provisions of the Comprehensive Environmental Response, Compensation, and Liability Act and the Oil Pollution Act of 1990.	\$ 989	\$ 920
14-12-X-1105-010	U.S. Department of Agriculture - Forest Service	For necessary expenses related to cooperating with and providing technical and financial assistance for forest health management, cooperative forestry, and education and land conservation activities.	\$ 271	\$ 226
14-69-X-8083-010	U.S. Department of Transportation - Federal Highways	For necessary expenses related to provide planning, design and construction support for forest highways, parkways, and park roads, as well as repairing the highway infrastructure.	\$ 34,686	\$ 31,657
14-69-X-8058-010	U.S. Department of Transportation - Federal Highways	For necessary expenses related to provide planning, design, and construction support for forest highways, parkways, and park roads, as well as repairing the highway infrastructure.	\$ 328	\$ 137
14-16- 0174-010	U.S. Department of Labor	For necessary expenses related to a comprehensive residential, education, and job training program for at-risk youths.	\$ 15,452	\$ 17,165

The following table summarizes the transfer appropriations where the National Park Service is the transferor (i.e., parent):

Transfer of Appropriations Where the National Park Service Is the Transferor (Parent)
(dollars in thousands)

APPROPRIATION	TRADING PARTNER	NATURE AND PURPOSE OF TRANSFER	FY 2004 RECONCILING DIFFERENCE	FY 2003 RECONCILING DIFFERENCE
96-14-X-1039-000	U.S. Army Corps of Engineers	Funds transferred to the Corps of Engineers related to the modified water deliveries project to establish surface water inundation patterns within Everglades for the purposes of restoring the ecological resources of the park to those conditions prior to the drainage of South Florida.	\$ (20,086)	\$ (3,224)
69-14-X-1039-000	U.S. Department of Transportation - Federal Highways	For necessary expenses related to provide planning, design, and construction support for forest highways, parkways, and park roads, as well as repairing the highway infrastructure.	\$ 137	\$ (903)
96-14-X-5035-000	U.S. Army Corps of Engineers	Funds transferred to the Corps of Engineers to cover necessary expenses related to the Everglades restoration effort.	\$ (14,061)	\$ (3,185)
69-14-X-8215-000	U.S. Department of Transportation - Federal Highways	For necessary expenses related to provide planning, design, and construction support for forest highways, parkways, and park roads, as well as repairing the highway infrastructure.	\$ (50)	\$ (19)
69-14- 1036-000	U.S. Department of Transportation - Federal Highways	For necessary expenses related to provide planning, design, and construction support for forest highways, parkways, and park roads, as well as repairing the highway infrastructure.	\$ (425)	\$ (323)
69-14-X-5481-000	U.S. Department of Transportation - Federal Highways	For necessary expenses related to provide planning, design, and construction support for forest highways, parkways, and park roads, as well as repairing the highway infrastructure.	\$ -	\$ (19)
TOTAL RECONCILING DIFFERENCES			<u>\$ 125,694</u>	<u>\$ 158,783</u>

NOTE 21. DEDICATED COLLECTIONS

The National Park Service considers the appropriations from the Land and Water Conservation Fund (LWCF), Historic Preservation Fund (HPF), Cash Donations, Construction Trust Fund, and Birthplace of Abraham Lincoln to be dedicated collections. In 1964 Congress established the Land and Water Conservation Fund (Public Law 88-578) to provide for the acquisition of public lands to meet the needs of all Americans for outdoor recreation and open space. Each year \$900 million is deposited in the fund, primarily from Outer Continental Shelf (OCS) oil and gas leasing, which are considered inflows of resources to the government. The LWCF Act directed Congress to allocate the money, through the annual appropriation process, for the purchase of land, waters, and wetlands in our national parks, forests, wildlife refuges, and other resource lands, and to provide matching grant assistance for state and community open space and recreation projects. The funds are accounted for by the information provided by the Department of the Interior Minerals Management Service (MMS) and are reported as a restricted asset. The Historic Preservation Fund provides matching grants to encourage private and non-federal investment in historic preservation efforts nationwide, and assists state, local governments, and Indian tribes with expanding and accelerating their historic preservation activities nationwide. Historic Preservation Fund grants serve as a catalyst and “seed money” for preserving and protecting our nation’s irreplaceable heritage for this and future generations. Funds are transferred from MMS to the National Park Service, the majority of which is from royalties from Outer Continental Shelf oil deposits. These funds are considered intragovernmental flows. The funds are accounted for by the information provided by MMS and are reported as a restricted asset.

The purpose of the Cash Donations Fund is to establish a mechanism for the public to make unsolicited donations to the NPS. The source of the funding is exclusively from public donations. The authority to use such funds, as collected, is in accordance with 16 U.S.C. 6. The donations are considered inflows of resources to the government and the donated revenue is considered a financing source as reported on the Consolidated Statement of Changes in Net Position. The purpose of the Boyhood Home of Abraham Lincoln is to maintain the birthplace of the 16th President of the United States of America. The source of the funding is exclusively from interest income on a U.S. Treasury Security. The authority to use the funds as earned and collected is 16 U.S.C. 212 and is considered an intragovernmental flow. The purpose of the Construction Trust Fund is to account for NPS trust fund construction. The source of the funding is an allocation transfer from the U.S. Department of Transportation-Federal Highways. The National Park Service maintains the authority to obligate the funds in advance of actual fund transfers, in accordance with P.L. 106-113. The allocation transfers are considered intragovernmental flows.

The tables on the following pages contain summarized data for the years ended September 30, 2004, and 2003, respectively (in thousands):

Department of the Interior, National Park Service
Dedicated Collections as of September 30, 2004
(dollars in thousands)

	LAND AND WATER CONSERVA- TION FUND	HISTORIC PRESERVA- TION FUND	CASH DONATIONS	BOYHOOD HOME OF ABRAHAM LINCOLN	TRUST FUND CONSTRUC- TION	FY 2004 TOTAL
ASSETS						
Fund Balance with Treasury	\$ 13,859,218	\$ 2,453,491	\$ 47,509	\$ 91	\$ 1,695	\$ 16,362,004
Investments	-	-	-	65	-	65
Accounts Receivable	-	-	9	-	-	9
General Property, Plant, and Equipment, Net	-	-	5,110	-	186	5,296
Other Assets	-	-	31	-	-	31
TOTAL ASSETS	\$ 13,859,218	\$ 2,453,491	\$ 52,659	\$ 156	\$ 1,881	\$ 16,367,405
LIABILITIES						
Accounts Payable	-	-	460	-	3	463
Other Liabilities	-	-	197	-	17	214
TOTAL LIABILITIES	-	-	657	-	20	677
Total Net Position	13,859,218	2,453,491	52,002	156	1,861	16,366,728
TOTAL LIABILITIES AND NET POSITION	\$ 13,859,218	\$ 2,453,491	\$ 52,659	\$ 156	\$ 1,881	\$ 16,367,405
CHANGE IN NET POSITION						
Net Position, Beginning of Fiscal Year	\$ 13,443,816	\$ 2,377,575	\$ 54,233	\$ 150	\$ 4,342	\$ 15,880,116
Change in Net Position:						
Non-exchange Revenue						
Exchange Revenue						
Services Provided and Other	-	-	-	8	-	8
Royalties Retained	903,516	150,164	-	-	-	1,053,680
Transfers - In/Out Without	(488,114)	(74,248)	(3)	-	(2,145)	(564,510)
Reimbursement						
Other Non-exchange Revenue	-	-	19,468	-	-	19,468
Program Expenses	-	-	(21,696)	(2)	(336)	(22,034)
NET POSITION, END OF FISCAL YEAR	\$ 13,859,218	\$ 2,453,491	\$ 52,002	\$ 156	\$ 1,861	\$ 16,366,728

Department of the Interior, National Park Service
Dedicated Collections as of September 30, 2003
(dollars in thousands)

	LAND AND WATER CONSERVA- TION FUND	HISTORIC PRESERVA- TION FUND	CASH DONATIONS	BOYHOOD HOME OF ABRAHAM LINCOLN	TRUST FUND CONSTRUC- TION	FY 2003 TOTAL
ASSETS						
Fund Balance with Treasury	\$ 13,443,816	\$ 2,377,575	\$ 50,293	\$ 85	\$ 4,310	\$ 15,876,079
Investments	-	-	-	65	-	65
Accounts Receivable	-	-	4	-	-	4
General Property, Plant, and Equipment	-	-	4,488	-	37	4,525
Other Assets	-	-	46	-	-	46
TOTAL ASSETS	\$ 13,443,816	\$ 2,377,575	\$ 54,831	\$ 150	\$ 4,347	\$ 15,880,719
LIABILITIES						
Accounts Payable	-	-	324	-	2	326
Other Liabilities	-	-	275	-	3	278
TOTAL LIABILITIES	-	-	599	-	5	604
Total Net Position	13,443,816	2,377,575	54,232	150	4,342	15,880,115
TOTAL LIABILITIES AND NET POSITION	\$ 13,443,816	\$ 2,377,575	\$ 54,831	\$ 150	\$ 4,347	\$ 15,880,719
CHANGE IN NET POSITION						
Net Position, Beginning of Fiscal Year	\$ 13,073,662	\$ 2,298,127	\$ 41,089	\$ 149	\$ 4,473	\$ 15,417,500
Change in Net Position:						
Non-exchange Revenue						
Exchange Revenue						
Services Provided and Other	-	-	-	8	-	8
Royalties Retained	899,021	150,000	-	-	-	1,049,021
Transfers - In/Out Without	(528,867)	(70,552)	70	-	-	(599,349)
Reimbursement						
Other Non-exchange Revenue	-	-	28,974	-	-	28,974
Program Expenses	-	-	(15,901)	(7)	(131)	(16,039)
NET POSITION, END OF FISCAL YEAR	\$ 13,443,816	\$ 2,377,575	\$ 54,232	\$ 150	\$ 4,342	\$ 15,880,115

NOTE 22. DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE UNITED STATES GOVERNMENT (PRESIDENT’S BUDGET)

The Statement of Budgetary Resources has been prepared to coincide with the amounts shown in the President’s Budget. The FY 2006 President’s Budget was not available at the time the financial statements were prepared. The following summarizes the difference between the actual amounts in the President’s Budget and the actual amounts in the FY 2003 Statement of Budgetary Resources by line item. The negative amounts indicate that the Combined Statement of Budgetary Resources is greater than the Budget of the United States Government.

**Department of the Interior, National Park Service
Differences Between FY 2003 Combined Statement of Budgetary Resources and Budget of the United States Government (President’s Budget)
(dollars in millions)**

LINE ITEM	AMOUNT
BUDGETARY RESOURCES	
Budget Authority:	
Appropriation	\$ 48
Contract Authority	30
Unobligated Balance:	
Brought Forward, October 1	16
Spending Authority From Offsetting Collections:	
Collected	(30)
Receivable From Federal Sources	10
Change in Unfilled Customer Orders:	
Advance Received	31
Without Advance From Federal Sources	(9)
Recoveries of Prior Year Obligations:	
Actual	(8)
Permanently Not Available	(46)
STATUS OF BUDGETARY RESOURCES	
Total Obligations Incurred	22
Unobligated Balance	
Apportioned	75
Unobligated Balance Not Available	(27)
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS	
Obligated Balance, Net, End of Period	(1)

The reasons for these differences are as follows: (1) The Concession Improvement Account is reported on the President’s Budget and is not reported on the Combined Statement of Budgetary Resources because there are differing interpretations as to the extent of the National Park Service’s jurisdiction over these funds, and the related receipts and expenditures. It is the opinion of the Solicitor of the Department of the Interior that the funds contained in Concession Improvement Accounts are owned by the concessioner and are not receipts of the United States. Expenditures of such funds by the concessioner are private expenditures, not governmental expenditures; (2) The Statement of Budgetary Resources includes expired amounts which are excluded from the President’s Budget, resulting in differences in the amounts reported as Unobligated – Beginning and Ending, Recoveries of Prior Year Obligations, and Obligations Incurred; (3) There are further differences of \$30,000 thousand on Contract Authority and Permanently Not Available. This is an annual amount of contract authority in the yearly appropriation act that is always rescinded in the same act before it is passed. Accordingly, it was not appropriated to the NPS or apportioned by the NPS. It will, however, show in the President’s Budget because it is a part of the appropriation act itself.

In addition, there are differences of \$23,000 thousand related to Appropriations. This as a reduction of the Appropriation amount on the Statement of Budgetary Resources and as Unobligated Balance Expiring or Withdrawn in the Program and Financing.

NOTE 23. POSSESSORY INTEREST/LEASEHOLD SURRENDER

The National Park Service has contracts with organizations that manage and operate hotels, lodges, restaurants, gift shops, and other concession operations at various parks. In accordance with legislation and the contracts, some of these concessioners have a possessory interest or leasehold surrender interest (PI/LSI) in certain real property construction or improvements that the concessioner pays for and the NPS approves.

A concessioner's interest may be extinguished, provided the concessioner is compensated for the PI/LSI in accordance with concession laws and contracts. At the end of the contract period, PI/LSI amounts are negotiated and either incorporated into new contracts or extinguished through payment. Payment for this interest has been made by a subsequent concessioner in most situations.

For concession contracts entered into before 1998, the value of the concessioner's possessory interest is equal to the sound value of such structure, fixture, or improvement at the time of taking by the United States, determined upon the basis of reconstruction cost less depreciation evidenced by its condition and prospective serviceability in comparison with a new unit of like kind, but not to exceed fair market value.

For concession contracts entered into during 1998 and thereafter, the value of the concessioner's leasehold surrender interest is equal to the initial value (construction cost of the capital improvement), increased (or decreased) in the same percentage increase (or decrease) as the percentage increase (or decrease) in the Consumer Price Index, from the date of making the investment in the capital improvement by the concessioner to the date of payment of the value of the leasehold surrender interest, less depreciation of the capital improvement as evidenced by the condition and prospective serviceability in comparison with a new unit of like kind.

The National Park Service does not report the real property construction or improvements made by the concessioner or the related PI/LSI on its financial statements. In October 2004 the Federal Accounting Standards Advisory Board (FASAB) agreed to review the accounting and reporting of these transactions and issue future guidance. That guidance may result in a future change to NPS accounting and reporting for these transactions.

As of September 30, 2004, the NPS has approximately 600 concession contracts, and approximately 195 of these contracts have PI/LSI provisions. Of these concession contracts with PI/LSI provisions, the NPS has 40 contracts, which have recently been negotiated or arbitrated, that include PI/LSI amounts totaling approximately \$350 million. The remaining 155 contracts do not include PI/LSI amounts, as these amounts have not been negotiated or arbitrated.

NOTE 24. DONATED STEWARDSHIP ASSETS

The National Park Service received donated stewardship assets with an estimated fair value of \$163,230 thousand and \$2,500 thousand for the years ended September 30, 2004, and 2003, respectively.

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A kayaker enjoys the stillwater solitude of Congaree National Park, which protects the last significant tract of southern bottomland hardwood forest in the nation. NPS PHOTO

Required Supplementary Stewardship Information

(Unaudited - See Accompanying Independent Auditors' Report)

STEWARDSHIP AND HERITAGE ASSETS

Forests, deserts, riparian areas, seashores, wilderness areas, archeological sites, museum collections, cultural landscapes, and historic buildings are among the many stewardship and heritage assets which the National Park Service has the responsibility to preserve and protect.

National Park Service collection-type heritage assets consist of objects gathered and maintained in museum collections for research, interpretation, education, and exhibition purposes. Non-collection heritage assets include historic and prehistoric structures and landmarks, as well as parks, memorials, and monuments.

The deferred maintenance section contains information regarding facility deficiencies for park assets including roads, trails, camping and recreational structures, buildings and houses, utility systems, marine and dock structures, signs and information structures, and special features assets such as monuments, statues, memorials, fortifications, and viewing structures.

NATIONAL PARK SERVICE STEWARDSHIP LAND

The objective of acquiring land and interests in land is to preserve and protect, for public use and enjoyment, the historic, scenic, natural, and recreational values of congressionally authorized areas within the National Park System. Acquisition of land helps to meet the increasingly heavy visitor demand for federal recreation areas, conserves outstanding resources for public recreational use before they are converted to incompatible uses, and preserves the nation's natural and historic heritage. The National Park Service categorizes land both as stewardship land and as a non-collectible heritage asset.

Subsets of lands within the authorized boundaries of the National Park System can have additional stewardship asset designations such as *wilderness area*, *wild and scenic river*, and *trail*. Stewardship areas

such as wilderness areas may encompass lands owned by entities other than the National Park Service. Other lands may receive international recognition as *World Heritage Sites*. The international designation does not change a park's legal status, management, ownership, or jurisdiction; yet, such designation formally identifies a park's outstanding universal value as part of the common heritage of humanity.

Changes in NPS boundaries occur only when authorized by Presidential proclamations or by acts of Congress. While individual units of stewardship land can be improved, the condition of National Park System stewardship land as a whole is generally sufficient to support the NPS mission and is considered to be in acceptable condition. (See accompanying table for a description of National Park System Units.)

The 387 units of the National Park System contain a total of 84,426,745 acres within their boundaries. Of that total, 78,769,222 acres are owned by the United States in fee simple title, and 253,451 acres in less-than-fee title (i.e., scenic easements). Non-federal land within the NPS is either privately owned (4,225,203 acres) or owned by state and local governments (1,178,869 acres).

Subject to the availability of funds, privately owned land will be acquired when opportunities for acquisition arise, or when an owner uses or threatens to use his property in a manner not compatible with park purposes. Through acquisitions, status changes, withdrawals, and error corrections, the National Park Service added 241,819 acres and withdrew 61,970 acres. At the end of FY 2003 the National Park Service had 388 units. Through September 30, 2004, the NPS withdrew one unit, Oklahoma City National Memorial, because it was redesignated as an affiliated area. Pursuant to Public Law 106-530, on September 13, 2004, Great Sand Dunes National Monument was redesignated as Great Sand Dunes National Park. The ending balance of

park units is 387. The accompanying table summarizes acreage ownership within park boundaries by type of park unit.

Examples of stewardship land additions in FY 2004 include the following:

- The National Park Service purchased an undivided 8/11ths interest in the 115,788-acre Kahuku Ranch at Hawaii Volcanoes National Park. This acquisition prevented the loss of threatened and endangered species and their habitats.
- The National Park Service purchased from the Heartland Forestland Fund, a tract containing 6,753 acres of undeveloped land at New River Gorge National River in West Virginia.
- At Jean Lafitte National Historical Park and Preserve in Louisiana, the National Park Service acquired 2,809 acres from the Louisiana Land and Exploration Company, a subsidiary of Burlington Resources.
- The National Park Service accepted the donation of four tracts of land totaling 519.51 acres at Joshua Tree National Park in California. The tracts were donated by The Wildlands Conservancy, a nonprofit conservation organization.

Land withdrawals or status changes occurred at several parks in FY 2004:

- Public Law 108-108 (November 10, 2003) redesignated Congaree National Monument (21,535 acres) as a national park.
- Oklahoma City National Memorial was redesignated as an affiliated area by Public Law 108-199 (January 23, 2004), and is no longer counted among the 387 units of the National Park System. The 3.12 acres of federal land at the memorial are to be transferred to the Oklahoma City National Memorial Foundation.
- Pursuant to Public Law 106-530, on September 13, 2004, Great Sand Dunes National Monument (40,437 acres) was redesignated as Great Sand Dunes National Park.

Stewardship lands are used and managed in accordance with the statutes authorizing their acquisition or directing their use and management. The National Park Service conducts various activities to preserve and protect land resources, and to mitigate the effects of activities conducted previously on or near parks that adversely affect the natural state of the land.

National Park System Stewardship Lands - Units and Acreage

Unit Type	Number Units	Beginning Acres	Add-itions	With-drawals	Ending Acres	Total Non-Federal Acres	Combined Total Acres
International Historic Sites	1	28	-	-	28	16	44
National Battlefields	11	12,291	26	(2)	12,315	1,177	13,492
National Battlefield Parks	4	8,714	67	-	8,781	1,694	10,475
National Historic Sites	77	21,678	125	-	21,803	15,893	37,696
National Historical Parks	41	118,526	3,290	-	121,816	45,467	167,283
National Lakeshores	4	145,688	184	-	145,872	83,002	228,874
National Memorials	28	8,082	111	(3)	8,190	2,352	10,542
National Military Parks	9	36,478	243	-	36,721	4,051	40,772
National Monuments	73	2,151,941	7,079	(61,965)	2,097,055	179,956	2,277,011
National Parks	58	49,671,908	214,483	-	49,886,391	2,075,000	51,961,391
National Parkways	4	164,977	864	-	165,841	10,504	176,345
National Preserves	18	22,030,287	2,428	-	22,032,715	2,123,183	24,155,898
National Recreation Areas	18	3,390,191	796	-	3,390,987	301,678	3,692,665
National Reserves	2	11,579	1,597	-	13,176	21,495	34,671
National Rivers	5	312,389	7,543	-	319,932	106,420	426,352
National Scenic Trails	3	167,121	2,380	-	169,501	68,522	238,023
National Seashores	10	479,056	233	-	479,289	115,790	595,079
National Wild & Scenic Rivers	10	73,887	-	-	73,887	246,117	320,004
Other Stewardship Land	11	38,003	370	-	38,373	1,755	40,128
Total	387	78,842,824	241,819	(61,970)	79,022,673	5,404,072	84,426,745

National Park Service System Units	
Unit	Description
International Historic Site	These are relevant to the respective countries' histories. The lone International Historic Site, Saint Croix International Historic Site, is relevant to both U.S. and Canadian history.
National Battlefield	This general title includes national battlefield, national battlefield park, national battlefield site, and national military park. In 1958, an NPS committee recommended national battlefield as the single title for all such park lands.
National Historic Site	Usually, a national historic site contains a single historical feature directly associated with its subject. Derived from the Historic Sites Act of 1935, some historic sites were established by secretaries of the Interior; most have been authorized by acts of Congress.
National Historical Park	This designation generally applies to historic parks that extend beyond single properties or buildings.
National Lakeshore	National lakeshores, all on the Great Lakes, closely parallel the seashores in character and use.
National Memorial	A national memorial is commemorative of a historic person or episode; it need not occupy a site historically connected with its subject.
National Military Park	<i>See National Battlefield.</i>
National Monument	The Antiquities Act of 1906 authorized the President to declare by public proclamation landmarks, structures, and other objects of historic or scientific interest situated on lands owned or controlled by the government to be national monuments.
National Park	Generally, national parks are large natural places that encompass a wide variety of attributes, sometimes including significant historic assets. Hunting, mining and consumptive activities are not authorized.
National Parkway	The title parkway refers to a roadway and the parkland paralleling the roadway. All were intended for scenic motoring along a protected corridor and often connect cultural sites.
National Preserve	National preserves are areas having characteristics associated with national parks, but in which Congress has permitted continued public hunting, trapping, oil/gas exploration, and extraction.
National Recreation Area	These are generally centered on large reservoirs and emphasize water-based recreation. Some are located near major population centers. Such urban parks combine scarce open spaces with the preservation of significant historic resources and important natural areas in locations that can provide outdoor recreation for large numbers of people.
National Reserve	National reserves are similar to national preserves. Management may be transferred to local or state authorities. The first reserve, City of Rocks, was established in 1988.
National River	There are several variations to this category: national river and recreation area, national scenic river, wild river, etc. The first was authorized in 1964, and others were established following passage of the Wild and Scenic Rivers Act of 1968.
National Trail	National scenic trails and national historic trails are the titles given to these linear parklands authorized under the National Trails System Act of 1968.
National Seashore	These have been established on the Atlantic, Gulf, and Pacific coasts; some are developed and some are relatively primitive. Hunting is allowed at many of these sites.
Other Stewardship Land	Other stewardship land refers to units that cannot be readily included in any of the standard categories. Examples include: Catocin Mountain Park, Maryland; Constitution Gardens, District of Columbia; National Capital Parks located in the District of Columbia, Maryland, and Virginia; the White House; the National Mall; and Wolf Trap Farm Park.

Alpine scenery in Great Basin National Park includes groves of ancient bristlecone pines that have survived thousands of years of short growing seasons, extremely cold temperatures, and high winds. Known as the longest living trees, research on bristlecone pines has dated one tree to an age of more than 4,900 years. PHOTO BY MATTHEW REECE



WILDERNESS AREAS

Wilderness areas are federal lands that have been designated by Congress, with support from the citizens of the districts and states involved, and are devoted to the public purposes of recreational, scenic, scientific, educational, conservation, and historical use. These areas, which are generally greater than 5,000 acres, appear to have been affected primarily by the forces of nature, with human development substantially unnoticeable. Wilderness areas provide outstanding opportunities for solitude, and for primitive and unconfined types of recreation. The National Park Service categorizes wilderness areas as both stewardship land and as non-collectible heritage assets.

Legislation is the only mechanism to increase or decrease wilderness acreage. Minor fluctuations in acreage may also occur as the parks possess the ability to more accurately map the land using improved technology. In the United States, there are more than 105 million acres of federal land designated as wilderness by legislation under the management of the National Park Service, the U.S. Forest Service, the U.S. Fish and Wildlife Service, and the Bureau of Land Management.

Because of the abundance of NPS wilderness acreage in Alaska, the National Park Service manages the greatest

proportion of wilderness areas, more than 40 percent of the entire National Wilderness Preservation System. This includes about 44 million acres within 46 different NPS areas. At the end of FY 2003, wilderness areas accounted for 43,602,713 acres. During 2004 a reduction of 390 acres from the reported acreage in Chiricahua National Monument was made for an adjustment discovered. There were no additions. At the end of FY 2004 wilderness areas accounted for 43,602,323 acres.

Additional information on NPS wilderness may be found at www.wilderness.net and at www.wilderness.nps.gov. National parks with designated wilderness are listed in the accompanying table.

NATIONAL WILD AND SCENIC RIVERS SYSTEM

Rivers must meet eligibility and suitability criteria before addition to the National Wild and Scenic Rivers System. For a river to be eligible, it must exist in a free-flowing condition and possess one or more of the following values to a remarkable degree: scenic, recreation, geologic, fish and wildlife, historic, cultural, or other similar values. Suitability is based on the extent of public lands in the immediate environment of the river; funds required for acquisition, development, and management; and local or state interest in acting to protect and manage the river.

Studies to determine eligibility and suitability may be the responsibility of either the Department of the Interior, Department of Agriculture, or the shared responsibility of both agencies. Wild and Scenic studies are presented to Congress with a Presidential recommendation. Congress then decides whether or not to add the river to the National Wild and Scenic Rivers System. An act of Congress is required for

a river to be removed from the system. A second path to designation, under Section 2(a)(ii) of the Wild and Scenic Rivers Act (1968), is for a governor to request federal designation of a state-designated, state-administered Wild and Scenic River, and for the Secretary of the Interior, after study, to designate that river. Seventeen rivers have entered the National Wild and Scenic Rivers System in this way.

National Park System Wilderness Areas

State	Wilderness Area	Park Unit	FY 2003 Acreage	FY 2004 Additions	FY 2004 Withdrawals	FY 2004 Total
Alaska	Denali	Denali National Park	2,146,580	-	-	2,146,580
	Gates of the Arctic	Gates of the Arctic National Park	7,245,600	-	-	7,245,600
	Glacier Bay	Glacier Bay National Park and Preserve	2,664,876	-	-	2,664,876
	Katmai	Katmai National Park and Preserve	3,384,358	-	-	3,384,358
	Kobuk Valley	Kobuk Valley National Park	174,545	-	-	174,545
	Lake Clark	Lake Clark National Park	2,619,550	-	-	2,619,550
	Noatak	Noatak National Preserve	5,765,427	-	-	5,765,427
	Wrangell-St. Elias	Wrangell-St. Elias National Park and Preserve	9,078,675	-	-	9,078,675
Arkansas	Buffalo National River	Buffalo National River	34,933	-	-	34,933
Arizona	Chiricahua	Chiricahua National Monument	10,680	-	390	10,290
	Organ Pipe Cactus	Organ Pipe Cactus National Monument	312,600	-	-	312,600
	Petrified Forest	Petrified Forest National Park	50,260	-	-	50,260
	Saguaro	Saguaro National Park	70,905	-	-	70,905
California	Ansel Adams	Devils Postpile National Monument	747	-	-	747
	Death Valley	Death Valley National Park	3,128,028	-	-	3,128,028
	Joshua Tree	Joshua Tree National Park	557,802	-	-	557,802
	Lassen Volcanic	Lassen Volcanic National Park	78,982	-	-	78,982
	Lava Beds	Lava Beds National Monument	28,460	-	-	28,460
	Mojave	Mojave National Preserve	695,200	-	-	695,200
	Philip Burton	Point Reyes National Seashore	25,952	-	-	25,952
	Pinnacles	Pinnacles National Monument	15,985	-	-	15,985
	Sequoia-Kings Canyon	Sequoia-Kings Canyon National Park	723,036	-	-	723,036
	Yosemite	Yosemite National Park	704,624	-	-	704,624
Colorado	Black Canyon of the Gunnison	Black Canyon of the Gunnison National Park	15,599	-	-	15,599
	Great Sand Dunes	Great Sand Dunes National Park	75,225	-	-	75,225
	Indian Peaks	Rocky Mountain National Park	2,917	-	-	2,917
	Mesa Verde	Mesa Verde National Park	8,500	-	-	8,500
Florida	Marjory Stoneman Douglas	Everglades National Park	1,296,500	-	-	1,296,500
Georgia	Cumberland Island	Cumberland Island National Seashore	8,840	-	-	8,840
Hawaii	Haleakala	Haleakala National Park	24,719	-	-	24,719
	Hawaii Volcanoes	Hawaii Volcanoes National Park	130,790	-	-	130,790
Idaho	Craters of the Moon	Craters of the Moon National Monument	43,243	-	-	43,243
Michigan	Isle Royale	Isle Royale National Park	132,018	-	-	132,018
Mississippi	Gulf Islands	Gulf Islands National Seashore	4,080	-	-	4,080
Nevada	Death Valley	Death Valley National Park	125,000	-	-	125,000
	Lake Mead	Lake Mead National Recreation Area	184,439	-	-	184,439
New Mexico	Bandelier	Bandelier National Monument	23,267	-	-	23,267
	Carlsbad Caverns	Carlsbad Caverns National Park	33,125	-	-	33,125
New York	Fire Island	Fire Island National Seashore	1,380	-	-	1,380
North Dakota	Theodore Roosevelt	Theodore Roosevelt National Park	29,920	-	-	29,920
South Carolina	Congaree Swamp	Congaree National Park	15,010	-	-	15,010
South Dakota	Badlands	Badlands National Park	64,144	-	-	64,144
Texas	Guadalupe Mountains	Guadalupe Mountains National Park	46,850	-	-	46,850
Virginia	Shenandoah	Shenandoah National Park	79,579	-	-	79,579
Washington	Mount Rainier	Mount Rainier National Park	228,480	-	-	228,480
	Olympic	Olympic National Park	876,669	-	-	876,669
	Stephen Mather	North Cascades National Park	634,614	-	-	634,614
Total Acreage			43,602,713	-	390	43,602,323

Note: Acreage is reported with the respective National Park System unit.

There are 163 rivers in the entire National Wild and Scenic Rivers System. The National Park Service categorizes wild and scenic rivers as both stewardship land and as non-collectible heritage assets. Only 10 have been established as units of the National Park System: Alagnak Wild River, Bluestone National Scenic River, Delaware National Scenic River, Great Egg Harbor Scenic and Recreational River, Saint Croix/Lower Saint Croix National Scenic Riverway, Missouri National Recreational River, Niobrara National Scenic Riverway, Obed Wild and Scenic River, Rio Grande Wild and Scenic River, and Upper Delaware Scenic and Recreational River.

Each river mile is classified as wild, scenic, or recreational. There are four agencies that administer the federally-administered components of the system: Bureau of Land Management (2,050 miles), U.S. Fish and Wildlife Service (1,051 miles), U.S. Forest Service (4,346 miles), and the National Park Service (2,826 miles). State and local agencies administer the balance (1,030 miles). The 41 rivers listed in the accompanying table are the rivers for which the NPS has some management responsibility—in the majority of cases sole responsibility. The river miles in the table include some, such as the Flathead, where responsibility is shared. For example, on

National Wild and Scenic Rivers System Managed by the NPS (either solely or in conjunction with other agencies)

Year (est.)	River	Wild	Scenic	Recreational	Total Miles
1968	St. Croix, MN & WI	-	181.0	19.0	200.0
1968	Wolf, WI	-	24.0	-	24.0
1972	St. Croix (lower), MN & WI	-	12.0	15.0	27.0
1976	St. Croix (lower), MN & WI	-	-	25.0	25.0
1976	Obed, TN	44.3	-	1.0	45.3
1976	Flathead, MT	97.9	40.7	80.4	219.0
1978	Rio Grande, TX	95.2	96.0	-	191.2
1978	Missouri, NE & SD	-	-	59.0	59.0
1978	Delaware (upper), NY & PA	-	25.1	50.3	75.4
1978	Delaware (middle), NJ & PA	-	35.0	-	35.0
1980	Alagnak, AK	67.0	-	-	67.0
1980	Alatna, AK	83.0	-	-	83.0
1980	Aniakchak, AK	63.0	-	-	63.0
1980	Charley, AK	208.0	-	-	208.0
1980	Chilikadrotna, AK	11.0	-	-	11.0
1980	John, AK	52.0	-	-	52.0
1980	Kobuk, AK	110.0	-	-	110.0
1980	Mulchatna, AK	24.0	-	-	24.0
1980	Koyukuk (North Fork), AK	102.0	-	-	102.0
1980	Noatak, AK	330.0	-	-	330.0
1980	Salmon, AK	70.0	-	-	70.0
1980	Tinayguk, AK	44.0	-	-	44.0
1980	Tliikakila, AK	51.0	-	-	51.0
1981	Klamath, CA	-	-	1.0	1.0
1984	Tuolumne, CA	37.0	17.0	-	54.0
1986	Cache La Poudre, CO	12.0	-	-	12.0
1987	Merced, CA	53.0	14.0	14.0	81.0
1987	Kings, CA	49.0	-	6.5	55.5
1987	Kern, CA	27.0	-	-	27.0
1988	Bluestone, WV	-	10.0	-	10.0
1991	Missouri, NE & SD	-	-	39.0	39.0
1991	Niobrara, NE	-	76.0	28.0	104.0
1992	Great Egg Harbor, NJ	-	30.6	98.4	129.0
1993	Maurice, NJ	-	28.9	6.5	35.4
1994	Farmington (West Branch), CT	-	-	14.0	14.0
1996	Lamprey, NH	-	-	11.5	11.5
1999	Sudbury, Assabet, Concord, MA	-	14.9	14.1	29.0
2000	Lamprey, NH	-	-	12.0	12.0
2000	Wekiva, FL	31.4	2.1	8.1	41.6
2000	White Clay Creek, DE & PA	-	24.0	166.0	190.0
2000	Delaware (lower), NJ & PA	-	25.4	41.9	67.3
Total Miles		1,661.8	656.7	710.7	3,029.2

the North Fork of the Flathead, the NPS manages one side of the river, and the U.S. Forest Service manages the other side. The total river miles are included for each river. During 2004 there were no new designations for National Park Service administration of national wild and scenic rivers.

NATIONAL TRAILS SYSTEM

The National Trails System, created by law in 1968, is comprised of four types of trails: *national scenic trail* (NST), *national historic trail* (NHT), *national recreation trail* (NRT), and *connecting and side trail*. Only three components of the National Trails System are officially considered NPS units: the Appalachian, Potomac Heritage, and Natchez Trace NSTs. The National Park Service categorizes the National Trails System as both stewardship land and as non-collectible heritage assets.

National recreation trails and connecting and side trails are recognition programs and do not require trail-wide federal administration. There are presently 15 national historic trails, 8 national scenic trails, more than 900 national recreation trails, and 2 connecting and side trails.

National scenic trails are continuous trails, more than 100 miles in length, that provide “maximum (non-motorized) outdoor recreation potential.” They also become corridors of conservation for the significant

resources associated with the trail. National historic trails recognize past routes of exploration, migration, and military action. They need not be continuous. The route and its historic remnants—whether continuous or disjunct—shall be protected for public use and enjoyment. The assets associated with NSTs and NHTs exist under the jurisdiction of many different parties, including federal and state agencies, local governments, tribal councils, and private landowners.

The 23 trail corridors measure more than 40,000 miles in combined lengths, and cross 56 national park areas and 96 national forests. In addition, almost 5,000 miles of trails cross lands under the care of the Bureau of Land Management (BLM). The National Park Service currently administers 16 of 23 scenic and historic trails in the National Trails System, and administers 2 others jointly with BLM.

National scenic and historic trails are established under authority of the National Trails System Act, 16 USC 1241-51. This Act includes a variety of land protection tools, including acquisition, exchange, and donation. The federal acquisition of all assets associated with the National Trails System occurs using standard land acquisition practice. Within the NPS, most of this activity occurred only for the Appalachian NST. Recently, a few NPS land protection actions have also occurred

National Scenic and Historic Trails Managed by the NPS (either in whole or in part)

Year (est.)	Trail	Length (Miles)	States Crossed
1968	Appalachian NST	2,150	ME, NH, VT, MA, CT, NY, NJ, PA, MD, WV, VA, NC, TN, GA
1978	Oregon Trail	2,170	MO, KS, NE, WY, ID, OR
1978	Mormon Pioneer NHT	1,300	IL, IA, NE, WY, UT
1978	Lewis and Clark NHT	3,700	IL, MO, KS, NE, IA, SD, ND, MT, ID, WA, OR
1980	North Country NST	3,200	NY, PA, OH, MI, WI, MN, ND
1980	Overmountain Victory NHT	300	VA, TN, NC, SC
1980	Ice Age NST	1,000	WI
1983	Potomac Heritage NST	700	VA, MD, PA
1983	Natchez Trace NST	690	TN, AL, MS
1987	Santa Fe NHT	1,200	MO, KS, OK, CO, NM
1987	Trail of Tears NHT	1,800	TN, AL, MS, KY, IL, MO, AR, OK
1990	Juan Bautista de Anza NHT	1,200	AZ, CA
1990	California NHT	5,660	MO, KS, NE, WY, ID, UT, NV, CA, OR
1992	Pony Express NHT	1,970	MO, KS, NE, CO, WY, UT, NV, CA
1996	Selma to Montgomery NHT	54	AL
2000	Ala Kahakai NHT	175	HA
2000	El Camino Real		
	de Tierra Adentro NHT (with BLM)	404	NM, TX
2002	Old Spanish NHT (with BLM)	2,500	AZ, CA, CO, NM, NV, UT

along the North Country and Ice Age NSTs. To date no National Trails System assets or resources have been withdrawn.

The last change to the National Trails System occurred during FY 2003 when Congress created the Old Spanish National Historic Trail (Public Law 107-325), which is jointly administered by the National Park Service and the Bureau of Land Management. No additions or withdrawals have been reported for FY 2004.

Another factor important in managing and administering the components of the National Trails System is the Geographic Information System (GIS)—a sophisticated, multi-layered method for inventorying and evaluating resource and geographic issues. Some trails have invested much in this technology, but others have not yet begun the process.

The only national trail undergoing assessment of asset condition is the Appalachian NST (integrated with the Department of the Interior MAXIMO data system). Insufficient data has been entered into the system to accurately report on present asset condition or deferred maintenance needs. By September 2004, 20 percent of the treadway asset information for the Appalachian NST was entered as required, along with all other corridor assets. The balance of the treadway asset information will be entered over the next four years.

NATIONAL NATURAL LANDMARKS

National Natural Landmarks (NNL) are management areas having national significance because they represent one of the best-known examples of a natural region's characteristic biotic or geologic features. These areas must be located within the boundaries of the United States or on the Continental Shelf, and are designated by the Secretary of the Interior.

To qualify as a NNL, an area must contain an outstanding representative example(s) of the nation's natural heritage, including terrestrial communities, aquatic communities, land forms, geologic features, habitats of native plant and animal species, or fossil evidence of the development of life on earth. There are a total of 587 designated NNLs, 18 of which were partially or com-

pletely managed by the NPS during Fiscal Year 2003. No additions or withdrawals of NPS-managed lands were made to the NNL registry of designated sites in FY 2004.

Procedures for designation and removal of designation status are defined in the "National Natural Landmarks Program; Final Rule" (36 CFR Part 62, May 12, 1999). A potential NNL site is identified by the NPS, and the process of designation includes landowner notification, site evaluation, peer review of the site evaluation, and consultation with the NPS Advisory Board. Regulations do not permit designation of lands against the landowner's wishes.

If the NPS concludes that a site merits designation, a recommendation is made to the Secretary of the Interior. The Secretary of the Interior reviews the recommendation and materials submitted by the NPS, and makes a decision on NNL designation. Criteria for NNL removal include error in professional judgment such that a site did not meet criteria for national significance at the time of designation, loss of values which originally qualified it for designation, and prejudicial failure to follow applicable designation procedures. Owners of properties within NNL sites designated prior to the release of "National Natural Landmarks Program; Final Rule" (36 CFR Part 62, May 12, 1999) were offered an opportunity to withdraw their property from the NNL program, because before the 1999 rule, property could be designated against an owner's wishes. As in the case of designation, recommendation for removal of designation is made by NPS, and the Secretary of the Interior makes the final decision.

Asset condition is determined by measuring the integrity of the resources for which the NNL was designated. Sixteen of the 18 NNLs containing NPS-managed lands are presently in good condition. However, one is in damaged and threatened condition, and one is threatened with damage: Point of Arches (Washington) is threatened with proposed mining. Salt River and Sugar Bay (U.S. Virgin Islands) is damaged by exotic species invasion and commercial and recreational take fishing, and is threatened by proposed commercial development, proposed dredging, and proposed channelization.

The National Park Service categorizes NNLs as non-collectible heritage assets.

NATIONAL HERITAGE AREAS

The heritage area concept offers an innovative method for citizens, in partnership with federal, state, and local governments, and nonprofit and private sector interests, to develop and implement a unified conservation and interpretation strategy centered around the region's historical, cultural, and natural qualities.

A national heritage area is a place designated by Congress where natural, cultural, historic, and recreational resources combine to form a cohesive, nationally distinctive landscape arising from patterns of human activity shaped by geography. By offering recognition to these regions, and encouraging partnerships among local residents and other constituents to conserve the distinctive qualities of these lived-in landscapes, the NPS seeks to foster local stewardship of the resources that shaped our national identity.

By the end of FY 2003, there were 23 congressionally designated areas in 17 states. In November 2003 Public Law 108-108 was passed, which designated the Blue Ridge

National Heritage Area as the twenty-fourth national heritage area, which brings the total state representation to 18. The Blue Ridge region encompasses 25 counties in the Blue Ridge Mountains of western North Carolina and includes the scenic Blue Ridge Parkway. The rich natural and cultural heritage in this region has contributed significantly to the history and development of the United States. Traditional instrumental and vocal folk music, folk-life traditions, arts and crafts, the heritage and influences of the Cherokees, and historic sites and collections of artifacts are nationally recognized for their distinctive qualities and characteristics that arose from a mixture of cultural influences and an intimate connection with the land. Such designation will foster the creation of a partnership of federal, state, local, nonprofit, and Cherokee representatives, who will join with residents to create a comprehensive vision for conserving and interpreting the region to residents and visitors.

National heritage areas contain a rich mixture of nationally significant resources that public and private constituents agree to conserve and interpret for the benefit of present and future generations. The fact that 20 percent of all national historic landmarks

National Heritage Areas

National Heritage Area	State
America's Agricultural Heritage Partnership (Silos and Smokestacks)	IA
Augusta Canal National Heritage Area	CA
Blue Ridge National Heritage Area	NC
Cache La Poudre River Corridor	CO
Cane River National Heritage Area	LA
Delaware and Lehigh National Heritage Corridor	PA
Erie Canalway National Heritage Corridor	NY
Essex National Heritage Area	MA
Hudson River Valley National Heritage Area	NY
Illinois and Michigan Canal National Heritage Corridor	IL
John H. Chafee Blackstone River Valley National Heritage Corridor	MA/RI
Lackawanna Heritage Valley National Heritage Area	PA
MotorCities National Heritage Area	MI
National Coal Heritage Area	PA
Ohio and Erie National Heritage Canalway	OH
Quinebaug and Shetucket Rivers Valley National Heritage Corridor	CT/MA
Rivers of Steel National Heritage Area	PA
Schuykill River Valley National Heritage Area	PA
Shenandoah Valley Battlefields National Historic District	VA
South Carolina National Heritage Corridor	SC
Southwestern Pennsylvania Heritage Preservation Commission (Path of Progress National Heritage Tour Route)	PA
Tennessee Civil War National Heritage Area	TN
Wheeling National Heritage Area	WV
Yuma Crossing National Heritage Area	AZ

Ancient artists once pecked detailed patterns into the dark desert varnish of rock surfaces in Petrified Forest National Park. More than 650 rock art designs appear in the Puerco River Valley of the park, where an agrarian culture lived 650 to 2,000 years ago.

PHOTO © RUSS FINLEY/FINLEY-HOLIDAY FILMS



are located within national heritage areas is an indication of the historic significance of these regions. National heritage areas are involved in more than 3,000 partnerships that assist constituents in conserving and interpreting resources and stories. All of this is accomplished with no federal acquisition of land or property. For more information on the National Heritage Areas, visit www.cr.nps.gov/heritageareas/.

ARCHEOLOGICAL SITES

Archeological sites are the material remains, or physical evidence, of past human life or activities from prehistoric and historic periods. The significance of archeological sites is based upon their identity, age, location, and context in conjunction with their capacity to contain information for study using archeological methods and techniques.

More than 290 park units of the National Park System contain archeological sites. Examples include prehistoric shell middens at Cape Cod National Seashore in Massachusetts and Point Reyes National Seashore in California; multi-storied prehistoric stone structures high in the cliffs at Mesa Verde National Park in Colorado; ancient artwork at Petroglyph National Monument in New Mexico, Petrified Forest National Park in Arizona, and Arches National Park in Utah; earthen mounds

at Big Cypress National Park in Florida and Hopewell Culture National Historical Park in Ohio; early historic European sites in Virginia, such as Jamestown National Historic Site, or early African American sites in Massachusetts as parts of Boston National Historical Park; and later historic period sites, such as those at Golden Spike National Historic Site in Utah, Fort Vancouver National Historic Site in Washington, and Fort Sumter National Monument in South Carolina.

Most archeological sites on NPS land are managed by preserving them in place, unless there is a need to excavate or otherwise disturb them. Scientific research, including survey and excavation, also may occur at archeological sites after a permit has been approved. Sites typically are excavated when they will be damaged or destroyed by planned management actions, such as unavoidable construction. Excavations may be warranted when important scientific or historical information is needed, when an excavation will provide important interpretive information, or when sites are threatened by modern development, operations, or uncontrollable natural or human causes, such as erosion or looting, and they cannot be stabilized or otherwise protected. The data, artifacts, records, and other materials recovered from archeological sites are preserved

and managed as part of the NPS museum collections. These items are considered to be collectible heritage assets.

The National Park Service estimates that as many as 1.5 million archeological sites may exist within units of the National Park System. A Servicewide archeological site estimation project is being finalized to verify this figure. About 64,000 of these sites have been identified, and in FY 2004, 60,855 sites are recorded in a national archeological database—the Archeological Sites Management Information System (ASMIS), a distributed data collection system. Each park enters its archeological data into a local ASMIS application and sends the data to the ASMIS national coordinator once a year. System and process changes are being implemented, so that quarterly reporting becomes available by July 2005.

The need for park inventories of archeological sites has been emphasized by the NPS since 1992. New sites are discovered on park lands annually through inventory projects, compliance work, research, or inadvertent discovery by park staff, research professionals, or the public. New sites may also be acquired when lands are transferred to the NPS. Sites may be withdrawn from the national inventory each year when they are found to be destroyed either by natural or human forces, or when land that contains archeological sites is transferred out of the National Park System.

At the end of Fiscal Year 2003, the NPS had 57,752 site records in ASMIS. During 2004 the NPS added 3,765 new site records to ASMIS. This includes the records for 42 archeological sites that were discovered and documented in 2004. The majority of the 3,765 site records were additions of backlog

records for sites discovered in previous years. In FY 2004 the NPS withdrew two archeological sites, which were found to be destroyed based on the date on which the site condition was assessed. The other 660 archeological site records were reclassifications due to discovery that a site was not on NPS land, was destroyed, was not an archeological site, or other reasons. The net change in ASMIS in FY 2004 was 3,103.

Standardized management information is collected for all sites and recorded in the ASMIS database. However, information regarding site condition is only available for approximately 48 percent of the recorded sites. Efforts continue to verify and validate existing condition information for archeological sites, and to assess known sites for which condition information presently is unavailable. These efforts are limited, however, by the remoteness of many sites, the lack of staff to visit the sites, and the large number of sites to visit. Of the 60,855 sites with a condition assessment, 24 percent are in good condition; 17 percent are in fair condition; 7 percent are in poor condition; and 52 percent were of unknown condition.

Condition information for archeological sites is defined as follows:

- (a) A site in good condition shows no evidence of noticeable deterioration by natural forces and/or human activities. The site is considered currently stable, and its present archeological values are not threatened. No adjustments to the currently prescribed site treatment actions are required in the near future to maintain the site's present condition.
- (b) A site in fair condition shows evidence of deterioration by natural forces and/or

Condition of National Park Service Archeological Sites

FISCAL YEAR	NUMBER OF SITES	SITES IN GOOD CONDITION	SITES IN FAIR CONDITION	SITES IN POOR CONDITION	SITES IN UNKNOWN CONDITION
2000	54,356	8,129	7,102	2,698	36,427
2001	55,733	9,504	7,823	2,774	35,632
2002	55,791	10,144	8,175	2,983	34,489
2003	57,752	11,891	9,519	3,485	32,857
2004	60,855	14,301	10,609	4,201	31,744

human activities. If the identified threats continue without appropriate corrective action, the site will degrade to poor condition.

- (c) A site in poor condition shows evidence of severe deterioration by natural forces and/or human activities. If the identified threats continue without appropriate corrective action, the site is likely to undergo further degradation, and the site's data potential for historical or scientific research value will be lost.

CULTURAL LANDSCAPES

Cultural landscapes are geographic areas that include both natural and cultural resources. Cultural landscapes are complex resources that range in size from large rural tracts of several thousand acres to small formal gardens. The Department of the Interior recognizes four general types of cultural landscapes, which are not mutually exclusive:

- **Historic Site**—a landscape significant for its association with a historic event, activity, or person.
- **Historic Designed Landscape**—a landscape significant as a design or work of art; was consciously designed and laid out either by a master gardener, landscape architect, architect, or horticulturist to a design principle, or by an owner or other amateur according to a recognized style or tradition; has a historical association with a significant person, trend, or movement in landscape gardening or architecture, or a significant relationship to the theory or practice of landscape architecture.
- **Historic Vernacular Landscape**—a landscape whose use, construction, or physical layout reflects endemic traditions, customs, beliefs, or values; in which the expression of cultural values, social behavior, and individual actions over time is manifested in physical features and materials and their interrelationships, including patterns of spatial organization, land use, circulation, vegetation, structures, and objects; in which the physical, biological, and cultural features reflect the customs and everyday lives of people.
- **Ethnographic Landscape**—areas containing a variety of natural and cultural resources that associated people define

as heritage resources, including plant and animal communities, geographic features, and structures, each with their own special local names.

Landscapes are historically significant because they individually meet National Register of Historic Places criteria, are contributing elements of sites or districts that meet National Register criteria, or have value to associated communities. Landscapes that do not meet National Register criteria may be managed as cultural landscapes because of responsibilities established by legislation or through the park planning process. Such landscapes include reconstructed, or commemorative landscapes, as well as landscapes that have achieved significance within the last 50 years. The National Park Service categorizes cultural landscapes as non-collectible heritage assets.

The Cultural Landscape Inventory (CLI) is an evaluated inventory of all historic designed and historic vernacular landscapes, and historic sites in the National Park System in which the National Park Service has, or plans to have, any enforceable legal interest. Ethnographic landscapes are listed in the Ethnographic Resources Inventory (ERI).

Landscapes are acquired through purchase or donation after legislated boundary expansions of parks or establishment of new parks. Newly acquired landscapes are added to the CLI only after sufficient research and evaluation is conducted to determine their eligibility for listing in the National Register of Historic Places, because of responsibilities established by legislation or decisions made through the park planning process. Previously acquired landscapes may be added to the CLI based on newly recognized association with significant events or people, or by their distinctive characteristics or values. A landscape's National Register eligibility is documented through consultation with the appropriate State Historic Preservation Office. Landscapes are removed from the CLI if the landscape has lost its integrity, if the National Park Service no longer maintains an enforceable legal interest, or if the landscape has been destroyed by natural occurrence or management decision.

In the FY 2003 Annual Report, the National Park Service reported that there were a total of 2,830 cultural landscapes on the CLI. The total included those landscapes entered in the National Register of Historic Places, those determined eligible for the National Register through consultation with the State Historic Preservation Officer, those potentially eligible for the National Register determined by professional judgment, as well as those managed as cultural resources because of legislation or decisions reached through the park planning process. In FY 2004 the NPS changed the way it reported of the number of cultural landscapes in the CLI by only including those determined eligible or listed in the National Register, and those managed as cultural resources because of legislation or park planning process decisions. The change in definition excluded the group of potentially eligible cultural landscapes because they lacked sufficient documentation to substantiate eligibility or, in some cases, because the State Historic Preservation Officer has not yet rendered an opinion on eligibility for the National Register.

As a result of the definitional change, a thorough review of the 2,830 cultural landscapes on the CLI was undertaken during FY 2004. As a result, 2,656 landscapes were withdrawn because they did not meet the new criteria. This review resulted in a revised total of 174. In FY 2004 six new cultural landscapes were added to the CLI. Therefore, at the end of FY 2004, the CLI contained 180 cultural landscapes, of which 60 (33%) were in good condition; 104 (58%) were in fair condition; and 16 (9%) were in poor condition.

A landscape is in good condition if the landscape shows no clear evidence of major negative disturbance or deterioration by natural and/or human forces; if the cultural and natural values of the landscape are as well preserved as can be expected under the given environmental conditions; and if no immediate corrective action is required to maintain its current condition. A landscape is in fair condition if the landscape shows clear evidence of minor disturbances and deterioration by natural and/or human forces, and some degree of corrective action is needed within three to five years to prevent further harm to its cultural and/or natural values. A landscape is poor

condition if the landscape shows clear evidence of major disturbances and rapid deterioration by natural and/or human forces, and immediate corrective action is required to protect and preserve the remaining historic and natural values.

The Park Facility Management Program is responsible for and is currently conducting a multi-year effort to estimate deferred maintenance for these park heritage assets. National Park Service ability to provide such information on cultural landscapes is contingent on successful completion of this effort by the Park Facility Management Program.

HISTORIC AND PREHISTORIC STRUCTURES

Historic Structures are constructed works consciously created to serve a human activity or purpose. These structures individually meet the National Register of Historic Places criteria or are contributing elements of sites or districts that meet National Register criteria. Structures that do not meet National Register criteria may be considered historic because of management responsibilities established by legislation or through park planning processes. Such structures include moved, reconstructed, or commemorative structures, as well as structures that have achieved significance within the last 50 years. The National Park Service categorizes historic and prehistoric structures as non-collectible heritage assets.

The List of Classified Structures (LCS) is an evaluated inventory of all historic and prehistoric structures in the National Park System in which the National Park Service has, or plans to acquire, any enforceable legal interest. Structures are acquired through purchase or donation after legislated boundary expansions of parks or establishment of new parks. Newly acquired structures are added to the LCS only after sufficient research and evaluation is conducted to determine their eligibility for listing in the National Register of Historic Places, because of responsibilities established by legislation, or decisions made through the park planning process. Previously acquired structures may be added to the LCS based on newly recognized association with significant events or people, or by their distinctive characteristics or values. A structure's

A steel and concrete canopy erected in 1932 continues to protect the four-story Great House (completed in 1350) at Casa Grande Ruins National Monument. Walls of the structure were constructed with a material found in the subsoil called *caliche*, a mixture of sand, clay, and limestone.

PHOTO BY DIANE LIGGETT



National Register eligibility is documented through consultation with the appropriate State Historic Preservation Office. Historic structures are removed from the LCS if the structure has lost its integrity, if the National Park Service no longer maintains an enforceable legal interest, or if the structure has been destroyed by natural occurrence or management decision.

In the FY 2003 Annual Report, the National Park Service incorrectly reported that there were 26,501 inventoried historic structures in the National Park System as of the end of FY 2003. There were 30 structures omitted from the FY 2003 LCS that should have been added to Lake Mead National Recreation Area. These structures were previously included in the Grand Canyon-Parashant National Monument in northern Arizona, which is not a unit of the National Park System. Therefore, as of September 30, 2003, there were 26,531 historic structures on the LCS. For reporting purposes, these 30 structures are shown as additions in FY 2004.

During FY 2004, 380 historic structures have been added to the LCS, and 296 structures have been removed, resulting in a net gain of 84 structures. As of September 30, 2004, there were 26,585 historic structures on the LCS. Of these structures,

12,102 (45%) were in good condition; 10,067 (38%) were in fair condition; 3,372 (13%) were in poor condition; and 1,044 (4%) were of unknown condition.

A structure is in good condition if the structure and its significant features are intact, structurally sound, and performing their intended purpose. The structure and its significant features need no repair or rehabilitation, but only routine or preventive maintenance. A structure is in fair condition if either (a) there are early signs of wear, failure, or deterioration though the structure, and its features are generally sound and performing their intended purpose; or (b) there is failure of a significant feature. A structure is in poor condition if either (a) the significant features are no longer performing their intended purpose; (b) significant features are missing; (c) deterioration or damage affects more than 25 percent of the structure; or (d) the structure or significant features show signs of imminent failure or breakdown.

The Park Facility Management Program is responsible for and is currently conducting a multi-year effort to estimate deferred maintenance for these park heritage assets. Ability to provide that information is contingent on the successful completion of this effort by the Park Facility Management Program.

PALEONTOLOGICAL SITES

There are 14 National Park Service units in which *paleontological resources* are specifically mentioned in their organic legislation. The types of paleontological resources in the National Park Service are diverse and include fossil plants ranging from microscopic algae and pollen, to fossil leaves and petrified logs, and fossil animals ranging from marine shells to dinosaurs, to Ice Age mammals. Trace fossils such as tracks, burrows, and coprolites are also included. Many of the fossil resources protected and interpreted within the NPS are of international significance and are critical to the understanding of the history of life on earth.

Because only 14 parks have enabling legislation that specifically identifies fossils as a park resource, the recognition of fossils as a park asset is often secondary and occurs after establishment of the park. At the end of FY 2003, paleontological resources had been identified in a total of 159 parks. During FY 2004 ongoing review of the paleontological literature and examination of park collections and fossil collections in outside repositories has increased the number of parks with some type of paleontological resource to 173.

Parks that have been recently identified with some type of paleontological resource include: Bluestone National Scenic River, Chiricahua National Monument, Fort Washington Park, Gauley River National Recreational Area, Greenbelt Park, Lewis and Clark National Historic Trail, Lincoln Memorial, Little Bighorn Battlefield National Monument, Rock Creek Park, and the Washington Monument. Two of these parks, the Washington Monument and the Lincoln Memorial, have fossils in their building stone. While paleontology may be of interest for interpretive purposes at these two sites, these do not qualify as paleontology localities in the strictest sense, and the fossils should be considered as a secondary, and not as a primary resource. Such situations are analogous to Castillo de San Marcos and Fort Frederica, where fossil-rich rock was used in construction of structures.

The addition of Little Bighorn Battlefield National Monument is based on the discovery of a *Plesiosaur* (an extinct marine reptile) in the paleontology collections at

the National Museum of Natural History that was collected at the park in 1977 during routine excavation of a grave. A final report on the paleontological resources in the National Capital Region is being prepared and will be published as a technical report through the Geological Resources Division.

Because of the nature of the ongoing research at each park regarding the types of paleontological resources present, it has not yet been possible to identify specific paleontology localities from which fossils originated within each of these units or to document them. Copies of the technical report will be provided to the parks after it is published. The report will provide the basis for each park in developing resource management plans for their fossils and for funding requests.

The National Park Service has 16 paleontologists; one based in a central office, and 15 based at parks including Badlands National Park (1), Dinosaur National Monument (3), Florissant Fossil Beds National Monument (1), Fossil Butte National Monument (1), Guadalupe Mountains National Park (1), Hagerman Fossil Beds National Monument (1), John Day Fossil Beds National Monument (4), Petrified Forest National Park (1) and two others at parks, but not working directly with paleontological resources. Petrified Forest National Park and Hagerman Fossil Beds National Monument have recently each hired one additional person in temporary positions to work on their paleontological resources.

The program coordinator for paleontology is based in the Geologic Resources Division and is responsible for assisting park managers in documenting their paleontological resources through inventories, as well as developing approaches to monitor paleontological resources, and establishing appropriate management objectives. Often this is accomplished by developing partnerships through cooperative agreements between parks and professional paleontologists from museums and universities. These projects are designed to facilitate each park's ability to meet the Servicewide performance goal for paleontological resources. The goal standard is based on the assessment of the condition of paleontological localities.

Recognition of fossil resources as a park asset often is the result of the ongoing inventory of paleontological resources in parks. The documentation of fossils in parks is based on reviews of scientific papers written on fossils in parks; the discovery of new fossils through the inventory process; or field work by researchers; or in the case of Castillo de San Marcos and Fort Frederica National Monuments, the recognition that stone used in the construction of the fort and buildings is composed of *coquina*, a rock composed mostly of fossil shells. Other examples of fossiliferous rock used in construction include limestone at the Lincoln Memorial and Washington Monument, as well as a slab of shale with a dinosaur track used to construct a bridge at Gettysburg. Because these fossils did not originate at the park, they do not constitute a formal paleontology locality.

The identification of parks requiring more in-depth assessments of the nature and distribution of their paleontological resources through the inventory process is made following the preliminary determination that the park has fossils. This process includes the formal documentation of a paleontological locality according to NPS standards and an evaluation of the condition of the locality. All records of fossils in parks are subject to verification by NPS or other professional paleontologists. The follow-up evaluation of the paleontological resources in the park may result in the determination that the initial identification of the materials as fossils was incorrect or erroneous. If the preliminary determination of the presence of fossils in a park is determined to be incorrect, the park will be withdrawn from the list of parks with paleontological resources.

A technical report on a survey of the fossil resources of Santa Monica Mountains National Recreation Area has recently been published. This survey was funded by the paleontology program of the Geologic Resources Division using Recreational Fee Demonstration Program money, and is the third in a series of park paleontology survey reports.

A paleontology locality is a spatially defined area from which a fossil (or fossils) is found, or has been recovered, whose

geologic context and attributes have been documented for the purpose of scientific study, management, and/or interpretation. Locality descriptions are unique to each locality, and attributes documented may include, but are not limited to: lithology, stratigraphic placement, topographic expression, types of fossils present, and any other attributes that aid in its recognition and may require management actions. The size of a locality is variable and determined by the nature of its fossils, their spatial distribution, and associated geologic context and attributes.

A paleontology locality may include fossils left *in situ*, a place where fossils are continuously exposed and have been and may continue to be collected and placed in museum collections, or the place where a fossil was found and removed, and no other fossils are present. At the end of FY 2003 there were 5,149 documented localities based upon the 29 parks that reported their localities. During FY 2004, 30 parks reported locality information that included the addition of 371 localities and the withdrawal or adjustment of 1,835 localities. At the end of FY 2004 there are 3,685 localities recorded in the National Park System. Of the 3,685 paleontological localities, 46 percent are reported as being in good condition; 3 percent are in fair condition; and 51 percent are in unknown condition.

As research work continues in various parks, locality information is expected to change. At Glen Canyon National Recreation Area there are two ongoing research programs. One program focuses on fossil track sites, and the other on fossil vertebrate skeletons. Many new localities have been documented based upon this research, including some localities that were identified in 2003, but were excluded from the 2003 report because the Investigator's Annual Report was received after the reporting deadline. The addition of 116 localities in FY 2004 includes localities found in FY 2003 that were not previously reported, as well as discoveries made in FY 2004.

New surveys in the parks will also increase the number of documented and evaluated paleontological localities. For example, the number of localities at the Colorado National Monument was increased from 5

to 75 during the summer of 2004 following completion of a park survey. Additions of 129 localities are included for John Day Fossil Beds National Monument, which is reporting for the first time.

An adjustment for Badlands National Park, which decreased the number of localities at the park from 1,961 to 128 is included in the withdrawals. Formerly, Badlands National Park recorded localities that were only recorded in field notes, but had not been formally recorded on an NPS paleontology locality form or verified as not being a single locality independently visited, and reported by different researchers. Only 128 localities have been formally recorded. For reporting consistency, the park is removing 1,833 localities from inventory and is working on the backlog of localities recorded in the field notes.

The criteria for an assessment of condition are: (1) disturbance—the present condition of the site is evaluated in terms of the degree of human disturbance or abuse that is threatening or destroying the integrity of the locality. Examples include greater than normal rates of erosion resulting from human activity and illegal removal of fossils from a locality; (2) fragility—the locality is evaluated according to its ability to withstand damage. The vulnerability of a locality depends on the type of sediments that contain the fossil and their resistance to erosion, local rates of natural processes that cause erosion (i.e., rainfall and wind, and the degree of exposure of a locality to these natural processes); (3) abundance of fossils; and (4) access to the site.

While there may be mitigation of threats to paleontological sites resulting from either natural or human-induced causes, maintenance is not usually a factor in the management of a paleontological site, unless a physical structure such as a fence or some type of protective structure has been placed over *in situ* fossils. As of September 30, 2004, no new parks were authorized primarily for their paleontological resources, and none were withdrawn.

NATIONAL HISTORIC LANDMARKS

The Historic Sites Act of 1935 authorized the Secretary of the Interior to survey historic and archaeological sites, buildings, and objects for the purpose of determining

which possess exceptional value as commemorating or illustrating the history of the United States. Scholars study historic properties in the context of themes, such as European Colonial Exploration and Settlement, to establish their relative importance and ensure only the most significant are designated as Landmarks. Studies are often conducted by the NPS in partnership with federal, state, tribal, or local preservation officials; the academic community; independent scholars; and others knowledgeable about a particular subject. Because Landmarks are nationally significant, they must meet a high standard of integrity, meaning they have great authenticity and the ability to tell their story.

The National Park Service's National Historic Landmarks Survey staff prepares nominations, advises others on the preparation of nominations, and evaluates potential *national historic landmark* (NHL) nominations for their ability to meet specific criteria established in 36 CFR 65. The National Park System Advisory Board considers completed nominations, as well as proposals for withdrawal of designation, at meetings that are open to the public. Recommendations of the Board are forwarded to the Secretary of the Interior who designates national historic landmarks.

Not every historic and cultural unit of the National Park System is a National Historic Landmark. National Historic Landmarks that were designated before being included in national park units retain their previous recognition as National Historic Landmarks. Other NPS-owned national historic landmarks were designated for their national significance in an area unrelated to the establishment of the National Park System unit.

Some national parks, such as Yosemite and Glacier, contain a number of separate national historic landmarks. Yosemite contains four national historic landmarks: LeConte Memorial Lodge, the Ahwahnee Hotel, Parsons Memorial Lodge, and the Ranger's Club. Other national park units exist within larger national historic landmarks. For instance, Maggie L. Walker National Historic Site is within the Jackson Ward Historic District National Historic Landmark, and Guilford Courthouse National Military Park is part of a larger

Guilford Court House Battlefield National Historic Landmark.

As of September 30, 2003, the National Park Service owned an estimated 153 national historic landmarks. During FY 2004 additional efforts were initiated to confirm NHL ownership information in the database. During this time an additional 27 NPS-owned NHLs were added to the database to correct prior year records, including adding the Jackson Lake Lodge and Fort Yellowstone, designated by the Secretary of the Interior on July 31, 2003. During FY 2004 three NHLs were removed from the NPS-owned list. The NPS had

previously reported that they were owned by the National Park Service, when they were not. With the 27 total additions and 3 withdrawals, the National Park Service ends FY 2004 with an estimated inventory of 177 national historic landmarks.

The National Park Service monitors the condition of all national historic landmarks on a continuing basis with surveys completed by their owners and managers at the end of even-numbered years. Forty-eight percent of national historic landmarks are owned privately. The federal government owns 16 percent, with approximately 40 percent of those owned by the National

National Historic Landmarks

STATE	NPS UNIT	CONDITION ¹	LANDMARK	PROBLEM
Alaska	KLGO	Threatened	Chilkoot Trail and Dyea Site	Erosion of Dyea Town Site by River
Arizona	GRCA	Threatened	Grand Canyon Depot	Deterioration of Building
Arkansas	HOSP	Threatened *	Bathhouse Row	Deterioration of Buildings
California	GOGA	Threatened	Wapama	Deterioration of Ship
California	YOSE	Threatened	LeConte Memorial Lodge	Threat of Removal/ Demolition
Hawaii	KALE	Threatened	Kalaupapa Leprosy Settlement	Deterioration of Buildings
Indiana	INDU	Threatened	Joseph Bailly Homestead	Deterioration - To Be Addressed by Save America's Treasures Grant
Massachusetts	LOWE	Threatened *	Lowell Locks and Canals Historic District	Deterioration from Fire
Massachusetts	BOST	Threatened	Boston Naval Shipyard	Fire and Deterioration
Massachusetts	SPAR	Threatened	Springfield Armory	Deterioration of Buildings
Michigan	KEWE	Threatened *	Calumet	Deterioration
Montana	GLAC	Threatened	Great Northern Railway Buildings	Deterioration of Many Glacier Hotel and Two Medicine Store
New Mexico	PECO	Threatened	Glorieta Pass (Pigeon Ranch Adobe)	New Construction and Vibration from Heavy Truck Traffic
New Mexico	PECO	Threatened	Pecos Pueblo	Deterioration/Lack of Funds
Ohio	CUYA	Threatened	Ohio and Erie Canal	Erosion
Pennsylvania	FRHI	Threatened *	Gallatin House	Deterioration and Subsidence

Note: (1) * Denotes condition information that is from the prior reporting period and reflects the most current information available.

Park Service. States presently own 27 percent, and local jurisdictions own 7 percent. American Indian tribes own fewer than one percent. The remainder exists in multiple ownership.

The National Historic Landmark Program aggregates condition information in four primary categories. Landmarks are classified as “threatened” when the landmark has already suffered severe damage or is imminently threatened with severe damage to its integrity. If the landmark has suffered, or is about to suffer severe damage that may destroy it altogether, such as demolition, it is listed in “emergency” condition. The “watch” category is defined as the potential for damage to the landmark’s integrity. The “satisfactory” category indicates that no known threat exists to the landmark. Threatened and emergency conditions are aggregated into the “poor” category, and

the watch and satisfactory categories are aggregated into the “good” category. The “fair” category is not used.

In late FY 2004 National Park Service staff collected information on the condition of NHLs. Of those owned by NPS whose units responded, 85 percent of the NHLs were listed in good condition, and 15 percent were listed in poor condition. In 2004, 16 NHLs owned at least partially by the National Park Service were listed in threatened condition (*see accompanying table*).

MUSEUM COLLECTIONS

At the end of Fiscal Year 2003 (the most current information available), National Park Service museum collections totaled more than 105 million items, 40 million objects and specimens, and 65 million archival documents. These collections

National Park Service Non-Collectible Cultural and Natural Heritage Assets

CATEGORY	HERITAGE ASSETS DESIGNATION ¹	BEGINNING BALANCE (UNITS)	ADDITIONS (UNITS)	WITHDRAWALS (UNITS)	ENDING BALANCE (UNITS)	CONDITION OF UNITS (%)			
						GOOD	FAIR	POOR	UNKNOWN
Archeological Sites	Cultural	57,752	3,765	(662)	60,855	24%	17%	7%	52%
Cultural Landscapes ²	Cultural	2,830	6	(2,656)	180	33%	58%	9%	-
Historic and Prehistoric Structures ³	Cultural	26,501	380	(296)	26,585	45%	38%	13%	4%
National Historic Landmarks ⁴	Cultural	153	27	(3)	177	85%	-	15%	-
National Park System (units)	Cultural and Natural	388	0	(1)	387	100%	-	-	-
Paleontological Sites (localities)	Natural	5,149	371	(1,835)	3,685	46%	3%	-	51%
TOTAL		<u>92,773</u>	<u>4,549</u>	<u>(5,453)</u>	<u>91,869</u>				

Note: (1) The National Park System is composed a variety of park types as discussed in the Stewardship Land section. While there are many NPS units designated for their natural or scenic resources, there are also many NPS units designated for their cultural or historical resources. Therefore, national parks units are designated as both cultural and natural heritage assets.

(2) In 2004 the NPS changed the way it reports the number of cultural landscapes. In previous years, the cultural landscapes reported included those potentially eligible and those determined eligible for the National Register, and those managed as cultural landscapes because of responsibilities established by legislation or decisions made through the park planning process. Beginning with FY 2004 the cultural landscapes reported will include only those determined eligible for the National Register and those managed as cultural landscapes because of responsibilities established by legislation or decisions made through the park planning process.

(3) In 2004 the NPS implemented a new strategic goal related to recording and reporting historic and prehistoric structures information consistent with established procedures and controls.

(4) Additions and withdrawals include adjustments for prior period reporting. Condition information is reported for those NHLs that responded to the 2004 condition assessment survey.

support the National Park Service mission to foster understanding, appreciation, and enjoyment of natural and cultural heritage—they are tangible and accessible evidence of the resources, significant events, and peoples associated with NPS lands. The collections include items ranging from historic furnishings in the home of John Adams, to flags that flew over Fort Sumter, to Thomas Edison’s handwritten notes on inventions, to the tools and furnishings of a working ranch in Montana, to botanical specimens from Yosemite, and archeological items from Mesa Verde. These museum collections, from more than 350 NPS units, are important not only individually, but also because of their direct association with the nationally significant sites within the National Park System.

The National Park Service acquires and documents collections that support the mission and scope of each park, and uses those collections to increase public enjoyment and understanding of our heritage, and its associated values. Parks use the documentation associated with collections to make informed decisions about interpreting and managing these and other park resources. The public has access to these collections through exhibits, interpretive programs, publications, websites, films, and videos.

In addition, for research purposes, the public can directly access information in collections catalogs and other databases, as well as access the collections themselves. In Fiscal Year 2003 parks responded to nearly

118,000 public research requests, and park visitors viewed more than 331,000 objects on exhibit. The Internet site *www.cr.nps.gov/museum* annually logs an estimated 644,000 visitor sessions to view collections on-line.

In addition to collections stored at park units, five National Park Service cultural resource centers manage NPS museum collections. These facilities are the Southeast Archeological Center in Tallahassee, Florida; the Midwest Archeological Center in Lincoln, Nebraska; the Western Archeological and Conservation Center in Tucson, Arizona; the Museum Resource Center in Landover, Maryland; and the Alaska Regional Curatorial Center in Anchorage. Additionally, one percent of the collections are on loan to 490 non-NPS institutions for management.

In FY 2003, the year for which the most recent data is available, the NPS acquired more than 4.4 million items through gifts, exchanges, purchases, field collections, and transfers. In addition, the NPS accessioned 27,615 items on loan. Information on acquisitions, deaccessions, and adjustments is shown in the accompanying tables. The National Park Service deaccessioned 8,152 items through exchanges (5), transfers (97), conveyances (1,354), losses (499), thefts (0), repatriation under the Native American Graves Protection and Repatriation Act (139), voluntary (128) and involuntary (26) destruction, destructive analysis (1), return of loans (651), and return to rightful owner (5,252).

National Park Service Museum Collection Items in NPS and Non-NPS Facilities, FY 2003

DISCIPLINE	OBJECTS IN NPS FACILITIES	OBJECTS IN NON-NPS FACILITIES	TOTAL NPS OBJECTS
Archeology	32,950,751	1,582,228	34,532,979
Biology (Including Botany, Zoology, Environmental Samples)	1,840,381	74,767	1,915,148
Documents (Archives)	64,728,332	345,999	65,074,331
Ethnography	28,308	34	28,342
Geology (Including Environmental Samples)	62,815	6,027	68,842
History (Including Art)	3,389,968	4,392	3,394,360
Paleontology	188,722	101,309	290,031
TOTAL OBJECTS	<u>103,189,277</u>	<u>2,114,756</u>	<u>105,304,033</u>

Note: Number of NPS units holding museum property is 356. Number of Non-NPS units holding museum property is 490.

The major deaccessions in FY 2003 were as follows. After the Association for the Preservation of Virginia Antiquities (APVA) constructed a new storage facility, Colonial National Historical Park returned 5,227 artifacts that had been under the park's long-term management, but were actually owned by the APVA. Nez Perce National Historical Park conveyed 1,329 objects dating to the early 20th century that had furnished Watson's General Store, but were not historically related to the store.

Notable acquisitions in FY 2004 include 850 items associated with the 1846 McLaughlin House, which Congress added to Fort Vancouver National Historic Site; at Shiloh National Military Park, 500,000 items from a three-year excavation at one of the few intact Native American temple mounds in the Southeast; and at Pecos National Historical Park, personal effects of a corporal who fought for the Union in the Battle of Glorieta Pass.

As of FY 2003, 62 percent of the objects and specimens, and 39 percent of the archives are cataloged. At current cataloging rates and funding levels, the collection will be cataloged in 2029.

General information on the condition of individual items in park collections is assessed and recorded in the Automated National Catalog System (ANCS+) by the

cataloger. Conservators (highly skilled professionals who assess condition) have evaluated and validated only a few of these assessments. Items in excellent condition have no damage or deterioration. Items in good condition have minor damage and no active deterioration. Items in fair condition have some damage and/or active deterioration. Items in poor condition have significant damage and/or active deterioration.

Establishing and maintaining detailed and current condition assessments for more than 105 million items is infeasible. The following data must be considered in light of this background information. Based on the most current data available (FY 2003), the National Park Service has 47,344,306 cataloged items with condition data recorded, of which 29,004,417 items, or 61 percent, are in excellent or good condition; 14,766,736, or 31 percent, are in fair condition; and 3,573,153, or 8 percent, are in poor condition. Before 1984 condition was not a separate data field on the catalog record, so condition is less likely to be recorded on early records.

Using the standardized NPS Checklist for Preservation and Protection of Museum Collections, parks assess the conditions in facilities housing collections. The Checklist records the status of museum storage and exhibits relative to professional standards

National Park System Museum Collection, Additions and Withdrawals by Discipline, FY 2003

	Archeology	Ethnography	History	Documents	Botany	Paleontology	Geology	Totals
FY 2002 Totals ¹	31,776,896	28,056	3,358,099	62,753,246	1,811,908	253,889	67,022	100,049,116
FY 2003 Additions ²	2,761,760	299	38,585	2,321,086	103,352	36,153	1,834	5,263,069
FY 2003 Withdrawals	(5,677)	(13)	(2,324)	(1)	(112)	(11)	(14)	(8,152)
FY 2003 ENDING BALANCE	<u>34,532,979</u>	<u>28,342</u>	<u>3,394,360</u>	<u>65,074,331</u>	<u>1,915,148</u>	<u>290,031</u>	<u>68,842</u>	<u>105,304,033</u>

Note: (1) The prior year's data are FY 2002. Art is included under History; Biology includes Botany and Zoology, and is listed under Botany. Environmental Samples are included under each appropriate discipline.

(2) These additions are based on FY 2003 data. Additions include recorded accessions, 4,461,191, and adjustments, 801,878, as follows: Archeology: accessions-698,312, adjustments-2,063,448; Ethnography: accessions-322, adjustments-(23); History: accessions-35,617, adjustment-2,968; Documents: accessions-3,442,570, adjustments-(1,121,484); Botany (Biology): accessions-278,149, adjustments-(174,797); Paleontology: accessions-4,557, adjustments-31,596; Geology: accessions 1,664, adjustments-170.

for environment, security, fire protection, housekeeping, and planning. The National Park Service Checklist incorporates but is more comprehensive than the Departmental Standards (Departmental Manual, 411 DM 3.2-3.3).

Meeting these standards ensures the long-term preservation and protection of the collections. Only 69.7 percent of the conditions in park museum collections met the NPS standards. At current funding levels for correction of deficiencies, 95 percent of the standards will be met in 2033.

Facilities housing NPS collections include 315 NPS facilities and, based on FY 2003 data, 490 facilities managed by partners. The NPS has evaluated NPS facilities and 30 of the partner facilities according to Department of the Interior standards for preservation and protection of museum collections. Other entities have evaluated an additional 25 of the NPS partner facilities using the Department of the Interior standards.

Of the NPS facilities, 155 (49%) provide good conditions for the collections; 93 (30%) provide fair conditions; and 67 (21%) provide poor conditions. Of the 30 NPS-evaluated partner facilities, 16 (54%) have good conditions; 10 (33%) have fair conditions; and 4 (13%) have poor conditions. By including evaluations performed by the NPS, other DOI bureaus, the Army Corps of Engineers, and the American Association of Museums Accreditation Program (in order of preference), the number of evaluated

partner facilities increases to 55. Of the 55 facilities, 23 (42%) have good conditions; 26 (47%) have fair conditions; and 6 (11%) have poor conditions. The deferred maintenance costs for the 315 NPS facilities, based on the Departmental standards, total \$286,591,029.

Using the more comprehensive NPS Checklist standards, the deferred maintenance costs (for the 315 NPS facilities and the 30 non-NPS facilities that NPS evaluated) total \$445,168,598, including the cost of new or rehabilitated facilities (\$333,022,744—\$324,360,044 [NPS] and \$8,662,700 [non-NPS]) and supplies and equipment to furnish and maintain the facilities (\$112,145,854—\$111,305,713 [NPS] and \$840,141 [non-NPS]). Other deferred collections maintenance costs total an estimated \$64,835,211, including the annual cost of procedural operations (\$1,749,411—\$1,734,111 [NPS] and \$15,300 [non-NPS]), and non-recurring costs of professional assistance and planning (\$17,085,800 [NPS only]), and conservation surveys and treatments (estimated at over \$46,000,000 [NPS only]). Costs for conservation surveys and treatments are based on extrapolated data from 118 park resource management plans and the 1997 survey of cellulose nitrate film in NPS collections.

Many parks modified their storage and exhibit conditions in FY 2004 to improve preservation of the collections. For example, Yellowstone National Park moved its collections into a new 27,000-square-foot Heritage and Research Center; Stones River National Battlefield rehabilitated its visitor center and exhibits and upgraded

**National Park Service Museum Collections, FY 2004
Status of Cataloging and Condition of Cataloged Items**

Estimated Total Collection Size FY 2003 ¹	Additions Since Last Report ²	Withdrawals Since Last Report	Estimated Total Collection Size FY 2004 ³	Total Number NPS Items Cataloged	Number Cataloged Items With Item-Level Condition Data	NUMBER OF CATALOGED ITEMS BY CONDITION ⁴		
						Good	Fair	Poor
100,049,116	5,263,069	(8,152)	105,304,033	50,046,996	47,344,306	61%	31%	8%

Note: (1) Estimated Total Collection Size for FY 2003 is based on FY 2002 data.
 (2) Additions include both additions, 4,461,191, and adjustments, 801,878.
 (3) Estimated Total Collection Size for FY 2004 is based on FY 2003 data.
 (4) Condition data are based on FY 2003 information.

the museum storage and work area for its 97,000-item collection; Grand Portage National Monument installed a dry pipe sprinkler system in exhibit areas; and Lava Beds National Monument opened its new visitor center, which includes storage for the museum collection.

RESEARCH AND DEVELOPMENT

Through appropriations for natural resource stewardship (encompassing natural resource research support and natural resource management, including the Natural Resource Preservation Program [NRPP]), and cultural resource stewardship (Cultural Resource Preservation Program [CRPP]), the NPS performs a wide range of mission-oriented research in support of its natural and cultural resource stewardship responsibilities. This work constitutes primarily applied research focusing on park-based needs for scientific and scholarly information necessary for park management.

Natural resource stewardship addresses specific questions with immediate applications for natural resource management within the National Park System and, at present, primarily involves the conduct and acquisition of research related to physical science investigations.

This program area also evaluates research needs and coordinates with the Biological Resources Discipline (BRD) of the U.S. Geological Survey (USGS) and others to obtain research needed by the NPS. The Natural Resource Preservation Program provides funding for park natural resource management-related projects that are beyond the funding capabilities of the parks themselves, and has come to be relied on by parks to fund the highest priority individual projects, some of which may involve applied research.

The Cultural Resources Preservation Program provides funding for comparable cultural resource research and resource management projects in the fields of archeology, ethnography, historical architecture, historic landscape architecture, history, and museum collections. Obligations and expenditures from both the NRPP and CRPP programs support park-based resource management, and when applicable, research needs. As a consequence, the obligations and expenditures levels for research from these two programs vary each year in response to the needs and priorities identified by the parks.

Natural resource research responsibilities include the following: (1) identifying re-

National Park Service Ratings of Locations Housing Collections and Estimated Deferred Maintenance Costs, FY 2004

			CONDITION OF COLLECTIONS BASED ON % OF DEPARTMENTAL STANDARDS MET BY LOCATIONS EVALUATED ¹			ESTIMATED DEFERRED MAINTENANCE OF MUSEUM COLLECTIONS (\$)	
	Number of Locations Housing NPS Museum Collections	Number of Locations Evaluated	Good (Meet >70%)	Fair (Meet 50 to 70%)	Poor (Meet <50%)	Facilities Housing Collections	Other Collections Maintenance
NPS Facilities	315	315	155	93	67	\$ 274,748,407	\$ 11,842,622
Other Facilities ²	490	55	23	26	6	\$ 9,301,333	\$ 15,300
TOTAL	<u>805</u>	<u>370</u>	<u>178</u>	<u>119</u>	<u>73</u>	<u>\$ 284,049,740</u>	<u>\$ 11,857,922</u>

Note: (1) Condition of museum property is judged by the degree to which facilities housing property meet accepted museum standards adopted by the Department of the Interior.
 (2) Of the 55 Other Facilities, the NPS evaluated 30; other DOI bureaus evaluated 4; the Army Corps of Engineers evaluated 8; and the AAM Accreditation Program evaluated 13. Deferred maintenance costs apply only to the 30 Other Facilities that the NPS has directly evaluated.

search related to biologic, aquatic, geologic and other natural resources, both where there are immediate applications within the National Park System and to enhance long-term usable knowledge concerning park resources; (2) conveying research needs to the U.S. Geological Survey and seeking other means to obtain needed research; (3) encouraging the use of parks for research related to park natural resources to meet park research needs and to enhance scientific knowledge; and (4) carrying out research on visibility and ecological effects of pollutants of air quality-related values.

Natural resource research and development funds support a variety of projects including the following:

- Determining the movements of the native lesser long-nosed bat at Coronado National Memorial between maternity roosts in southwestern Arizona and northern Sonora, Mexico, and their use of transient roosts in southeastern Arizona.
- Studying the weathering, geomorphology, and soil genesis within the deep scoria habitats at Sunset Crater Volcano National Monument to determine if natural ecological succession is being retarded by human use.
- Understanding the erosion patterns and processes affecting the unique Pleistocene

drumlins comprising the islands of Boston Harbor Islands National Recreation Area, currently being impacted by boat wakes, in order to assess the impacts of current and potential changes in ferry traffic.

- Assessing the available data on both the physical and biological components of Dyke Marsh on the George Washington Memorial Parkway.

For the National Park Service Natural Resource Preservation Program, research and development obligation data are currently available for FY 2000 through FY 2003, with FY 2004 obligations reported as an estimate. The FY 2003 outlays that were previously reported as estimates are now finalized and are reflected in the combined natural and cultural resources values updated in this report.

Actual FY 2004 outlays are contingent upon the results of internal competitive evaluations and approvals of applied research and development proposals and will be available in FY 2005. The overall level of applied research and development outlay is not annually fixed and remains contingent on the relative ranking of these types of proposals among a larger population of high priority park natural resource stewardship projects. The actual level of FY 2004 research and development outlays will depend upon the results of this

**National Park Service Research and Development Expenses
(dollars in millions)**

FISCAL YEAR	BASIC RESEARCH	APPLIED RESEARCH	DEVELOPMENT RESEARCH	TOTAL
2000	\$.5	\$ 37.6	\$ 0	\$ 38.1
2001	1.6	28.0	2.9	32.5
2002	5.0	30.2	8.6	43.8
2003	0	21.1	3.9	25.0
2004	0	27.5	1.9	29.4
TOTAL	\$ 7.1	\$ 144.4	\$ 17.3	\$ 168.8

Note: The National Park Service continues to refine the reporting methodology for Research and Development Expenses. Starting in FY 2004, all new Natural Resources Research and Development projects will be defined as Applied Research. This table combines Natural Resources Research and Development. Natural Resources figures represent "obligations;" Cultural Resources figures represent "expenses." From 2000 to 2003, Cultural Resources Expenses are stated as "Budget Fiscal Year" expenses; in 2004 Fiscal Year expenses are reported. The previously estimated 2003 Research and Development outlay information has been finalized, and those changes are reflected in this report.

Distinct ecological communities exist at Sunset Crater Volcano National Monument. Higher elevations support ponderosa pine forests, while middle elevations feature pinyon pine, one-seed juniper, and grasslands. Lower elevations are comprised of sparsely vegetated high desert plant communities that provide habitat for lizards, snakes, coyotes, and bobcats.

PHOTO BY DIANE LIGGETT



competitive process and the execution of the work performed by the 387 individual park units of the National Park System.

Additional enhancements to improve the availability of natural resource research and development are currently being pursued in two ways. First, development of a new Servicewide natural and cultural resource management information system continues. Work on this system was delayed in FY 2003 because funds have been redirected to homeland security needs. The information system is now projected to be fully implemented in FY 2006. Second, the functionality necessary to directly report research and development expenditures is being sought during the design of the new Departmentwide Financial and Business Management System (FBMS).

The Cultural Resources Applied Research Program addresses specific park issues for which insufficient information is available to make informed management decisions concerning the preservation and protection of park cultural resources. Research conducted by this program consists of identification, evaluation, and assessments of cultural resources; cataloging museum collections; conducting history studies to establish significance of resources; and conducting lineal descents and cultural

affiliation studies to meet Native American Graves Protection and Repatriation Act responsibilities.

The result of such research not only identifies, evaluates, documents, and determines the significance of cultural resources, but also provides appropriate methods and technologies to monitor, preserve, protect, and maintain cultural resources. Through cultural resources applied research, appropriate treatments and interpretation of cultural resources are also documented.

Cultural Resources Applied Research Program responsibilities include: (1) completing historic resource studies, park administrative histories, and other historical studies; (2) providing for National Register of Historic Places documentation; (3) preparing historic structure reports to guide park management in treatment and use decisions; (4) preparing cultural landscape reports to guide park management in treatment and use decisions; (5) providing basic archeological identification, evaluation, and documentation of archeological resources; (6) completing museum collection management plans, collection storage plans, and collection condition surveys; (7) completing documentation (cataloging) for all museum

objects; (8) completing basic ethnographic surveys and field studies in parks; and (9) completing ethnographic overviews and assessments to identify relationships with American Indians and other ethnic groups associated with park resources.

For the Cultural Resources Applied Research Program, research and development expense data are currently available for FY 1999 through FY 2004 and are combined with Natural Resource Preservation Program obligations.

Accomplishments and benefits of the Cultural Resources Applied Research Program include the following:

- The Pacific West Region expended funds for the preparation of cultural landscape analysis and treatment guidelines for Crater Lake National Park, an archeological overview and assessment of Craters of the Moon National Monument and Preserve, a photograph inventory and cataloging project at Lassen Volcanic National Park, and a cultural landscape inventory at San Juan Island National Historic Park.
- Point Reyes National Seashore conducted cultural landscape report on historic dairy ranches to provide essential information for their general management plan, landscape treatment, historic district management, and interpretation.
- Fort Vancouver National Historic Site cataloged more than 13,000 archeological artifacts from Fort Colville that were transferred to the National Park Service from the Bureau of Reclamation.
- Gates of the Arctic National Park and Preserve developed a technique using high-resolution remote sensing satellite imagery to conduct initial surveys for archeological sites.
- Arkansas Post National Memorial conducted an ethnohistory of Arkansas Post focusing on the considerable role played by African Americans.

INVESTMENT IN HUMAN CAPITAL

Job Corps Civilian Conservation Centers are residential, educational, training, and employment programs created as part of

Lyndon B. Johnson’s “War on Poverty,” through the Economic Opportunity Act of 1964. Current authorization is provided under the Title I-C of the Workforce Investment Act of 1998. The year 2004 marks the fortieth anniversary of National Park Service involvement with the Job Corps.

Job Corps Civilian Conservation Centers are operated by the NPS through an interagency agreement with the Department of Labor. The Department of Labor provides all funding for center operations. During FY 2004, \$15.5 million has been expended for this program.

Investment (in millions of dollars)

	2000	2001	2002	2003	2004
Job Corps	\$12.8	\$13.4	\$14.7	\$17.2	\$15.5

The National Park Service operates three Job Corps Civilian Conservation Centers; two are located within the boundaries of national parks. Oconaluftee Job Corps Civilian Conservation Center is located within Great Smoky Mountains National Park in Cherokee, North Carolina. Great Onyx Job Corps Civilian Conservation Center is located within Mammoth Cave National Park in Mammoth Cave, Kentucky. Harpers Ferry Job Corps Civilian Conservation is located in Harpers Ferry, West Virginia. Student capacity is approximately 200 for each center.

Job Corps Centers are rated on the attainment of goals for graduations and student placement in jobs once students leave the program. Students obtain jobs in various industries, including transportation (trucking), plumbing, and building and construction. For FY 2004 the National Park Service centers ratings are as follows for graduates and placements (i.e., completed vocational training):

Job Corps Center Ratings, FY 2004

Center	Graduates	Placements
Great Onyx	237/290=82.0%	197/233=84.5%
Harpers Ferry	171/189=90.5%	157/179=87.7%
Oconaluftee	146/166=90.4%	149/160=92.1%

The centers offer a variety of vocational training programs (e.g., carpentry, plumbing, brick and cement masonry, health occupations, and landscaping). During FY 2004 students either completed or began the following projects: (1) renovating the maintenance building at Great Smoky Mountains National Park, South District maintenance area. The building was reshingled, and a sidewalk repoured; (2) growing seedlings in the center's greenhouse for future plantings in Mammoth Cave National Park; (3) installing a ceiling and fire handtool racks inside the Great Onyx ranger station, which was built by students; and (4) clearing underbrush at Mammoth Cave National Park.

Students also participate in local community projects including the national "Groundhog Job Shadow Day" in February and the "Make a Difference Day" in April. Many student labor hours also contribute to "Habitat for Humanity" projects and Red Cross blood drives.

NON-FEDERAL PHYSICAL PROPERTY

Non-federal physical property refers to the use of federal funds for the purchase, construction, or major renovation of physical property owned by non-federal entities, including state and local governments. Property may include major additions, alterations, and replacements to fixed assets; the purchase of major equipment; and the purchase or improvement of other physical assets.

Congress may appropriate funds annually to the National Park Service for work on non-NPS facilities that is performed by individuals who are not National Park Service employees. These funds are referred to as "Pass-Through" appropriations because the National Park Service role is limited primarily to preparing an agreement that allows the funds to be obligated, and certifying and processing subsequent payments for the work. More than 90 percent of the funds are obligated within the year they are appropriated. Once obligated, fund expenditures are entirely dependent on the party receiving the funds. Only cash assets are associated with these projects. During 2004, \$33.6 million has been expended for these pass-through projects.

Of this \$33.6 million, approximately \$7.3 million was used to support the construction of an Abraham Lincoln Interpretive Center in downtown Springfield, Illinois. The planned two-part Abraham Lincoln Presidential Library and Interpretive Center will consist of a museum portion, a library, and archives. Almost \$5.2 million was spent towards the Morris Thompson Cultural and Visitors Center that will be constructed in downtown Fairbanks, Alaska, to house programs for three organizations: the Alaska Public Lands Information Center (National Park Service), Tanana Chiefs Conference, and the Fairbanks Convention and Visitors Bureau. The latter two organizations will own and operate the facility under an educational and charitable nonprofit 501(c)(3) organization. The estimated opening date is April 2006. The facility will foster understanding, appreciation, and conservation of the resources of Fairbanks and Interior Alaska by providing visitor services, exhibits, special presentations and lectures, artisan demonstrations, traditional skills demonstrations, and public and youth education including teacher curriculum units.

The National Underground Railroad Freedom Center in Cincinnati, Ohio, received \$4.7 million for the construction of an interpretive center that will contain a museum and educational and research facilities. The center will communicate the importance of the quest for human freedom, which provided the foundation for the Underground Railroad story. The \$2.4 million that the Southwest Pennsylvania Heritage Commission expended is supporting development efforts for a regional network of sites along the Path of Progress National Heritage Tour Route in the southwest region of Pennsylvania. Another \$1.4 million was expended for the construction of the Lewis and Clark Center, Nebraska City, Nebraska, and associated facilities including utilities, parking, and exhibits. The Center will interpret and inform the public about the significance of the Lewis and Clark Expedition.

In addition to the above, the National Park Service awards a variety of grants to state and local governments to facilitate public recreation opportunities and to promote the preservation and conservation of the

nation's cultural, historic, prehistoric, and archeological resources. Only cash assets are associated with these projects, although the NPS does maintain responsibility for assuming that recreation project areas remain in public use for perpetuity. A description of several major grant programs follows as related specifically to non-federal physical property investments.

Historic Preservation grants are authorized by the National Historic Preservation Act of 1966, as amended. The objective is to provide matching grants to states for the identification, evaluation, and protection of historic properties by a variety of means including acquisition.

Historically Black Colleges and Universities Preservation grants are authorized by the National Historic Preservation Act of 1996. The grants provide funds to preserve and restore historically significant structures on Historically Black Colleges and Universities campuses.

Land and Water Conservation Fund State grants are authorized by the Land and Water Conservation Act of 1965, as amended. These are matching grants to states, and through states, local units of governments, as well as the territories of the United States for the purpose of acquiring and developing outdoor recreational areas and facilities and to preserve those areas for public enjoyment. Grants range from developing

small neighborhood recreation park areas to large state park acquisitions.

Urban Park and Recreation Recovery grants are authorized by the Urban Park and Recreation Recovery Act of 1978. Matching grants are provided to eligible local governments for rehabilitating critically needed outdoor recreational facilities located in distressed urban areas and to preserve those areas for public enjoyment.

In 2003 the NPS correctly reported the annual and total expenditure amounts for non-federal physical property; however, the expenditures were recorded in incorrect categories for the years presented (1999 to 2003). The impact on the 2003 report follows. Schools and Public Buildings were reported in the Dams and Other Structures category, creating an understatement of \$216.5 million for Schools and Public Buildings. Dams and Other Structures were reported in the Land category, causing an overstatement of \$127.4 million for Dams and Other Structures. Land was reported in the Roads and Bridges category, which was a \$671 million overstatement for Land. Finally, Roads and Bridges were reported in the Schools and Public Buildings category, creating a \$26.7 million overstatement for Roads and Bridges. These changes have been corrected in the 2004 report, and the expenditures are now in the correct categories.

NPS Investment in Non-Federal Physical Property (dollars in millions)

CATEGORY	2000	2001	2002	2003	2004	TOTAL
Dams, Water Structures, and Other Structures	\$ 4.0	\$ 14.6	\$ 29.7	\$ 44.0	\$ 57.9	\$ 150.2
Land	1.9	5.9	8.7	12.8	35.3	64.6
Roads and Bridges	1.1	1.5	1.7	2.5	2.3	9.1
Schools and Public Buildings	30.0	46.0	74.3	53.9	42.8	247.0
TOTAL	\$ 37.0	\$ 68.0	\$ 114.4	\$ 113.2	\$ 138.3	\$ 470.9

Note: In FY 2003 NPS expenditures were recorded in incorrect categories for all years presented; the FY 2004 presentation is correct.

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Silversword plants at Haleakala National Park once numbered fewer than 1,000 individuals because of grazing and removal by souvenir hunters. Federal protection regulations, along with a fencing program implemented by park resource managers, has enabled the silversword population to increase to 50,000 plants. NPS PHOTO

Required Supplementary Information

(Unaudited - See Accompanying Independent Auditors' Report)

... aging facilities have created increased costs for day-to-day operation, limiting the funds available for maintenance.

DEFERRED MAINTENANCE

The National Park Service owns, purchases, and constructs assets such as roads, trails, camping and recreational structures, buildings and houses, utility systems, marine and dock structures, signs and information structures, and special features assets such as monuments, statues, memorials, fortifications, and viewing structures. In every category of these assets, there are examples of both *general* and *stewardship* facilities.

While the National Park Service has acquired and maintained assets throughout its 88-year history, several factors have led to a backlog of maintenance tasks and a significant deterioration of facility conditions because of that backlog. One cause of this maintenance backlog stems from limited operational funding for facilities acquired through donation and transfer. Another cause is that aging facilities have created increased costs for day-to-day operation, limiting the funds available for maintenance. Additionally, increased visitation, addition of new park sites and facilities, and expanded

responsibilities (such as law enforcement) have also added to operational costs, which affects funding available for maintenance activities.

The National Park Service is currently involved in implementing a centralized facility management work planning and execution program known as the Facility Management Software System (FMSS), linking all NPS regions and units, and performing a complete inventory, condition, and needs assessment, which will provide the necessary Servicewide information for determining what resources and activities are necessary to maintain facilities and infrastructure in an acceptable level of operating condition throughout the life of the asset.

The National Park Service uses the Facility Condition Index (FCI) to measure the acceptable condition of the physical infrastructure. The FCI is an industry standard metric that is calculated by dividing the deferred maintenance by the current replacement value. A score closer to 0.0 reflects better condition. For example,

National Park Service Deferred Maintenance Projects by Primary Asset, FY 2004

PRIMARY ASSET CATEGORY	SUB-ASSET CATEGORY	FACILITY CONDITION INDEX	OPERATING CONDITION
Roads, Bridges, Trails	Roads ¹	0.20	Acceptable
Roads, Bridges, Trails	Trails	0.15	Acceptable
Irrigation, Dams, and Other Water Structures	Dams	In Development ²	Acceptable
Buildings	Buildings	0.10	Acceptable
Buildings	Housing	0.10	Acceptable
Other Structures	Campgrounds	0.15	Acceptable
Other Structures	Wastewater Systems	0.05	Acceptable
Other Structures	Water Systems	0.05	Acceptable

Note:

- (1) Currently there is no industry standard FCI for roads. The "acceptable level" for roads is derived from the FY 2005 FCI Performance Goals established in cooperation with OMB as part of the PART Process.
- (2) The acceptable level of condition for National Park Service dams is currently under development in collaboration with the Bureau of Reclamation. It is anticipated that one will be developed by the end of FY 2005.

a building with a current replacement value of \$100,000 and deferred maintenance of \$20,000 would have an FCI of 0.20. Facility Condition Index values for a sampling of various assets are listed in the accompanying table.

The system was deployed in all park units during FY 2003. In FY 2004 FMSS replaced the Project Management Information System (PMIS) as the primary source for reporting deferred maintenance and the standard for acceptable operating condition.

In addition to deployment of the FMSS, the National Park Service completed an initial round of annual condition assessments on industry standard assets (roads, trails, campgrounds, buildings, housing, water, and wastewater systems) in all park units (with the exception of four parks with significant inventory) in FY 2003. This entailed developing an accurate inventory, determining the asset priority index (API) for a numerical indication of the relative importance of an asset when compared to other assets within the same park, inspecting all assets, identifying obvious deficiencies and developing verifiable deficiency cost estimates, and determining the FCI for a simple measurement of a facility's relative condition at a particular point in time. The National Park Service will measure the performance of the Facility Operations and Maintenance Program by linking programmatic activities to defined results and outcomes utilizing the FCI. The National Park Service will continue to perform comprehensive assessments on all park industry standard assets with the first cycle scheduled for completion in FY 2006.

The Park Facility Management Division (PFMD) is currently conducting a multi-year effort to establish the condition of all park assets. Part of the effort is to gather the information necessary to provide a better estimate of deferred maintenance needs related to non-facility type assets. Non-facility type assets do not conform to industry standard deficiency, cost estimate programs, and data sets. Outdoor sculptures, monuments, ruins, fortifications, cultural landscapes, and other non-facility assets require the development of specific asset and feature maintenance standards and deficiency remedies, inspection guidance documents, and cost estimating

assemblies. Through an agreement with WASO-PFMD, the Historic Preservation Training Center is preparing data sets to determine the deferred maintenance for lighthouses, fortifications, and ruins. Additional data sets are being prepared for cultural and maintained landscapes through the Park Historic Structures and Cultural Landscapes Program. Non-facility deferred maintenance data sets and costs will be available in FY 2005 and FY 2006. Once the project is completed in FY 2006, the National Park Service will determine the validity of reporting deferred maintenance needs at the lower level of individual Stewardship and Heritage Asset Programs.

The National Park Service defines "deferred maintenance" as maintenance that was not performed when scheduled or planned. This definition comes from the *U.S. Department of the Interior Facilities Maintenance Assessment and Recommendations, February 1998*. Continued deferral of maintenance items will result, over time, in facility deficiencies that must be corrected, often at a higher cost than the original maintenance cost.

Asset deficiencies, which are the result of the decision to defer maintenance, are identified by the park units through the annual and comprehensive condition assessment process. This information is entered by the parks into FMSS, and the cost for correcting these deficiencies is estimated utilizing a standardized cost estimating software system.

The deferred maintenance can be categorized by asset type, as well as classified as general or stewardship properties by utilizing the attributes found in the asset specification templates within FMSS.

The National Park Service uses three sources of information to determine baseline deferred maintenance estimates. Estimates for paved roads deficiencies were compiled from the 1998-2001 Cycle II Road Inventory Program, and the bridge deficiencies were compiled from the 2001-2002 Federal Lands Highways Program Bridge Inventory Program. The National Park Service plans to incorporate the paved roads and bridges information as part of the FMSS when the system is fully implemented

(FY 2007). Other estimates of asset deficiencies were exported from the FMSS. Once the baseline estimates are established, the National Park Service applies the accepted industry accuracy range of -30% to +50% to derive the estimated range for these Class C assets. The industry refers to these Class C estimates as conceptual or order-of-magnitude estimates, which are generally prepared without a fully defined scope of work.

The National Park Service recognizes that these estimates are based for the most part on annual condition assessments conducted by park units. The actual cost

of correcting deferred maintenance will not be fully known until all park units complete a comprehensive condition assessment, identifying all asset deficiencies and developing valid cost estimates. The first cycle of comprehensive condition assessments is expected to be completed in FY 2006. The condition assessments completed by most parks by the end of FY 2003 represent initial condition assessments that identified obvious and apparent deficiencies. It is possible that further deficiencies could be identified when the comprehensive assessments are conducted between now and FY 2006.

**Department of the Interior, National Park Service
Estimated Range of Deferred Maintenance Expense for General and Stewardship Fixed Assets
(dollars in thousands)**

CATEGORY	CONDITION ¹	GENERAL	GENERAL	STEWARDSHIP	STEWARDSHIP	TOTAL	TOTAL
		LOW	HIGH	LOW	HIGH	LOW	HIGH
Roads, Bridges, and Trails	G,F,P	\$ 2,687,573	\$ 5,759,085	\$ 90,498	\$ 193,925	\$ 2,778,071	\$ 5,953,010
Irrigation, Dams, and Other Water Structures	G,F,P	66,909	143,377	-	-	66,909	143,377
Buildings	G,F,P	392,404	840,866	489,953	1,049,899	882,357	1,890,765
Other Structures	G,F,P	780,186	1,671,827	14,746	31,598	794,932	1,703,425
TOTAL		<u>\$ 3,927,072</u>	<u>\$ 8,415,155</u>	<u>\$ 595,197</u>	<u>\$ 1,275,422</u>	<u>\$ 4,522,269</u>	<u>\$ 9,690,577</u>

Note:

(1) For reporting consistency across the Department of the Interior, condition information is presented in three categories that include good, fair, and poor. Because of the variety of underlying assets that are represented in the four reporting categories shown in the accompanying table, the National Park Service estimates that it has assets in all three condition categories.

Department of the Interior, National Park Service
Required Supplementary Information
Schedule of Budgetary Resources by Major Budget Account (Unaudited - See Accompanying Independent Auditors' Report)
For the Year Ended September 30, 2004
(dollars in thousands)

	OPERATION OF THE NPS	CONSTRUCTION	LAND ACQUISITION AND STATE ASSISTANCE	RECREATION FEE	OTHER BUDGET ACCOUNTS	TOTAL BUDGETARY ACCOUNTS
BUDGETARY RESOURCES						
Budget Authority:						
Appropriations Received	\$ 1,629,641	\$ 355,820	\$ 142,350	\$ 157,836	\$ 310,701	\$ 2,596,348
Net Transfers, Current Year Authority	10,067	43,456	(20,190)	-	(2,246)	31,087
Unobligated Balance:						
Beginning of Fiscal Year	69,027	341,172	223,695	283,049	144,973	1,061,916
Net Transfers, Unobligated Balance, Actual	21	14,006	4,399	-	-	18,426
Spending Authority From Offsetting Collections:						
Earned						
Collected	20,267	108,247	2,299	-	1,179	131,992
Receivable From Federal Sources	(139)	9,829	319	-	-	10,009
Change in Unfilled Customer Orders:						
Advance Received	-	(1,160)	-	-	-	(1,160)
Without Advance From Federal Sources	-	32,077	(2,618)	-	-	29,459
Subtotal: Spending Authority From Offsetting Collections	20,128	148,993	-	-	1,179	170,300
Recoveries of Prior Year Obligations Permanently Not Available	7,439 (25,172)	7,414 (4,107)	8,134 (1,754)	770 -	1,592 (3,948)	25,349 (34,981)
TOTAL BUDGETARY RESOURCES	\$ 1,711,151	\$ 906,754	\$ 356,634	\$ 441,655	\$ 452,251	\$ 3,868,445
STATUS OF BUDGETARY RESOURCES						
Obligations Incurred:						
Direct	\$ 1,603,056	\$ 384,088	\$ 187,890	\$ 162,752	\$ 303,296	\$ 2,641,082
Reimbursable	20,839	122,054	-	-	(1)	142,892
Total Obligations Incurred	1,623,895	506,142	187,890	162,752	303,295	2,783,974
Unobligated Balance:						
Apportioned	67,612	400,612	168,744	278,903	141,985	1,057,856
Unobligated Balances Not Available	19,644	-	-	-	6,971	26,615
TOTAL STATUS OF BUDGETARY RESOURCES	\$ 1,711,151	\$ 906,754	\$ 356,634	\$ 441,655	\$ 452,251	\$ 3,868,445
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS						
Obligations Incurred	\$ 1,623,894	\$ 506,142	\$ 187,890	\$ 162,752	\$ 303,296	\$ 2,783,974
Obligated Balance, Net, Beginning of Fiscal Year	299,641	330,507	243,700	73,186	225,539	1,172,573
Obligated Balance, Net, End of Fiscal Year:						
Accounts Receivable	339	28,068	1,238	-	1	29,646
Unfilled Customer Orders From Federal Sources	-	97,605	1,669	-	-	99,274
Undelivered Orders	(269,461)	(279,570)	(250,013)	(69,389)	(206,950)	(1,075,383)
Accounts Payable	(69,455)	(149,652)	(559)	(4,813)	(8,813)	(233,292)
Less: Spending Authority Adjustments	(7,300)	(49,320)	(5,835)	(770)	(1,595)	(64,820)
Outlays:						
Disbursements	1,577,658	483,780	178,090	160,966	311,478	2,711,972
Collections	(20,267)	(107,087)	(2,299)	-	(1,179)	(130,832)
Subtotal	1,557,391	376,693	175,791	160,966	310,299	2,581,140
Less: Offsetting Receipts	-	-	-	(157,835)	(44,743)	(202,578)
NET OUTLAYS	\$ 1,557,391	\$ 376,693	\$ 175,791	\$ 3,131	\$ 265,556	\$ 2,378,562

Department of the Interior, National Park Service
Required Supplementary Information
Schedule of Budgetary Resources by Major Budget Account (Unaudited - See Accompanying Independent Auditors' Report)
For the Year Ended September 30, 2003
(dollars in thousands)

	OPERATION OF THE NPS	CONSTRUCTION	LAND ACQUISITION AND STATE ASSISTANCE	RECREATION FEE	OTHER BUDGET ACCOUNTS	TOTAL BUDGETARY ACCOUNTS
BUDGETARY RESOURCES						
Budget Authority:						
Appropriations Received	\$ 1,574,565	\$ 303,043	\$ 172,468	\$ 148,416	\$ 309,443	\$ 2,507,935
Net Transfers, Current Year Authority (+/-)	162	15,598	27,938	-	(2,286)	41,412
Unobligated Balance:						
Beginning of Fiscal Year	66,404	386,805	243,869	298,132	158,840	1,154,050
Spending Authority From Offsetting Collections:						
Earned						
Collected	16,425	122,008	3,872	-	1,190	143,495
Receivable From Federal Sources	50	2,927	(722)	-	(1)	2,254
Change in Unfilled Customer Orders:						
Advance Received	-	(30,781)	-	-	-	(30,781)
Without Advance From Federal Sources	-	14,100	(4,792)	-	-	9,308
Recoveries of Prior Year Obligations	9,302	2,834	5,069	1,917	5,358	24,480
Permanently Not Available	(18,059)	(2,117)	(1,122)	(861)	(2,369)	(24,528)
TOTAL BUDGETARY RESOURCES	\$ 1,648,849	\$ 814,417	\$ 446,580	\$ 447,604	\$ 470,175	\$ 3,827,625
STATUS OF BUDGETARY RESOURCES						
Obligations Incurred:						
Direct	\$ 1,562,186	\$ 350,554	\$ 222,072	\$ 164,555	\$ 324,820	\$ 2,624,187
Reimbursable	17,635	122,690	813	-	382	141,520
Total Obligations Incurred	1,579,821	473,244	222,885	164,555	325,202	2,765,707
Unobligated Balance:						
Apportioned	47,474	341,173	223,695	283,049	139,252	1,034,643
Unobligated Balances Not Available	21,554	-	-	-	5,721	27,275
TOTAL STATUS OF BUDGETARY RESOURCES	\$ 1,648,849	\$ 814,417	\$ 446,580	\$ 447,604	\$ 470,175	\$ 3,827,625
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS						
Obligations Incurred	\$ 1,579,821	\$ 473,244	\$ 222,885	\$ 164,555	\$ 325,202	\$ 2,765,707
Obligated Balance, Net,						
Beginning of Fiscal Year	318,407	303,091	167,704	50,202	206,481	1,045,885
Obligated Balance, Net, End of Fiscal Year:						
Accounts Receivable	478	18,239	919	-	1	19,637
Unfilled Customer Orders From Federal Sources	-	65,528	4,287	-	-	69,815
Undelivered Orders	(250,544)	(309,779)	(243,253)	(66,363)	(215,213)	(1,085,152)
Accounts Payable	(49,575)	(104,493)	(5,654)	(6,823)	(10,328)	(176,873)
Less: Spending Authority Adjustments	(9,351)	(19,860)	446	(1,918)	(5,358)	(36,041)
Outlays:						
Disbursements	1,589,236	425,970	147,334	139,653	300,785	2,602,978
Collections	(16,425)	(91,227)	(3,873)	-	(1,189)	(112,714)
Subtotal	1,572,811	334,743	143,461	139,653	299,596	2,490,264
Less: Offsetting Receipts	-	-	-	(148,418)	(41,492)	(189,910)
NET OUTLAYS	\$ 1,572,811	\$ 334,743	\$ 143,461	\$ (8,765)	\$ 258,104	\$ 2,300,354

Independent Auditors' Report



Signs of wildlife abound on the sandy beaches of Assateague Island National Seashore, a 37-mile barrier island that includes the 9,021-acre Chincoteague National Wildlife Refuge. NPS PHOTO



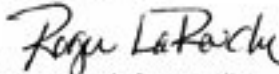
United States Department of the Interior

Office of Inspector General
Washington, D.C. 20240

December 10, 2004

Memorandum

To: Director, National Park Service

From: Roger La Rouche 
Assistant Inspector General for Audits

Subject: Independent Auditors' Report on the National Park Service's Financial Statements for Fiscal Years 2004 and 2003 (Report No. E-IN-NPS-0056-2004)

We contracted with KPMG LLP (KPMG), an independent certified public accounting firm, to audit the National Park Service's (NPS) financial statements for fiscal years 2004 and 2003. The contract required that KPMG conduct its audit in accordance with the Comptroller General of the United States of America's *Government Auditing Standards*; Office of Management and Budget Bulletin 01-02, as amended, *Audit Requirements for Federal Financial Statements*; and the Government Accountability Office/President's Council on Integrity and Efficiency *Financial Audit Manual*.

In its audit of NPS (Attachment 1), KPMG found that the financial statements were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. As discussed in KPMG's report and note 14 to the financial statements, NPS's fiscal year 2004 consolidated statement of net cost is not comparable to its fiscal year 2003 consolidated statement of net cost. This occurred because in fiscal year 2004, NPS revised the presentation of costs and revenues to match the fiscal year 2004 *Government Performance and Results Act* strategic plan, which is different from the plan applicable to fiscal year 2003. Also, as discussed in note 11 to the financial statements, NPS changed its method of accounting for the liability related to the United States Park Police Pension Plan effective October 1, 2003.

KPMG identified three reportable conditions related to internal controls over financial reporting, none of which KPMG considers to be a material weakness:

- Security and General Controls over Financial Management Systems
- Financial Reporting Controls
- Controls over U.S. Park Police Pension Plan.

KPMG also noted the following significant deficiencies in internal control over NPS's Required Supplementary Information and Required Supplementary Stewardship Information that could adversely affect NPS's ability to collect, process, record, and summarize this information:

- Deferred Maintenance Estimates
- Stewardship Reporting

Further, KPMG found that NPS's financial management systems did not substantially comply with the *Federal Financial Management Improvement Act (FFMIA) of 1996* because of noncompliance with federal financial management systems requirements and federal accounting standards. KPMG also found instances of noncompliance with the *Single Audit Act Amendments of 1996*.

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

In the November 24, 2004 response (Attachment 2), NPS generally concurred with the report's findings and recommendations and indicated corrective actions would be taken, with the exception of recommendation D.2 related to deferred maintenance estimates – stewardship land. NPS did not agree with KPMG's recommendation that NPS conduct condition assessments and estimate deferred maintenance for stewardship lands because NPS does not believe that this is required by federal accounting standards or Department of Interior policy. In its comments on this matter, KPMG reiterated their belief that NPS is required to perform condition assessments of stewardship land and estimate related deferred maintenance.

Based on NPS's response, we consider all of the recommendations, except for D.2, resolved but not implemented. These recommendations will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation. Recommendation D.2 will be referred for resolution.

The legislation, as amended, creating the Office of Inspector General, (5 U.S.C.A. App. 3) requires semiannual reporting to 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. The distribution of the report is not restricted and copies are available for public inspection.

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

Attachments (2)



KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report

Director of the National Park Service and Inspector General
U.S. Department of the Interior:

We have audited the accompanying consolidated balance sheets of the National Park Service (NPS) as of September 30, 2004 and 2003, and the related consolidated statements of net costs, consolidated statements of changes in net position, combined statements of budgetary resources, and consolidated statements of financing 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 NPS's internal control over financial reporting and tested NPS'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 NPS's financial statements as of and for the years ended September 30, 2004 and 2003 are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 14 to the financial statements, NPS's fiscal year 2004 consolidated statement of net cost is not comparable to the fiscal year 2003 consolidated statement of net cost because in fiscal year 2004, NPS revised the presentation of costs and revenues to match the *Government Performance and Results Act* strategic plan applicable to fiscal year 2004, which is different from the plan applicable to fiscal year 2003. Also, as discussed in note 11 to the financial statements, NPS changed its method of accounting for the liability related to the U.S. Park Police Pension Plan effective October 1, 2003.

Our consideration of internal control over financial reporting identified the following reportable conditions:

- A. Security and General Controls over Financial Management Systems
- B. Financial Reporting Controls
- C. Controls over U.S. Park Police Pension Plan

However, none of the reportable conditions are believed to be a material weakness.

We also noted the following significant deficiencies in internal control over Required Supplementary Information and Required Supplementary Stewardship Information that, in our judgment, could adversely affect NPS's ability to collect, process, record, and summarize this information:

- D. Deferred Maintenance Estimates
- E. Stewardship Reporting



The results of our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

F. *Single Audit Act Amendments of 1996*

G. *Federal Financial Management Improvement Act of 1996*

The following sections discuss our opinion on the financial statements; our consideration of NPS's internal control over financial reporting; our tests of NPS'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 National Park Service as of September 30, 2004 and 2003, and the related consolidated statements of net costs, consolidated statements of changes in net position, combined statements of budgetary resources, and consolidated statements of financing for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NPS as of September 30, 2004 and 2003, and its net costs, changes in net position, budgetary resources, and reconciliation of net costs to budgetary obligations for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 14 to the financial statements, NPS's fiscal year 2004 consolidated statement of net cost is not comparable to the fiscal year 2003 consolidated statement of net cost because, in fiscal year 2004, NPS revised the presentation of costs and revenues to match the *Government Performance and Results Act* strategic plan applicable to fiscal year 2004, which is different from the plan applicable to fiscal year 2003. Also, as discussed in note 11 to the financial statements, NPS changed its method of accounting for the liability related to the U.S. Park Police Pension Plan effective October 1, 2003.

The information in the Management Discussion and Analysis, Required Supplementary Stewardship Information, and Required Supplementary Information 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 Bulletin No. 01-09, *Form and Content of Agency Financial Statements*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it. As a result of such limited procedures, we believe that the Required Supplementary Information for deferred maintenance and the Required Supplementary Stewardship Information (RSSI) for stewardship assets and investments are not presented in conformity with accounting principles generally accepted in the United States of America. The Required Supplementary Information disclosures for deferred maintenance are not complete or current because NPS had not estimated deferred maintenance for all assets and did not consistently update deferred maintenance estimates. In addition, the Required Supplementary Stewardship Information disclosures for stewardship assets and investments are not current, complete, or consistently supported because NPS did not consistently follow its established procedures and controls.



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 NPS'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.

In our fiscal year 2004 audit, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. However, we do not consider any of these reportable conditions to be material weaknesses as defined above.

A. Security and General Controls over Financial Management Systems

NPS needs to improve information technology security and general controls to protect its financial information systems as required by OMB Circular A-130, *Management of Federal Information Resources*. This condition could affect NPS's ability to prevent and detect unauthorized changes to financial information, control electronic access to sensitive information, and protect its information resources. NPS has made significant improvements to security and general controls during the year; however, NPS needs to improve the following controls:

1. Entity-wide Security Program and Planning

NPS needs to continue to improve its entity-wide security program. An effective security program includes a risk assessment process, certification and accreditation process, application-level security plans, and effective incident response and monitoring capabilities. Specifically, we noted the following:

- a. *Security Program* – NPS did not finalize the service agreement, which outlines the security responsibilities of each organization, with the National Business Center until the end of the fiscal year. Therefore, NPS did not have a security service agreement with the National Business Center for the majority of fiscal year 2004.
- b. *Certification and Accreditation* – NPS has not formally certified and accredited one general support system, as NPS was developing the security plans, risk assessments, and contingency plans to achieve certification and accreditation. For the systems certified and accredited, NPS has not classified computer information resources according to their sensitivity and criticality based on the results of the risk assessments.
- c. *Background Investigations* – NPS has not completed the background investigations for all employees in accordance with Executive Order 10450, *Security Requirements for Government Employment*.
- d. *Incident Response* – NPS has not fully documented its security incident response capability.

2. *Access Controls*

Access controls should provide reasonable assurance that computer resources such as data files, application programs, and computer-related facilities and equipment are protected against unauthorized modification, disclosure, and loss. NPS needs to improve access controls for financial systems as follows:

- a. *Granting User Access* – NPS has not documented the process for granting and monitoring user access for one financial system. Additionally, NPS does not periodically review access rights, verify appropriateness of access, and recertify users for certain financial applications. NPS also has an account that does not require a password. Furthermore, NPS does not consistently log changes to security profiles or review security profile changes for certain financial systems.
- b. *Terminating User Access* – Although NPS documented the process for the removal of terminated users, NPS does not consistently apply this process as we identified terminated employees with active accounts within various financial systems.

3. *System Software Controls*

NPS has not consistently applied its system software change controls for the IDEAS system software, which includes the Oracle database and Windows operating system. Specifically, NPS does not have a formally documented and approved change management process for the IDEAS Oracle database, does not test all IDEAS system software patches in a test environment before installing the patches in the production environment, nor does it perform post-implementation reviews after installing emergency patches. Although NPS has completed several steps in the certification and accreditation process, NPS is relying on the Department of the Interior for the certification and accreditation of the IDEAS application. NPS does not consistently monitor access to the IDEAS operating system or sensitive system files. In addition, the NPS Information System Life Cycle document does not address all the security requirements of NIST 800-64.

4. *Service Continuity*

NPS has developed a draft Continuity of Operations Plan (COOP) for the Accounting and Operations Center; however, NPS has not finalized, approved, or tested this plan. NPS is in the process of developing a contingency plan for the IDEAS application; however, NPS has not finalized, approved, or tested this plan. NPS also needs to enhance the wide-area network contingency plan to include all requirements and has not tested this plan. Additionally, NPS does not consistently log deposits and withdrawals of backup tapes, does not test backup tapes, and has not geographically separated the backup data for the IDEAS application. Furthermore, NPS does not periodically test its power supply equipment.

5. *Segregation of Responsibilities*

NPS developed and documented the primary and secondary roles, responsibilities, and duties for IT staff; however, the policies do not indicate the responsibilities that must be segregated or the compensating controls for responsibilities not segregated.



Recommendation

We recommend that NPS develop and implement a formal action plan to improve the general and application controls over its financial management systems. This plan should address each of the areas discussed above, as well as other areas that might impact the information technology control environment, to ensure adequate security and protection of NPS's information 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. Financial Reporting Controls

NPS needs to improve controls over the recording and reporting of financial transactions to ensure that transactions are promptly and properly recorded for timely and reliable financial reports, as follows:

1. *Property, Plant, and Equipment*

NPS needs to improve controls over property, plant, and equipment to ensure transactions are properly classified and recorded. We determined that for 6 out of 54 transactions tested, NPS capitalized costs that should have been expensed, as these costs related to maintenance costs, heritage assets, or costs for assets below NPS's capitalization threshold. We also determined that NPS expensed costs that should have been capitalized for 19 of 350 transactions tested. Although NPS implemented a process to review new construction projects to verify that costs were properly capitalized or expensed, NPS did not consistently designate costs as construction-in-process and therefore certain costs were not subject to the review process and were improperly expensed.

In addition, we determined that for 9 of the 33 projects tested, NPS incorrectly classified costs as construction in progress that should have been expensed, transferred as the project was completed, classified as equipment, or that NPS had incorrectly transferred costs from the construction-in-progress account prior to completion of the project. Furthermore, NPS did not properly calculate the accumulated depreciation related to capital leases. As a result of our observations, NPS analyzed and adjusted the property, plant, and equipment and expense balances.

2. *Leases*

In accordance with Federal accounting standards, NPS is required to capitalize leases that meet certain criteria and disclose the future minimum annual lease payments. NPS has not fully established procedures to track and report leases as follows:

- a. ***Lease Assessment*** – Although NPS established a process to evaluate leases to determine if leases should be capital or operating leases, NPS did not maintain evidence that NPS evaluated the capitalization criteria for our sample of 19 non-GSA real property leases, and as a result of our observations completed an assessment for personal property leases.

- b. *Future Minimum Lease Payments* – NPS’s schedule of future minimum operating lease payments for non-GSA personal property and real property included leases with the incorrect lease terms, capital leases, and incorrect future minimum lease payment amounts. As a result of our observations, NPS analyzed and adjusted its schedule of future minimum lease payments for operating leases by a total of approximately \$82 million.

3. *Recoveries*

The accounting system (i.e., Federal Financial System) incorrectly records recoveries of prior year obligations for certain transactions, resulting in an overstatement of total budgetary resources and obligations incurred. In addition, NPS does not consistently follow its policies to not manually record obligations for credit card, travel, and third party draft transactions as the accounting system automatically records the appropriate budgetary entries at the time of payment. Furthermore, NPS’s annual verification of undelivered orders does not consistently identify recoveries in a timely manner. Although NPS implemented procedures to investigate and correct invalid recoveries resulting from the configuration of the accounting system, these procedures were not consistently followed. As a result of our observations, NPS analyzed and adjusted the recovery balances by approximately \$6 million.

4. *Grants*

In accordance with *Single Audit Act Amendments of 1996*, NPS should monitor grantees to ensure grantees expend awards in accordance with the grant requirements and Federal regulations. In fiscal year 2004, the Department of the Interior established a centralized office to assist NPS in monitoring grantees’ compliance. However, the centralized office and NPS have not fully developed controls to monitor the grantees to detect and prevent misuse of Federal awards. Specifically, we noted that the centralized office and NPS do not consistently:

- a. *Grant Database* – Maintain a grant database that includes information such as the grantee name, grant number, date granted, award amount, funds expended, date the audit reports were received, period covered by the audit reports, findings in the audit reports, and management decisions on findings.
- b. *Progress Reports* – Ensure that grantees submit grant progress reports, such as form SF-269, *Report for Status of Funds*, form SF-270, *Request for Advance or Reimbursement*; and/or form SF-272, *Report of Federal Cash Transactions*. NPS received the required forms for 12 of the 32 transactions that we tested.
- c. *Audit Reports* – Ensure that grantees complete single audits and submit reports within nine months of the grantees’ year end. NPS and the Federal Clearinghouse had not received single audit reports within the required time period for 14 of the 25 of the grants tested.
- d. *Findings* – Issue management decisions on audit findings within six months after receipt of audit reports and ensure that grantees take appropriate and timely corrective action.

5. *Cost Classification*

NPS discloses in its footnotes the costs associated with acquiring, constructing, and renovating heritage and stewardship assets. However, NPS did not consistently classify costs in the appropriate cost categories of heritage/stewardship costs or non-Federal physical property costs for approximately \$1.4 million. In addition, NPS classified \$13.8 million in Federal Employee Compensation Act related unemployment expenses as operating costs rather than benefit costs. As a result of our observations, NPS corrected the misclassifications.

Recommendations

We recommend that NPS implement the following recommendations to improve the recording and reporting of financial transactions:

1. *Property, Plant, and Equipment*

- a. Continue to train park, region, and other personnel on the difference between costs that are capitalized versus expensed, and on when to classify capital costs as equipment versus construction-in-progress.
- b. Implement procedures requiring Accounting Operation Center personnel to review disbursement transactions and the related source documents to ensure that transactions are properly expensed or capitalized.
- c. Establish controls to ensure that construction projects are transferred to the real property account when the projects are completed.
- d. Use its accounting system to automatically calculate and record depreciation expense for its capital leases.

2. *Leases*

- a. *Lease Assessment* – Document evaluation of the criteria determining whether leases should be classified as capital or operating leases and require a supervisor to review and approve these evaluations. In addition, NPS should maintain the lease evaluation documentation, including the related present value calculations and fair market value assessments.
- b. *Future Minimum Lease Payments* – Develop and maintain a database of all real and personal property leases to assist in monitoring and reporting future minimum lease payments. This database should include lease number, type, term, payments, and other information that facilitates preparation of the future minimum lease payment disclosure.

3. *Recoveries*

- a. Modify the system configuration of the accounting system to properly record recoveries. Until the accounting system is properly configured or until NPS implements a new financial system that properly records recoveries, NPS should follow its procedures to analyze the budgetary recoveries and record correcting entries on a monthly basis.
- b. Enforce its policy that credit cards, travel authorizations, third party drafts, and similar transactions should not be obligated prior to payment.
- c. Periodically review undelivered orders to identify and record recoveries in a timely manner.

4. *Grants*

NPS should work with Interior's centralized office to improve monitoring efforts of grantees as follows:

- a. *Grant Database* – Develop and maintain a grant database that enables NPS and the centralized office to monitor the status of the grants and document monitoring procedures completed. This database should include the grantee name, grant number, date granted, award amount, funds expended, date audit reports are received, period covered by the audit reports, findings in the audit reports, and management decisions on findings.
- b. *Progress Reports* – Require grantees to submit form SF-269, *Report for Status of Funds* or form SF-270, *Request for Advance or Reimbursement* with funding requests and submit form SF-272, *Report of Federal Cash Transactions* when funds are paid in advance. In addition, NPS should require grantees that receive funds in advance to submit form SF-269, *Report for Status of Funds* periodically and at the end of the project.
- c. *Audit Reports* – Establish a monitoring and follow up process to verify receipt of single audits reports within nine months of the grantees' year end. NPS and the centralized office should utilize the Federal Clearinghouse website on an ongoing basis to determine when an audit report has been submitted. If reports are not received, NPS or the centralized office should inquire of grantees and NPS should consider the need to limit future grant awards until reports are submitted.
- d. *Findings* – Issue management decisions on audit findings within six months after receipt of single audit reports and verify that grantees take appropriate and timely corrective action.

5. *Cost Classification*

Continue to communicate the cost classification requirements and train parks, regional, and other personnel on properly classifying heritage/stewardship costs, operating costs, and benefits costs in the accounting system.

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.

C. Controls over U.S. Park Police Pension Plan

During fiscal year 2004, NPS adopted guidance from OMB that required NPS to change its method of accounting for the U.S. Park Police Pension Plan (USPP Pension Plan). OMB's guidance required NPS to determine and record a liability for the actuarial present value of the future benefits of the USPP Pension Plan. As NPS is not the plan administrator, NPS obtained the census data to calculate the liability from the District of Columbia, the plan administrator. As the plan administrator, the District of Columbia calculates and adjusts the annuity payments and disburses funds to the beneficiaries.



NPS recalculated a sample of annuity payments and identified several differences between its calculations and the District of Columbia's calculations. As part of our testing of the USPP Pension Plan liability, we also recalculated a sample of the annuity payments and identified differences between our and the District of Columbia's calculations for 171 of the 191 annuity payments recalculated. These differences included both under and over-payments. In addition, we compared the census data and personnel records for 253 participants and identified 11 differences in gender, age, and other factors. NPS, in consultation with its specialists, evaluated the differences identified and concluded that the USPP Pension Plan liability was fairly stated as of September 30, 2004.

Recommendations

We recommend that NPS:

1. Work with the District of Columbia to investigate and resolve differences in the annuity payments and census data.
2. Establish controls to verify that the census data and annuity payments are supported, maintained, and updated.

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.

A summary of the status of prior year reportable conditions 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 NPS in a separate letter dated November 12, 2004.

Internal Controls over Required Supplementary Information and Required Supplementary Stewardship Information

We noted certain significant deficiencies in internal control over Required Supplementary Information and Required Supplementary Stewardship Information discussed in the following paragraphs that, in our judgment, could adversely affect NPS's ability to collect, process, record, and summarize this information.

D. Deferred Maintenance Estimates

NPS has not fully implemented the requirements of Statement of Federal Financial Accounting Standard (SFFAS) No. 6, *Accounting for Property, Plant, and Equipment*, as amended by SFFAS No. 14, *Amendments to Deferred Maintenance Reporting Amending SFFAS No. 6 and SFFAS No. 8*. SFFAS No. 6 requires NPS to estimate the deferred maintenance for its general, heritage, and stewardship assets using either the condition assessment survey or life cycle costing method.

NPS has adopted the condition assessment survey method, which requires NPS to perform periodic inspections of assets to determine their current condition and estimate the cost to correct any deficiencies. NPS has implemented procedures to measure deferred maintenance for certain park assets. However, NPS has not fully established controls over the condition assessments performed to determine deferred maintenance for all assets as follows:

1. *General Property, Plant, and Equipment; and Heritage Assets*

NPS has not completed condition assessments and estimated deferred maintenance for all nonfacility property, and NPS does not consistently adjust its deferred maintenance estimates for major road and bridge repairs that occurred since the last assessment. In addition, NPS has not completed condition assessments and estimated deferred maintenance for all known heritage assets, such as the National trail system, historic structures, prehistoric structures, museum collections, paleontological sites, and archeological sites.

2. *Stewardship Land*

NPS did not have procedures for assessing the condition and estimating deferred maintenance of stewardship land and the related improvements to stewardship land, nor did it have documented evidence that it completed condition assessments and the related deferred maintenance estimates for all stewardship land and related improvements. However, NPS incurs costs annually to improve and maintain stewardship land. Furthermore, in its Required Supplementary Stewardship Information section of its report, NPS implied that improvements and maintenance are needed to stewardship land by stating that: "While individual units of stewardship land can be improved, the condition of National Park Service land as a whole is generally sufficient to support the NPS mission and is considered to be in acceptable condition."

As a result, the Required Supplementary Stewardship Information disclosure on the condition of major classes of assets and the Required Supplementary Information disclosure on deferred maintenance amounts are not complete or current.

Recommendations

We recommend that NPS implement the following recommendations:

1. *General Property, Plant, and Equipment and Heritage Assets*

- a. Perform condition assessments of all general property, plant, and equipment and heritage assets and estimate the related deferred maintenance.
- b. Require supervisors to review and approve condition assessments and deferred maintenance estimates to ensure they are performed consistently and in accordance with NPS's policies.
- c. Periodically update deferred maintenance estimates.

2. *Stewardship Land*

We recognize that NPS does not believe that it needs to perform condition assessments over stewardship land and report any related deferred maintenance. However, paragraph 83 of SFFAS No. 6 requires NPS to disclose deferred maintenance information for all categories of property, plant, and equipment (general, stewardship, and heritage). In addition, paragraph 81 of SFFAS No. 8, *Supplementary Stewardship Reporting*, indicates that NPS is required to



perform condition assessments of stewardship land and estimate the related deferred maintenance. Therefore, we recommend that NPS:

- a. Meet with the Federal Accounting Standards Advisory Board (FASAB) to discuss its position.
- b. Until FASAB provides new guidance, NPS should implement procedures to conduct condition assessments and estimate deferred maintenance related to stewardship land and disclose this information in the annual report.

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, except that management did not agree with our recommendation that “NPS is required to perform condition assessments of stewardship land and estimate the related deferred maintenance.” Management indicated that paragraph 80 of SFFAS No. 14 does not require condition assessments of Stewardship Land or a monetary disclosure of deferred maintenance.

Auditors’ Response to Management’s Response

We believe that NPS has misinterpreted the Federal accounting standards. Paragraph 80 of SFFAS No. 14 does not indicate that condition assessments and deferred maintenance is not required for stewardship land, as the standard indicates “ 80. Amounts ... [reported] for deferred maintenance may be measured using: (1) condition assessment surveys or (2) life-cycle cost forecasts.” In addition, paragraph 83 of SFFAS No. 6 requires NPS to disclose deferred maintenance information for all categories of property, plant and equipment (general, stewardship, and heritage). Furthermore, paragraph 81 of SFFAS No. 8, *Supplementary Stewardship Reporting*, indicates that NPS is required to perform condition assessments of stewardship land and estimate the related deferred maintenance. Therefore, we believe that NPS is required to perform condition assessments of stewardship land and estimate the related deferred maintenance.

E. Stewardship Reporting

NPS does not consistently follow its established procedures and controls over recording Required Supplementary Stewardship Information. Specifically, we noted the following:

1. Stewardship Property, Plant, and Equipment – Physical Units

NPS did not consistently record stewardship property, plant, and equipment (stewardship asset) transactions accurately or in a timely manner. NPS recorded several adjustments in the current year for transactions that should have been identified and recorded in prior years, including 3,765 archeological site additions, 660 archeological site deletions, 3 stewardship land additions, and 5 stewardship land deletions. NPS did not consistently maintain documentation supporting the stewardship asset additions and deletions. For example, NPS was not able to provide us adequate supporting documentation for 678 of 716 stewardship asset transactions. In addition, a second individual did not consistently review and approve the stewardship asset transactions as required by NPS’s policies. NPS also has not completed annual inventories and verifications of several stewardship asset categories, including historic structures, prehistoric structures, and museum collections.



2. *Stewardship Property, Plant, and Equipment – Condition Assessments*

NPS has not completed condition assessments for all stewardship and heritage assets, including the National trail system, historic structures, prehistoric structures, stewardship land, museum collections, paleontological sites, and archeological sites. As a result, NPS has not disclosed condition assessments of all of its heritage assets in the Required Supplementary Stewardship Information section of the annual report as required by paragraph 81 of SFFAS No. 8.

3. *Stewardship Investments*

NPS reported obligations rather than expenses incurred for natural resource research and development investments, because NPS does not track actual expenses related to such investments. In addition, NPS did not consistently identify and report investments in non-Federal physical property.

As a result, the Required Supplementary Stewardship Information disclosures for stewardship assets and investments are not complete, current, or consistently supported.

Recommendations

We recommend that NPS strengthen internal controls over recording Required Supplementary Stewardship Information to:

1. *Stewardship Property, Plant, and Equipment – Physical Units*

Record and report stewardship property, plant, and equipment transactions at the time the event occurs, require supervisors to review and approve these transactions, maintain source documentation for these transactions, and perform periodic inventories of stewardship assets.

2. *Stewardship Property, Plant, and Equipment – Condition Assessments*

Perform and report condition assessments for all stewardship property, plant, and equipment.

3. *Stewardship Investments*

Accumulate and report actual expenses incurred for investments in research and development and non-Federal physical property.

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.

Compliance and Other Matters

Our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, as described in the Responsibilities section of this report, exclusive of those referred to in the *Federal Financial Management Improvement Act* (FFMIA), disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and OMB Bulletin No. 01-02, and is described below.

F. *Single Audit Act Amendments of 1996*

As discussed in the Internal Control over Financial Reporting section of this report, NPS and the centralized office did not perform adequate monitoring of grantees in accordance with the *Single Audit Act Amendments of 1996*. NPS and the centralized office need to ensure that grantees submit progress reports, complete single audits, and submit single audit reports to NPS in a timely manner. In addition, NPS and the centralized office need to issue management decisions on findings in a timely manner.

Recommendation

We recommend that in fiscal year 2005, NPS and the centralized office improve its grantee monitoring process to ensure they and their grantees comply with the reporting requirements of the *Single Audit Act Amendments of 1996*.

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.

The results of our tests of compliance with certain provisions of other laws and regulations, exclusive of those referred to in FFMIA, disclosed no other instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 01-02.

The results of our tests of FFMIA disclosed instances, described below, where the NPS's financial management systems did not substantially comply with Federal financial management systems requirements and the Federal accounting standards. The results of our tests of FFMIA disclosed no instances in which NPS's financial management systems did not substantially comply with the United States Standard General Ledger at the transaction levels.

G. *Federal Financial Management Improvement Act of 1996*

The results of our tests of FFMIA disclosed instances, described below, where NPS's financial management systems did not substantially comply with Federal financial management systems requirements or the Federal accounting standards. The results of our tests of FFMIA disclosed no instances in which NPS's financial management systems did not substantially comply with the United States Standard General Ledger at the transaction level.

1. *Federal Financial Management Systems Requirements*

As discussed in the Internal Control over Financial Reporting section of this report, NPS has several weaknesses in its information technology general control environment that contribute to noncompliance with OMB Circular A-130, *Management of Federal Information Resources*. NPS needs to improve the entity-wide security program and planning, strengthen access controls, improve system software controls, finalize, approve and test contingency and continuance plans, and document segregation of responsibilities.

Recommendation

We recommend that during fiscal year 2005, NPS improve the security and general controls over its financial management systems to meet the requirements set forth in OMB Circular A-130.



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.

2. *Federal Accounting Standards*

As discussed in the Internal Control over Required Supplementary Stewardship Information and Required Supplementary Information section of this report, NPS needs to improve controls over reporting deferred maintenance and stewardship asset and investment disclosures to comply with Federal accounting standards. The Required Supplementary Information disclosures for deferred maintenance are not complete or current, as NPS had not estimated deferred maintenance for all assets and did not consistently update deferred maintenance estimates. In addition, the Required Supplementary Stewardship Information disclosures for stewardship assets and investments are not current, complete, or consistently supported, as NPS did not consistently follow its established procedures and controls. As a result of these conditions, NPS does not substantially comply with Federal accounting standards.

Recommendation

We recommend that NPS improve its Required Supplementary Stewardship Information and Required Supplementary Information reporting process, provide all required disclosures, complete and report all of its condition assessments of stewardship assets, and report the deferred maintenance estimates in accordance with the 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 findings and its comments were responsive to our recommendations.

We also noted other matters involving compliance with laws, regulations, contracts, and grant agreements that, under *Government Auditing Standards* and OMB Bulletin No. 01-02, were not required to be included in this report, that we have reported to the management of NPS in a separate letter dated November 12, 2004.

Responsibilities

Management's Responsibilities

The *Government Management Reform Act of 1994* (GMRA) requires each Chief Financial Officer (CFO) Act agency to report annually to Congress on its financial status and any other information needed to fairly present its financial position and results of operations. To assist the Department of the Interior in meeting the GMRA reporting requirements, NPS prepares annual financial statements.

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;
- Establishing and maintaining internal controls over financial reporting and preparing the Management Discussion and Analysis (including the performance measures), Required Supplementary Information, and Required Supplementary Stewardship Information; 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 2004 and 2003 financial statements of NPS 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:

- 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 2004 audit, we considered NPS's internal control over financial reporting by obtaining an understanding of NPS'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*. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. Also, projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, our internal control testing may not be sufficient for other purposes. The objective of our audit was not to provide assurance on internal control over financial reporting. Consequently, we do not provide an opinion thereon.

As required by OMB Bulletin No. 01-02, we considered NPS's internal control over Required Supplementary Stewardship Information by obtaining an understanding of NPS'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, with respect to internal control related to performance measures determined by management to be key and reported in the Management 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 performance measures and, accordingly, we do not provide an opinion thereon.



As part of obtaining reasonable assurance about whether NPS's fiscal year 2004 financial statements are free of material misstatement, we performed tests of NPS'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, and contracts, and grant agreements applicable to NPS. Accordingly, noncompliance may occur and not be detected by these tests and such testing may not be sufficient for other purposes. 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 NPS's financial management systems substantially comply with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States 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 for the information and use of NPS's and the Department of the Interior's management, the Department of the Interior's Office of the Inspector General, the U.S. Government Accountability Office, OMB, 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 12, 2004

NATIONAL PARK SERVICE
 Summary of the Status of Prior Year Findings
 September 30, 2004

Ref	Condition	Status
A	Security and general controls over financial management systems	This condition has not been corrected and is repeated in fiscal year 2004. See finding A.
B	Financial reporting controls	This condition has not been corrected and is repeated in fiscal year 2004. See finding B.
C	Deferred maintenance estimates	This condition has not been corrected and is repeated in fiscal year 2004. See finding D.
D	Stewardship assets and investments	This condition has not been corrected and is repeated in fiscal year 2004. See finding E.
E	<i>Single Audit Act Amendments of 1996</i>	This condition has not been corrected and is repeated in fiscal year 2004. See finding F.
F	<i>Federal Financial Management Improvement Act of 1996</i>	This condition has not been corrected and is repeated in fiscal year 2004. See finding G.



United States Department of the Interior

NATIONAL PARK SERVICE
1849 C Street, N.W.
Washington, D.C. 20240

IN REPLY REFER TO:

F4217(2625)

NOV 24 2004

Memorandum

To: Roger La Rouche
Assistant Inspector General for Audits

From: Chief Financial Officer *[Signature]*
National Park Service

Subject: Draft Independent Auditors' Report on the National Park Service Financial Statements for the Fiscal Years 2004 and 2003
(Assignment No. E-IN-NPS-0056-2004)

This is in response to the recommendations contained in the subject report.

- A. and G.1. Security and General Controls over Financial Management Systems, Recommendation.
We recommend that NPS develop and implement a formal action plan to improve the general and application controls over its financial management systems. This plan should address each of the areas discussed above, as well as other areas that might impact the information technology control environment, to ensure adequate security and protection of NPS' information systems.

Response - NPS concurs with all of the findings related to Security and General Controls over Financial Management Systems.

Under Entity-wide Security Program and Planning, for the security program, the NPS has written and signed the Security Service Agreement and forwarded the agreement to the National Business Center for their signature. For certification and accreditation, NPS has completed the certification and accreditation (C&A) and asset valuations for all systems identified in its inventory, with the exception of the NPS one general support system (GSS). The C&A, along with the asset valuation for the one GSS should be completed during fiscal year 2005.

Additionally, NPS has identified the correct type of background investigation required for IT employees and the investigations are underway. The Office of Human Resources is preparing a Standard Operating Procedures (SOP) manual, which will provide the steps for classification and staffing specialists to follow when a vacant position is in the process of being filled. The SOP will also address the procedures to be followed for the actual "in-processing" process and the internal controls that will be in place to ensure that no employee is absent the appropriate level of background check.

For Incident Response, the NPS has entered into a contract for the development of procedures related to Incident Response. These procedures should be completed by March 2005.

Under Access Controls, for both granting user access and terminating user access, NPS is developing procedures to be incorporated into a formal document that describes the process for granting, monitoring and terminating access to financial systems. NPS has also implemented procedures to periodically generate reports from the respective systems based on security profiles and User ID's. The regional coordinators will review the reports to ensure the authorized systems users are accurate and up to date.

For System Software, NPS has procedures in place to test modifications to the IDEAS application before it is put into production. Subsequent to the end of the audit fieldwork, NPS did formalize these procedures, and in October 2004 the National Business Center established a Memorandum of Understanding that outlines the responsibilities for change control for the IDEAS application. The Information System Life Cycle document will be updated to include all security requirements of NIST 800-64 in the next release.

For Service Continuity, NPS issued a contract for the development of Continuity of Operation Plans (COOPs) for all major IT installations. Work has begun on the Washington DC contingency plan, which includes the Business Impact Assessment that will apply to all other plans. The DC plan will be used as the template for the twenty-one contingency plans selected through the NPS site inventory and associated 'site priority.' The contingency plan for the National Information Systems Center has been developed and tested. The Accounting Operations Center is considered a high priority location, therefore, a contingency plan will be developed and tested next, along with several parks. Subsequently, NPS will hold a contingency planning conference to allow for the sharing of best practices and ideas, and using these ideas to develop the remaining plans in FY 2005 and FY 2006.

The responsible official for implementing these recommendations will be the NPS Chief Information Officer (CIO). The Chief of Human Resources will work with the CIO to implement the recommendations on ensuring background checks are completed and access controls are in place for the Federal Personnel Payroll System.

- B. Financial Reporting Controls, Recommendation. We recommend that NPS perform the following, to improve the recording and reporting of financial transactions:
1. Property, Plant and Equipment, Recommendation - Continue to train park, region, and other personnel on the difference between costs that are capitalized versus expensed and on when to classify capital costs as equipment versus construction-in-process. NPS should review disbursement transactions and the related source documents to ensure that transactions are properly expensed or capitalized, and ensure that construction projects are transferred to the real property account when the projects are completed. NPS should also use its accounting system to automatically calculate and record depreciation expense for its capital leases.

Response - We concur. NPS continues to work with parks, regional and other personnel on the difference between costs that are capitalized versus expenses and on when to classify capital costs as equipment versus construction-in-progress. NPS will develop expense reports for review to ensure transactions are properly classified as

expenses or should be capitalized, and transfer completed construction projects to the real property account in a timely manner. NPS will research the possibility of the accounting system automatically calculating and recording depreciation expense for capital leases

The responsible official for implementing this recommendation will be the Financial and Accounting Services Team Leader.

2. Leases, Recommendation - Document evaluation of the criteria classifying leases as capital or operating with supervisor review and approval, and maintain the lease evaluation documentation and the support related to present value calculations and fair market value assessments. Also, develop and maintain a database, which should include lease number, type, term, payments, and other information that facilitates the preparation of the future minimum lease payment disclosure.

Response - We concur. NPS will develop and implement formal procedures servicewide to document evaluation of the criteria used to determine whether leases should be classified as capital or operating leases. In addition, supervisors will be required to review and approve these evaluations, and maintain the lease evaluation documentation that includes the related present value calculations and fair market value assessments. NPS will also develop and maintain a database of all real and personal property leases to assist in monitoring and reporting future minimum lease payments.

The responsible official for implementing this recommendation will be the Property Management Program Manager.

3. Recoveries, Recommendation- Modify the system configuration of the accounting system to properly record recoveries, or follow NPS procedures to analyze the budgetary recoveries and record correcting entries on a monthly basis. NPS should also review undelivered orders and enforce procedures to not record certain transactions as obligations prior to payment.

Response – We concur. NPS will continue to analyze reports to verify transactions posted to the budgetary recovery accounts, and will periodically make adjustments to the accounting system. NPS already reviews obligations to identify transactions that should not be posted as an obligation, and continues to enforce guidance to the field on the proper posting of certain transactions at yearend.

The responsible official for implementing this recommendation will be the Financial and Accounting Support Team and the Fiscal Services Team.

4. Grants, Recommendation – NPS needs to work with the centralized office to develop a grant database that enables offices to monitor the status of the grants and document monitoring procedures completed, and require the submission of progress reports by the grantees. NPS also needs to establish a monitoring process to verify receipt of single audit reports within nine months of the grantees yearend, and ensure management decisions on audit findings are issued within six months after receipt of reports and verify grantees take appropriate and timely corrective action.

Response – We concur. NPS will work with the Department’s Office of Financial Management to develop and maintain a database that will monitor the status of grants. NPS is incorporating language in new grant agreements that require progress reports with funding requests, except for state grants under the Land and Water Conservation Fund (LWCF). LWCF will enforce reporting requirements found in Title 43, Part 12 of the Code of Federal Regulations, which captures the requirements of both OMB Circular A-110 and OMB Circular A-102. The latter provides guidance for grants and agreements with states and local governments.

In addition, NPS will establish a monitoring and follow-up process to verify receipt of single audit reports, within nine months of the grantees yearend, and will utilize the Clearinghouse website to determine when an audit report has been submitted and issue management decisions on audit findings within six months after receipt of the single audit report.

The responsible official for implementing this recommendation will be the Grant Program Managers for LWCF and Historic Preservation Funds, and the Property Management Program Manager.

5. Cost Classification, Recommendation – NPS needs to continue communicating to and training parks, regional, and other personnel on properly classifying heritage/stewardship costs, operating costs, and benefits costs in the accounting system.

Response – We concur. NPS will continue to train all responsible personnel on the proper coding of accounts in order to ensure correct posting. Reports will be developed and reviewed on a monthly basis to identify and correct errors in a timely manner.

The responsible official for implementing this recommendation will be the Financial and Accounting Support Team Leader

C. Controls over U.S. Park Police Pension Plan

1. Recommendation - Work with the District of Columbia to investigate and resolve differences in the annuity payments and census data.

Response – NPS concurs.

2. Establish controls to verify that the census data and annuity payments are supported, maintained, and updated.

Response – NPS concurs.

The responsible official for implementing this recommendation will be the Accounting Operations Center Manager.

heritage assets and estimate the related deferred maintenance. In addition, NPS should have supervisors review and approve condition assessments and deferred maintenance estimates to ensure they are performed consistently and in accordance with NPS' policies. Furthermore, NPS should periodically update deferred maintenance estimates.

Response - NPS concurs with the findings and recommendations. All units of the NPS will be inventorying critical systems in high priority industry standard assets. The inventory of these critical systems will be accomplished utilizing a phased two-year approach, with balance of the industry standard assets being accomplished in 2005. The information derived from this inventory will allow the Service to deploy a comprehensive program of preventive maintenance and component renewal. By 2006, NPS plans to complete the first cycle of comprehensive assessments, and fully implement the capital asset planning program Servicewide. This will allow the Service to report a comprehensive estimate of the annual deferred maintenance in FY 2007.

The responsible official for implementing the recommendation will be the Chief, Park Facility Management Division.

2. Stewardship Land, Recommendation - NPS meet with the Federal Accounting Standards Advisory Board to discuss your position that condition assessments are not required for stewardship land, and therefore, NPS does not have to estimate and report deferred maintenance related to stewardship land. Until FASAB provides new guidance, NPS should implement procedures to conduct condition assessments and estimate deferred maintenance related to stewardship land and disclose this information in the annual report.

Response – NPS does not concur. The Department of Interior issued guidance on September 30, 2004, for stewardship land condition assessments and deferred maintenance disclosures. The guidance stated that bureaus are not required to use condition assessments to aid in the determination of the condition of stewardship lands. It also stated that condition assessments disclosures under stewardship requirements are not the same as condition assessments for deferred maintenance estimates. Interior's position is that the requirements in the Statement of Federal Financial Accounting Standards (SFFAS) No. 14, Section 80 (which amends Nos 6 and 8) do not require condition assessments of Stewardship Land, or a monetary disclosure of deferred maintenance. NPS has employed a consistent approach for determining and reporting on the condition of Stewardship Land, and will continue to do so.

- E. and G.2. Stewardship Assets and Investments, Recommendation – NPS needs to strengthen internal controls over recording, reporting and providing required disclosures for stewardship assets, specifically;

1. Stewardship Assets, Recommendation - Record and report stewardship asset transactions at the time the event occurs, require park supervisors to review and perform periodic inventories of stewardship assets.

Response - NPS concurs with the findings. During FY 2005, NPS finance will work with the Cultural Resource Office, responsible for accumulating the information and the data required for the annual report, to ensure internal controls are in place and procedures are implemented that will document and support stewardship asset activity.

2. Condition Assessments, Recommendation – Perform and report condition assessments for all assets.

Response - NPS concurs with the recommendation that condition assessments need to be performed; however, the assessments can only be performed as funding and resources become available.

3. Stewardship Investments, Recommendation – Accumulate and report actual expenses incurred for investments in research and development, and non-federal physical property.

Response - NPS will also work to develop and implement processes for accumulating, documenting, and accurately reporting research and development, and investments in non-federal physical property.

The responsible officials for implementing these recommendations will be the Associate Director, Cultural Resources and the Financial and Accounting Support Team Leader.

- F. Single Audit Act Amendments of 1996, Recommendation – NPS and the Office of Financial Management improve its grantee monitoring process to ensure they and their grantees comply with the reporting requirements of the *Single Audit Act Amendments of 1996*.

Response – We concur. NPS will work to improve their monitoring processes, and will continue to work with the Office of Financial Management to develop procedures where both offices can ensure grantees comply with the stipulated reporting requirements.

The responsible officials for implementing these recommendations will be the Office of Financial Management, Associate Director of Cultural Resources and Financial and Accounting Support Team Leader.



Framed by peaks along the Continental Divide, Lake McDonald is the largest lake in Glacier National Park. Clouds blocked by the mountains in this part of the park produce rainfall that creates climatic conditions similar to the Pacific Coast. PHOTO BY DAVID RESTIVO

The National Park Service cares for special places saved by the American people so that all may experience our heritage.



U.S. Department of the Interior

The mission of the Department of the Interior is to protect and provide access to our nation's natural and cultural heritage and honor our trust responsibilities to tribes. We:

- encourage and provide for the appropriate management, preservation, and operation of the nation's public lands and natural resources for use and enjoyment both now and in the future;
- carry out related scientific research and investigations in support of these objectives;
- develop and use resources in an environmentally sound manner, and provide an equitable return on these resources to the American taxpayer; and
- carry out trust responsibilities of the U.S. Government with respect to American Indians and Alaska Natives.



National Park Service

The National Park Service is a bureau within the Department of the Interior. We preserve unimpaired the natural and cultural resources and values of the National Park System for the enjoyment, education, and inspiration of this and future generations. We also cooperate with partners to extend the benefits of natural and cultural resource conservation and outdoor recreation throughout this country and the world.



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