Part 1. Management's Discussion and Analysis

Serving Our Customers: Stewardship, Partnership, and Change

The publication of the Department of the Interior's FY 2003 Annual Report on Performance and Accountability marks a time to look forward as well as a time to look back.

Produced in part to fulfill our required compliance with the Government Performance and Results Act, the Performance and Accountability Report is the Department's best gauge of our accomplishments over the short and medium term. It tracks the results of our eight bureaus' and Secretarial offices' efforts against 323 different mission-related targets over both the last one and five years.

Those numbers and trends comprise essential criteria by which we expect to be judged; they are also the coordinates by which we steer our forward path.

Our FY 2003 Performance and Accountability Report serves as a second milestone, as well. It is the last report we will produce that looks at the Department as a bundle of unrelated bureaus and offices.

Starting with our FY 2003-2008 Strategic Plan, approved in September 2003, we have integrated and aligned bureau responsibilities into a single coherent whole for reporting and planning documents, adding a strong new emphasis on improved performance measurement, management, and responsibility. The plan represents a major step forward, reflecting the changing realities we face and the direction we will take in the years to come. At a time when the Department's responsibilities have never been greater or its management challenges more daunting, it offers clear guidance for the road ahead.

The Department's evolution has historically reflected external demand. Launched by Congress in 1849, we served initially as the Nation's custodian. Our role as America's steward developed over the decades as new responsibilities were added to our mission mandates (*Figure 1*).

Today we serve as the chief protector of the Nation's unique natural and cultural resources. We offer millions of visitors from home and abroad exceptional recreation opportunities. We make critical resources available to support every facet of the domestic economy. We provide scientific and other

FIGURE 1

Interior and Bureau Missions

U.S. Department of the Interior

"Protects and manages the Nation's natural and cultural heritage; provides scientific and other information about those resources; and honors special responsibilities and commitments to American Indians, Alaska Natives, and affiliated island communities."

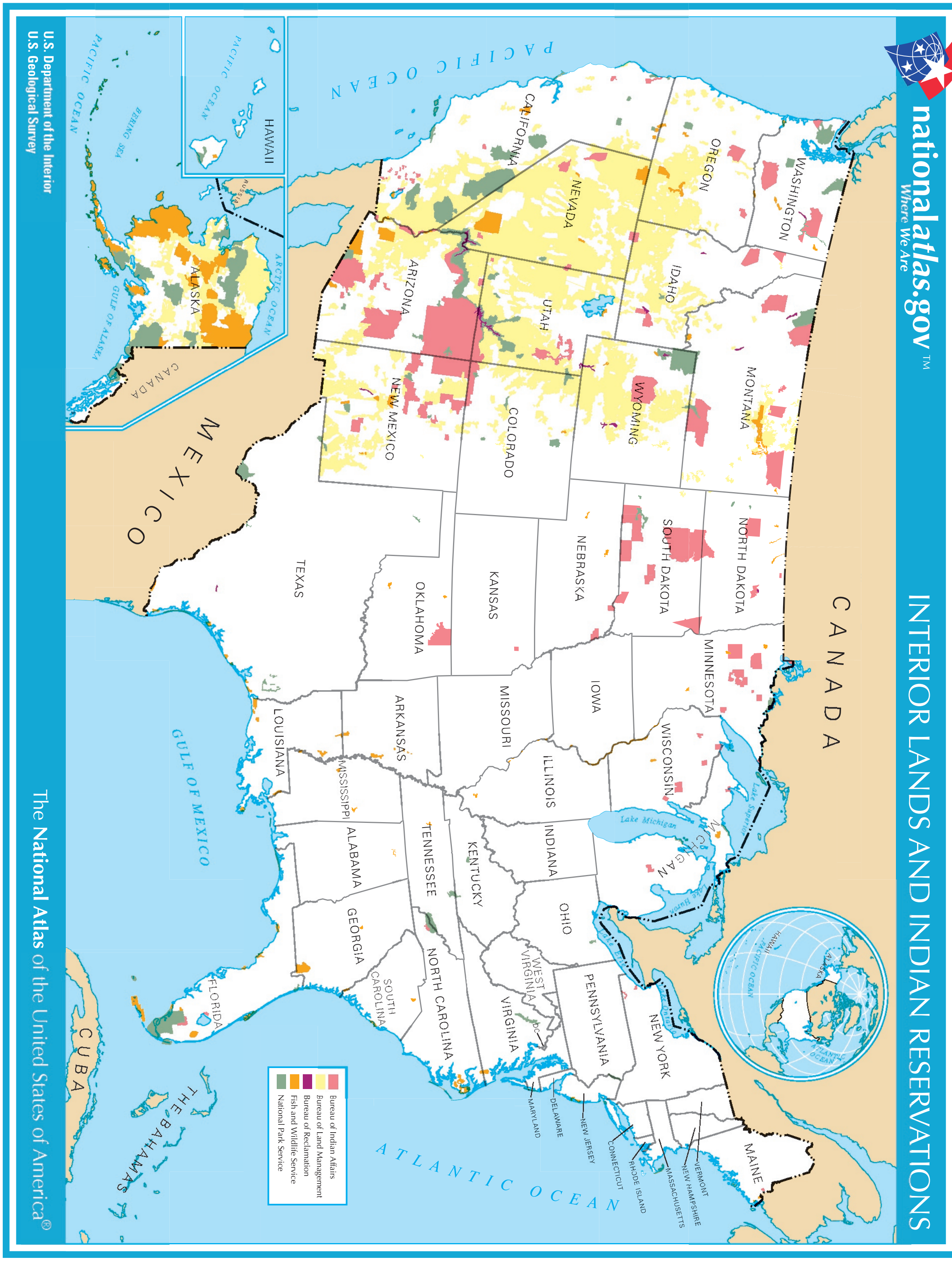
BUREAU OF INDIAN AFFAIRS Enhance the quality of life and to promote economic opportunity in balance with meeting the responsibility to protect and improve the trust resources of American Indians, Indian tribes, and Alaska Natives.	**NATIONAL PARK SERVICE** Preserve unimpaired the natural and cultural resources and values of the National Park System for the enjoyment, education, and inspiration of this and future generations. The Park Service cooperates with partners to extend the benefits of natural and cultural resource conservation and outdoor recreation throughout this country and the world.	**U.S. FISH AND WILDLIFE SERVICE** Conserve, protect, and enhance fish and wildlife and their habitats for the continuing benefit of the American people.	**BUREAU OF LAND MANAGEMENT** Sustain the health, diversity, and productivity of the public lands for the use and enjoyment of present and future generations.
BUREAU OF RECLAMATION Manage, develop, and protect water and related resources in an environmentally and economically sound manner in the interest of the American public.	**U.S. GEOLOGICAL SURVEY** Provide the Nation with reliable, unbiased information to describe and understand the earth; minimize loss of life and property from natural disasters; manage water, biological, energy and mineral resources; and enhance and protect our quality of life.	**MINERALS MANAGEMENT SERVICE** Manage the mineral resources on the Outer Continental Shelf in an environmentally sound and safe manner and collect, verify, and distribute mineral revenues from Federal lands and Indian lands in a timely manner.	**OFFICE OF SURFACE MINING** Ensure that coal mines are operated in a manner that protects citizens and the environment during mining; assure that land is restored to beneficial use following mining; and mitigate the effects of past mining by aggressively pursuing reclamation of abandoned mine lands.

information about those resources. We serve as a dependable trustee for American Indians, fulfill our responsibilities to Alaska natives, and serve the special needs of our affiliated island communities.

Departmental operations are large and decentralized, with over 70,000 employees and 200,000 volunteers working at approximately 2,400 operating locations across the United States, Puerto Rico, U.S. territories, and freely associated states. We discharge our responsibilities with budget authority totaling approximately $14 billion and raise revenues from energy, mineral, grazing, timber, recreation, and land sales that range from $8-11 billion annually.

Interior is the Nation's principal Federal conservation agency. We oversee 507 million acres of America's public lands, assets valued for their environmental resources, recreational and scenic values, cultural and historical resources, vast open spaces, and the resources, commodities, and revenues they provide (*Figure 2*). Interior supervises mineral leasing and operations on approximately 700 million acres of mineral estate that underlie both Federal and other surface ownerships, as well as within nearly 1.8 billion acres of the Outer Continental Shelf (OCS).

FIGURE 2



Note - Land areas less than 23,000 acres do not show on the map due to the map scale.

DOI by the Numbers

Why has the Department of the Interior been called the Department of Everything Else? A quick look at some statistics related to Interior's diverse mission and responsibilities sheds some light on this label.

The Lands and Water Interior Manages
- 507 million acres of surface lands
- 1/5 of the Nation's public lands
- 700 million acres of mineral estate underlying Federal lands or supervised by Interior through leasing and operations
- 1.76 billion acres of the Outer Continental Shelf
- 52.4 percent of the Nation's Wild and Scenic Rivers
- 69 million acres in the Nation's Wilderness Preservation System

Interior's Recreation Sites
- 388 units in the National Park System including:
  - 56 National Parks
  - 10 National Seashores
  - 24 National Battlefields or Military Sites
  - 118 National Historic Parks and Historic Sites
- 180 Other recreation sites
- 542 National Wildlife Refuges
- 70 National Fish Hatcheries
- 90 National Monuments
- 45 National Natural Landmarks
- 308 Recreational lakes and reservoirs

People We Serve
- 1.5 million American Indians and Alaska Natives
- 47,909 students in Bureau of Indian Affairs schools
- 223 Alaska Village Groups
- 500 million estimated visits to Interior recreation sites annually
- 31 million people who rely upon DOI for their source of water

Physical Infrastructure Maintained by Interior
More than:
- 4,200 bridges and tunnels
- 39,000 buildings (historic, employee housing, and other)
- 1,600 campgrounds
- 2,500 dams
- 3,000 dikes
- 340 reservoirs
- 126,000 miles of highways and roads
- 25 tribally-controlled colleges
- 184 elementary and secondary schools and dorms

DOI's Contributions to the Nation's Energy Supplies
28 percent of the Nation's energy comes from DOI managed lands and offshore areas.
Within this 28 percent, DOI produces:
- 35 percent of the Nation's domestic coal
- 48 percent of the Nation's geothermal power
- 17 percent of the Nation's hydropower
- 34.5 percent of the Nation's natural gas
- 32 percent of the Nation's domestic oil
- 20 percent of the Nation's windpower

How DOI Monitors Hazard-related Activities:
- 43 U.S. volcanoes monitored
- 5 hazard monitoring networks maintained
- 14 geomagnetic observations
- 121 earthquake monitoring global seismographic network stations
- 476 cumulative real-time earthquake sensors installed
- 5,621 real-time stream-gages on the Internet
- 7,000 stream-gages and water quality monitors

Land managed by Interior represents about one-fifth of America's land surface and approximately two-thirds of all federally owned land. Each of America's 50 States, U.S.-associated Pacific insular areas, the Virgin Islands, and Puerto Rico contain lands administered by the Department.

Like any successful large organization in either the public or the private sector, shared values understood and acted upon at all levels of responsibility guide the Department. For the Interior Department, Secretary Norton's vision for effective program performance—"the 4 Cs: Conservation through Cooperation, Consultation, and Communication"—drives our program execution.

The 4 Cs reflect the Secretary's goal of involving others, including communities, partners, customers, contractors, volunteers, and the interested public, in carrying out our mission. We are confident that actively working with communities, partners, customers, contractors, volunteers, and the interested public to obtain their input and feedback will improve our programs, processes, plans, and practices.

The Secretary's four key business principles—customer value, accountability, modernization, and integration—likewise apply across the entire Department (*Figure 3*). They complement the President's Management Agenda (PMA), five government-wide management initiatives unveiled by President Bush in 2001 to improve our service to citizens (*Figure 4*). Along with the PMA, the Secretary's key business principles have guided the individual and collective management decisions and direction reflected in our FY 2003 Performance and Accountability Report.

Performance Results

The Department's Annual Performance Plan looks at accomplishments against six overarching strategic goals that support our core mission of protecting the Nation's natural resources and cultural heritage; providing scientific information about those resources; and honoring our trust responsibilities to American Indians, Alaska Natives, and affiliated island communities (*Figure 5*).

FIGURE 3

The Secretary's Business Principles

Four key business principles of the Secretary guide the Department's management:

Customer Value: All of our activities will be customer-centered, designed to add value for citizens, partners, public land users, other agencies, states, and local governments, and focused on efficiency through the application of best practices in outsourcing and human capital management.

Accountability: Our managers and employees will be held responsible for performance results measured against clear gauges, with budgets linked to performance and sound financial management.

Integration: Managers will identify the opportunities to cut duplication and achieve economies to enhance customer service and efficiency, with employees focused on working together, looking at the big picture, and building human and technology bridges across the old stovepipe system.

Modernization: The Department will use technology to work smarter, including providing single points of access to our services and other expanded e-government opportunities. We will give our employees the skills, technologies, systems, and practices they'll need to meet current and future responsibilities.

FIGURE 4

The President's Management Agenda

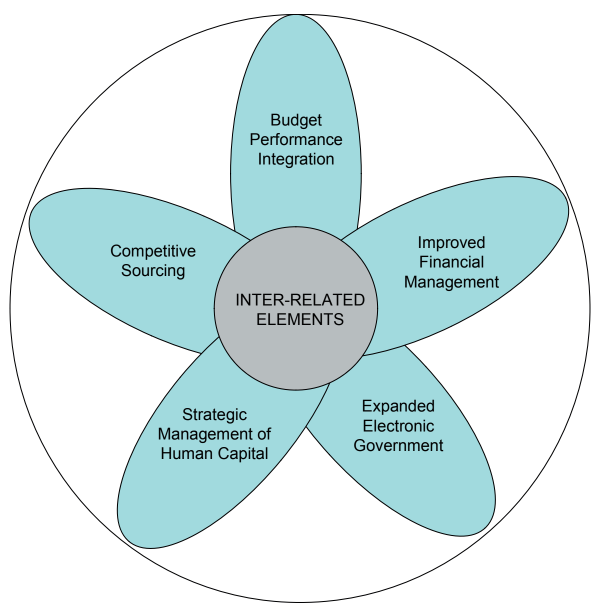
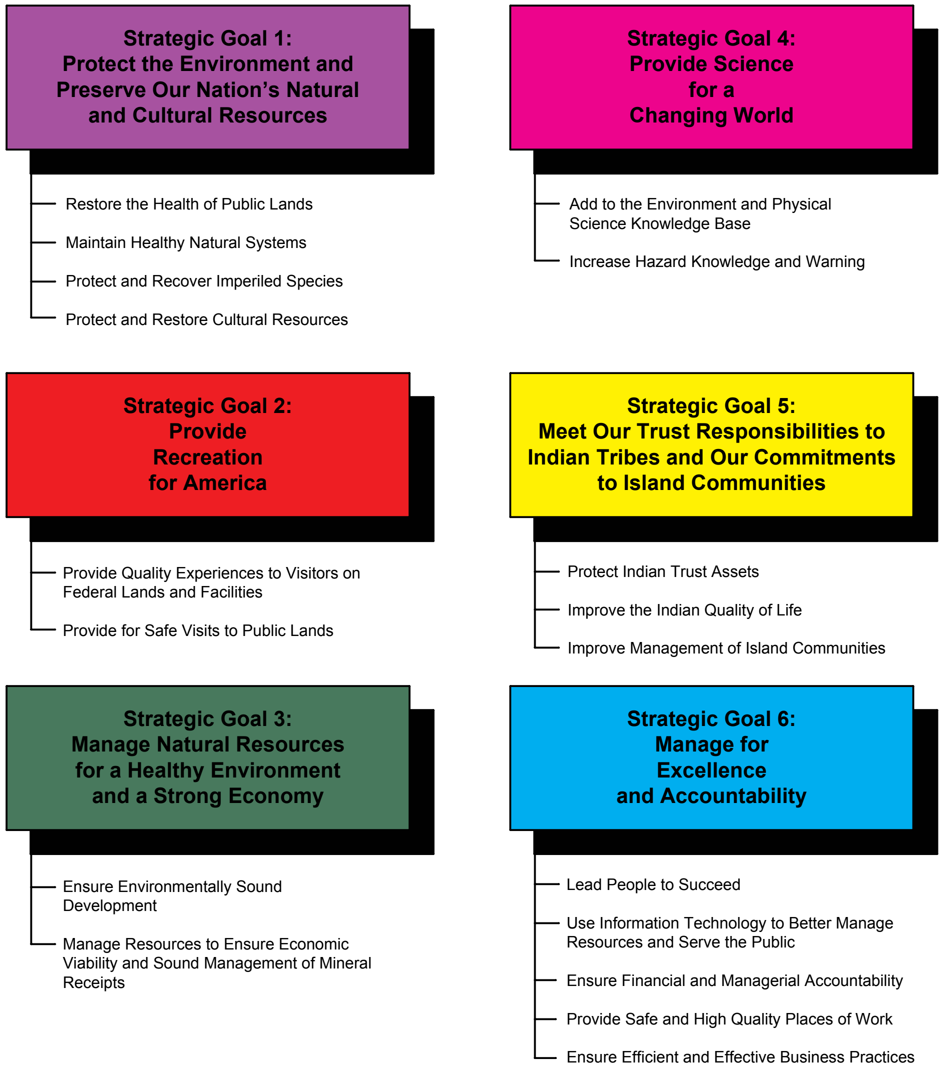


FIGURE 5

Overarching Strategic Goals



Under these strategic goals, we established 18 long-term goals to guide the varied programs and activities of the different bureaus. Each of the long-term goals describes a specific, desired outcome, with progress toward that outcome being measured annually using quantitative performance indicators.

The Department met or exceeded 66 percent of the 323 performance measures monitored during FY 2003, a significant improvement over FY 2002. (For a full report of each measure, see Part 3: Performance Section). Four percent of our measures were not reportable because of insufficient data at the time of this writing, primarily due to the early reporting goal of November 2003 that Interior set for its FY 2003 Performance and Accountability Report. This is an improvement, however, over FY 2002, when nine percent of our measures were not reportable due to insufficient data. Performance information for these measures and the estimated measures will be provided in our supplemental report issued in the third quarter of FY 2004.

FY 2003, like its recent predecessors, was marked by accelerating change in the environment in which we deliver our services, driven by many of the larger forces reshaping our Nation as a whole. Our mission obligations are becoming broader and more complex, while our resources remain limited.

With the growth of our population and the expansion of our economy, the pressures on our undeveloped land, water resources, and wildlife continue to swell. Population shifts towards the west, the south, and the coasts are bringing rapid growth, and new people in new places, with new houses, roads, schools, and stores. These changes often fragment wildlife and waterfowl habitat. Increased intercontinental mobility brings new invasive species into our country, sometimes threatening native species, adding to the risk of fire, and costing the economy billions of dollars in lost resources and productivity.

With more people come expanded demands for access and use of our national assets, as well as more pressures on Departmental personnel. Americans are increasingly looking to our public lands and waters as a source for more and more varied recreational opportunities. Energy needs also keep expanding, along with the demand for non-energy minerals, forage, and forest products.

Water shortages are already a way of life, particularly in the arid West, and are certain to present continuing challenges. A growing number of communities are also at risk from natural hazards, including the perils of coastal storms and other processes, and the build-up of brush and other fuels in forests and rangelands that can cause wildfires of devastating proportions.

Conservation inside this fluid environment presents an interesting challenge to 21st century America: how to meet the increasing demands for natural resources while also conserving them. Success depends on balancing conflicting, legitimate, and often passionately held points of view.

Conservation today by its very nature must be a partnership between the American people and their governments. The more the Department can empower people as stewards of the land we share, the more effective we can be in our conservation mission, as our FY 2003 Annual Report illustrates.

Our ability to hit the targets we set in our plans often depends on the active cooperation of others. To succeed we have had to create a new approach to environmentalism, a collaborative relationship that is more focused on results and less contentious than the framework of the past that often relied on top-down prescriptions and procedural detail.

The Department is committed to strengthening partnerships, built around the Secretary's 4 Cs—"Consultation, cooperation, and communication in the service of conservation." Opportunities abound for achieving conservation goals through the cooperative efforts of governments, Tribes, organizations, and people who share the common goal of conserving our cultural, historic, and natural places.

The internal work of the Department has grown increasingly complex. The American people today demand more of their public servants than ever before. Citizens increasingly expect to be involved at every step of the decision processes. They call for better business management practices, improved efficiency, financial transparency, and mission accountability.

We must fulfill the public's expectations while we compete for financial resources, cope with the complications of technology change, and wrestle with demographic dynamics, replacing baby boomers with a new, younger workforce.

None of these many changes, internal or external, has come as a surprise to the Department. They define the issues we address in this annual Performance Report: long-range challenges we have seen for many years and will continue to see in the years ahead.

What is surprising is how fast those changes keep coming, and the evolutionary response they demand inside the Department.

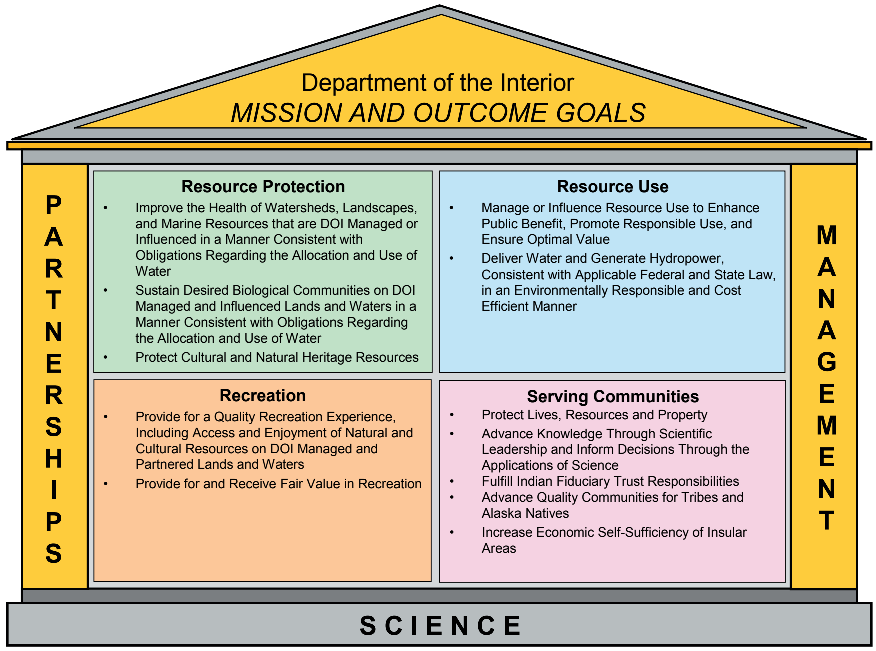
Looking Forward

Throughout our 154-year history, Interior bureaus have largely operated as independent entities. As such, they have built a rich history and deep internal bonds of dedication and commitment.

Today, however, the historic evolution of the Department into a composite of compartmentalized bureaus jeopardizes our efforts to address mission challenges. Increasingly, the management of lands and resources under our stewardship involves ecological, scientific, economic, and social factors that extend well beyond any single bureau's boundaries. An endangered species does not know the difference between private land, refuge land, trust land, or park land. Wildfire does not respect boundary lines drawn on a map.

A combination of constrained budgets and greater workloads has created almost irresistible pressures on the Department to forge a more coordinated, enterprise approach to our mission. Our traditional bureau-centered approach limits opportunities to improve effectiveness and efficiency. Simply put, we

FIGURE 6



know we can accomplish more by working together than we can by working apart.

We have realized many gains in shifting our culture. The Department's new FY 2003 - 2008 Strategic Plan, approved in September 2003, is the most critical step so far in our ongoing journey towards integration, and one of last year's signal accomplishments.

Since the inception of the Government Performance and Results Act (GPRA), strategic planning at Interior has been decentralized, with individual bureau strategic plans bundled and submitted collectively. That approach perpetuated the evolution of Interior as a holding company rather than fostering cooperative planning and the development of common measures for shared responsibilities.

Our new strategic plan takes an enterprise perspective. It sets out specific goals for our mission responsibilities, now organized into four areas: Resource Protection, Resource Use, Recreation, and Serving Communities. It replaces the former bundle of assorted office and bureau plans with an integrated Departmental plan, driven by cross-cutting, multi-bureau, and multi-agency goals and objectives (*Figure 6*).

It changes what we measure in the field, too. Rather than tracking the costs of inputs, like salaries, tires, or office supplies, we will measure the cost of outputs, the cost of operating a wildlife refuge, for example, or removing an acre of invasive plants, program for program. Those numbers, in turn, will let managers link budget spending with performance results, as envisioned by the President's Management Agenda (PMA), creating a powerful management tool to recognize superior performance, focus attention on achievement and innovation, and move more quickly to spread best practices throughout the organization.

In addition to allowing us to set consistent multi-agency, results-oriented performance goals, our new unified approach to strategic planning and performance reporting will:

- Set an agenda for Interior that reflects the Administration's and the Secretary's priorities;
- Emphasize communication, collaboration, and coordination with key constituents on the future direction of the Department;
- Make Interior more "results oriented" and accountable to citizens; and
- Provide the means to hold organizations and managers accountable for results.

To be responsive to the demands of tomorrow, the Department will continue to transition to a unified organizational culture and a unified public identity. That will require the strong commitment of our bureaus to our overall responsibility of stewardship, working together to serve our shared missions.

Strategic Goal 1: Protect the Environment and Preserve Our Nation's Natural and Cultural Resources

Science, history, and shared experience have taught Americans that their own physical and mental well-being depends on the health of the environment around them. Our lands, waters, and other resources must remain healthy if our communities are to thrive.

That challenge defines the Department's first strategic goal, protecting the environment and preserving our Nation's natural and cultural resources. It is a mission with many elements—protecting lands of national significance and helping communities tackle the future; healing damaged public lands and restoring natural systems and habitats; helping native species; and protecting cultural resources.

The Department is directly responsible for 507 million surface acres of public lands, including 388 parks and 542 wildlife refuges, and for 700 million subsurface acres, as well as for oil and gas and other mineral exploration and development activities on 1.76 billion acres on the OCS. Rich in natural heritage, representing diverse and complex ecosystems, these lands contain exceptional geological formations, rare and vulnerable plant and animal communities, wild and scenic rivers, and numerous historical, paleontological, and archeological sites.

The Department's responsibilities stretch far beyond these public lands, however. We focus every day on preserving the natural habitat in America's backyards, protecting local green space, improving water and air quality, sustaining wildlife, and providing families with places to play and relax.

Interior takes a "systems approach" to conservation, giving consideration to the complex relationships of land, water, air and the life within them. This systems approach does not stop with simply repairing and healing the land where it has been damaged through prior use. The Department's focus is on other components of "healthy systems," including maintaining the quality of air and water and influencing the entities that might undermine this quality. Here Interior depends heavily upon the use of sound scientific knowledge and techniques to help us maintain healthy systems.

Our success also increasingly depends on our ability to involve others in our conservation work. Our goal is to empower Americans as citizen-conservationists. Interior can offer landowners, land-user groups, environmental organizations, communities, local and State governments, and companies the resources and technical support to undertake conservation projects that advance the health of the land, benefiting all of us.

The more the Department can empower people as stewards of the land we all share, the more effective we can be in our conservation mission. We emphasize environmental performance and progress through partnership and cooperation. We seek common ground by using local information about the best way to solve problems, providing incentives to create a Nation of self-motivated stewards, and creating a climate of environmental innovation and imagination.

The benefits for the Department have been significant. Enhanced partnerships have allowed us to leverage our own constrained funding, identify strategies that make sense on the ground to the wide varieties of people with an interest in our programs, and create an environment of cooperation, consultation, and communication that rebounds to the benefit of the resources that we manage and the people we serve.

The Power of Pride

Partnership and volunteerism, two keys to the Department's conservation plans, are getting a boost from the recent rebirth of a celebrated program from the era of President Reagan—***Take Pride in America***. Designed to focus the Nation's attention on the opportunities for volunteers from every corner of America to improve our parks, refuges, recreation areas, and cultural and historical sites, the program aims to inspire citizen stewardship through a bold and innovative public communication campaign. Outstanding volunteer efforts will be rewarded with Presidential recognition.

Take Pride works with governors and other partners to launch volunteer efforts as part of President Bush's USA Freedom Corps volunteer service initiative. More than 100 charter partners, including major corporations, conservation groups, service organizations, and traditions, have signed on to help.

Take Pride features a bipartisan Council of Governors from states that have signed memoranda of agreement with the national program. By establishing formal partnerships with State governments, Federal and State land managers can identify volunteer opportunities and enlist public service commitments from citizens. In addition, a blue-ribbon panel has been chartered to assist Take Pride with fundraising for public awareness, educational purposes, and judging national Take Pride awards. The ability to engage in fundraising was a key feature of the Take Pride Act passed by Congress in 1990.

Take Pride will increase volunteerism by expanding participation among youth, senior citizens, Hispanics and African-Americans, faith-based groups and union organizations. Take Pride will also emphasize service to inner city and urban sites, such as parks, trails, historic monuments, and playgrounds. More information about Take Pride in America is available at *www.takepride.gov*. In addition, the Department's electronic outreach is served by *www.volunteer.gov/gov*, a Web site designed to help would-be volunteers and the agencies seeking them to find each other on the Internet.

Interior also has a responsibility to protect the native species that live on and use our lands. Our obligation to protect fish and wildlife stretches beyond geographic boundaries. The Department is responsible for protecting thousands of native plant and animal species, including 1,263 with special status under the Endangered Species Act (ESA) within the United States. Protection efforts focus not only in conserving the species, but also on encouraging their recovery from endangered and threatened status.

Partnerships with private landowners are particularly important in these efforts, since half of all endangered species have at least 80 percent of their habitat on private lands. We have seen that farmers, ranchers, and foresters are often the best stewards of their land. We can achieve more by working with them, capitalizing on their intimate knowledge of the land.

In 2003, Interior issued the first comprehensive Federal guidelines designed to promote the establishment of conservation banks. Conservation banks are lands acquired by third parties, managed for specific endangered species, and protected by conservation easements. There are dozens of conservation banks now operating in a number of States. These have become increasingly important tools in conservation plans prepared by land developers.

In addition to protecting and conserving our lands, water, and wildlife, the Department of the Interior protects the cultural heritage, the historic sites and objects, that link us to our past. These resources include landscapes associated with historical events, structures such as historical homes, and sites that provide clues to prehistoric life. Assets range from paintings by artists such as Thomas Moran to personal belongings of historical figures such as a cane owned by Abraham Lincoln, along with such icons as the carved faces of Mount Rushmore and the Statue of Liberty National Monument

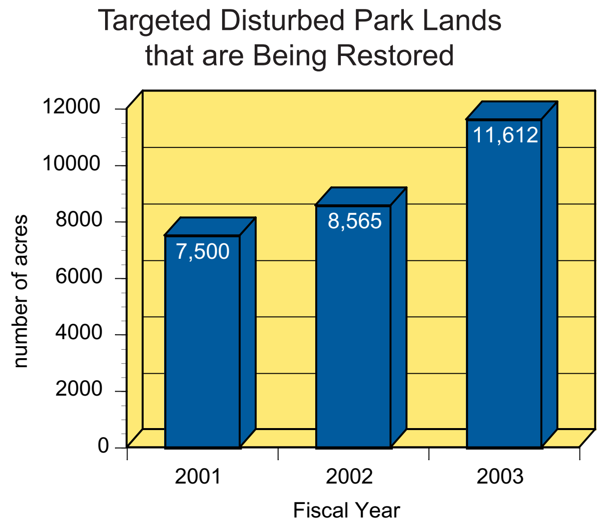
Performance Results

The Department of the Interior measures its performance in protecting the environment and preserving our natural and cultural resources against four long-term measures: our ability to restore the health of public lands, to maintain healthy natural systems, to protect and recover imperiled species, and to protect and restore cultural resources.

The Vital Signs Monitoring Project of the National Park Service (NPS) illustrates the Department's healthy systems approach to protecting and conserving public lands. Initially launched in 2001, the project organized 270 park units into 32 monitoring networks that track key indicators of change, or "vital signs" occurring on park lands. These indicators enable park managers and scientists to understand, track, and better protect the health of their resources, and to provide a complete picture of the condition of the national parks. Long-term monitoring provides an early warning and detection of conditions in time to develop effective mitigation measures.

In FY 2003, 43 percent of 270 units of the National Park System identified their vital signs, exceeding a target of 40 percent. The Vital Signs Monitoring Project will continue until 100 percent of these units inventory the characteristics that need monitoring. The project will serve as a key component

FIGURE 7



of resource management by providing scientific information to park managers.

In addition to monitoring park vital signs, the NPS is estimating that it will meet its FY 2003 target to restore 5.2 percent of targeted park lands (or 11,500 acres) that had been disturbed in some manner by development or agriculture (*Figure 7*). It further estimates that it will also meet its target to initiate 30 watershed assessment projects in cooperation with the U.S. Geological Survey (USGS) to better understand aquatic resource conditions in parks. Along with these assessments, the NPS evaluated air and/or water quality for 288 units of the National Park System. It estimates that for FY 2003, 56 percent of park units will report stable or improved air quality, against a target of 61 percent, while an estimated 71 percent of these units will enjoy unimpaired water quality, against a target of 65 percent (*Figure 8* and *Figure 9*). Final results will be available in a supplemental report to be published in the third quarter of FY 2004, as mentioned previously.

The Bureau of Land Management (BLM) is also actively reviewing the condition of the public lands that it manages. In FY 2003, the BLM conducted land condition assessments for 6 priority sub-basins, against a target of 10. It prepared 3 new land use plans, against a target of 13, bringing the total number of land use plans prepared since 1999 to 7. These targets were not achieved due to complexities in consultation and collaboration, some lengthy

FIGURE 8

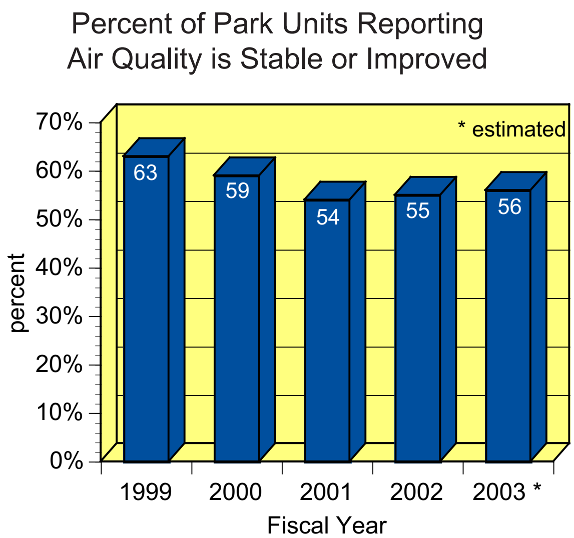
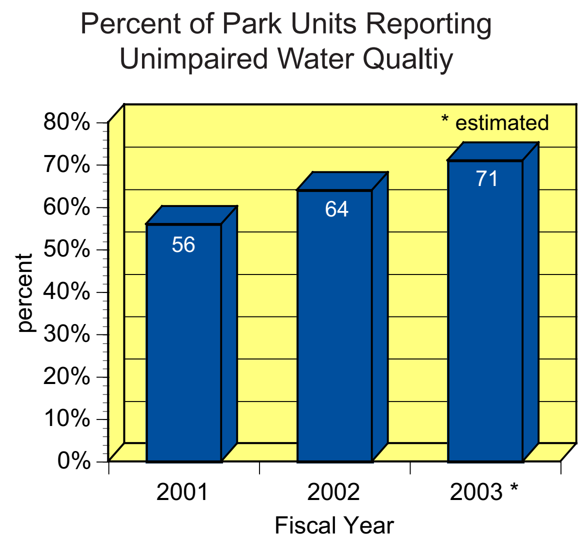


FIGURE 9

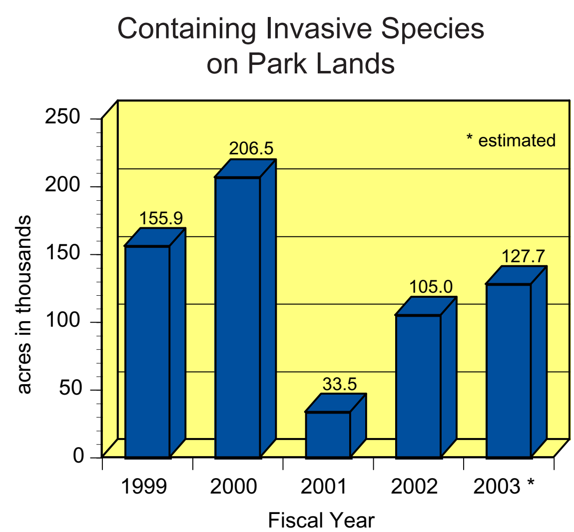


protests, and Endangered Species Act Section 7 consultation with the U.S. Fish and Wildlife Service (FWS). The BLM amended an additional 54 land use plans to reflect new information or management strategies, exceeding its target of 41, for FY 2003.

Together, Interior's NPS, BLM, and FWS contained the spread of invasive vegetation that jeopardizes the health of public lands and the wildlife they support (*Figure 10*). NPS estimates that, in FY 2003, it controlled invasives on 4.8 percent of park lands against a target of 4.6 percent. FWS efforts helped protect 229,416 acres of the National Wildlife Refuge System from terrestrial and aquatic invasive species, against a target of 227,445 acres. The BLM treated 298,000 acres of public lands to prevent the spread of noxious weeds, exceeding its target of 245,000 acres.

Interior's conservation mandate does not stop with Federal lands. We also protect and conserve non-Federal lands, particularly lands damaged by surface coal mining. In FY 2003, the Department's Office of Surface Mining (OSM) reclaimed 6,539 acres of abandoned coal mine lands, or 94 percent of its target of 6,900 acres. It funded 37 water cleanup projects, exceeding its target of 28, under the Clean Streams Program. This program provides funds to small local watershed organizations to clean streams affected by acid mine drainage.

FIGURE 10



In FY 2003, the BLM addressed environmental issues associated with old mines by remediating 72 abandoned mines located on lands that it manages, exceeding its target of 60. The BLM also further protected visitors to its lands by plugging and reclaiming 127 orphan wells, far exceeding its target of 20.

The protection and conservation of water remains critical, particularly in the arid Western states. Interior's Bureau of Reclamation (Reclamation) manages, develops, and protects water resources. In FY 2003, Reclamation responded to requests for drought emergency assistance within 60 days of receiving the request 97.1 percent of the time, exceeding its target of 85 percent.

In addition to helping mitigate potential impacts of drought, Reclamation encourages recycling and reuse of water in order to increase use of available water supplies. In FY 2003, Reclamation completed 3 cooperative agreements to perform feasibility studies related to water recycling against a target of 2. Reclamation also completed 4 appraisal investigations and initiated 2 feasibility studies on water recycling projects in FY 2003. It promoted efficient use of water supplies associated with Federal water projects by assisting 360 organizations, customers, and agencies, against a target of 260, in effective water conservation planning and management. Its water recycling and reuse projects helped yield 25,402 acre feet of water compared to a target of 25,000 acre feet.

Something to Howl about

A steadily growing gray wolf population in the western Great Lakes states and a highly successful reintroduction program in the northern Rocky Mountains have prompted the U.S. Fish and Wildlife Service (FWS) to change the status of gray wolves in these areas from "endangered" to the less serious "threatened" designation under the Endangered Species Act (ESA).

The reclassification finalizes an action first proposed by the FWS in 2000. It also establishes three "Distinct Population Segments" (DPS) for gray wolves under the ESA. The three segments encompass the entire historic range of the gray wolf in the lower 48 states and Mexico, and correspond to the three areas of the country where there are wolf populations and ongoing recovery activities.

Wolf populations in the eastern and western DPSs have achieved population goals for recovery. Actions are underway to give the public notice that FWS will soon begin work to propose delisting these populations.

Under the ESA, endangered species are those currently in danger of extinction. Threatened species, which receive many of the same protections under the Act, are species that are considered likely to become endangered in the foreseeable future. "Threatened" is a more appropriate classification than "endangered" for wolves outside the Southwest because recovery programs have succeeded in reducing threats to gray wolves and vastly increasing their numbers and range.

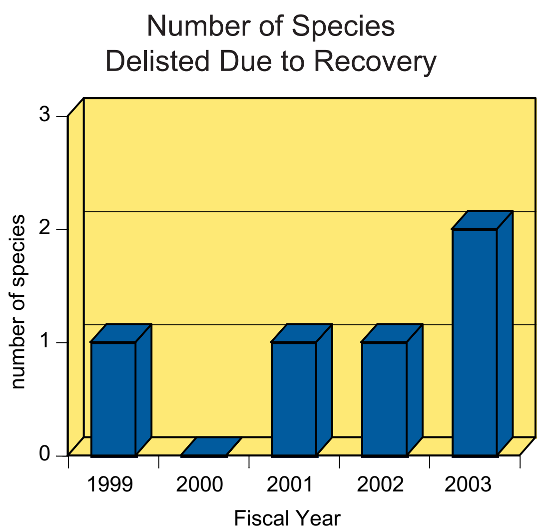
FWS proposes to remove gray wolves in the western and eastern United States from the endangered and threatened species list, once the agency has determined that all recovery criteria for wolf populations in those areas have been met and sufficient protections remain in place to ensure sustainable populations.

Reclamation also conducts projects designed to improve water quality to ensure the viability and use of the water supply. In FY 2003, it conducted 31 water quality assessments, against a target of 35, at Reclamation stream segments and reservoirs. It implemented 6 operational changes to address water quality issues that were identified as a result of these assessments, meeting its annual target. It improved water quality in the Colorado River Basin, exceeding its annual target of 25,000 tons, by removing 30,393 tons of salt at a cost less than $50 per ton, as part of the Colorado River Basin Salinity Control Program (CRBSP). As salinity levels rise, crop yields diminish and water treatment costs escalate. The CRBSP maintains or improves water quality in the Colorado River by reducing the amount of salt in the river water.

The health of the Nation's wildlife is another critical gauge of the health of our larger natural systems. Responsibility for the administration of the ESA is shared by Interior's FWS and the Department of Commerce's National Marine Fisheries Service. The FWS works with State, local, and tribal governments to develop large-area, multiple-species habitat conservation plans. It also facilitates the implementation of recovery actions by partners such as conservation organizations and private landowners.

As of FY 2003, the FWS estimated that 332 species listed under the ESA as threatened or endangered a decade or more ago are either stable or improving. This is good news and shows estimated improve-

FIGURE 11



ments for an additional 12 species above the FWS performance target of 320. FY 2003 saw the delisting of 2 species due to recovery, against a target of 4 (*Figure 11*). Conservation agreements enabled another 3 species to avoid the "at-risk" list, against a target of 4.

Endangered and threatened species on park lands likewise benefit from Interior protection activities. In FY 2003, the NPS estimated that 57 of 442 species identified as having critical habitats on the lands it manages or that required NPS recovery actions improved their status, against a target of 64. An additional 100 species were estimated to have stable populations, against a target of 99.

Preserving, restoring or maintaining habitat is a significant component in the recovery of endangered species. Interior estimates that together, its bureaus have established, restored or enhanced 182,973 acres of wetlands and/or riparian habitat, to exceed a target of 144,719 acres, and 1,110 stream miles of habitat against a target of 1,429 stream miles.

In addition to meeting its water contracts, the Bureau of Reclamation assisted in the recovery of endangered and threatened species by providing 2.16 million acre feet (MAF) of water, against a target of 1.9 MAF, to enhance fish and wildlife habitats.

Interior also plays a major role in helping to ensure the continued viability of hundreds of species of waterfowl, songbirds, and shorebirds that periodically migrate to or through the United States. The FWS is collecting population information about migratory birds of concern so that it can establish baselines and initiate or continue a monitoring program for these species. In FY 2003, the FWS achieved its target of baseline information for 22 of 146 migratory bird populations. It reported that 22 of 254 migratory bird populations of management concern demonstrated improvements in their population status, again achieving the FY 2003 target.

In addition to natural landscapes, our Nation's treasures include historic and cultural sites and items that link us to our past. In FY 2003, the NPS estimates that 70.7 percent of the preservation and protection standards for park museum collections were met, against a target of 69.9 percent. It also estimates the number of museum objects cataloged by the FWS at 47.7 million, an increase from the 1999 baseline number of 37.3 million objects cataloged. It has increased the number of ethnographic resources it manages from 400 in 1999 to an estimated 1,276 records in 2003, against a target of 1,140, offering that much more information for anthropological studies.

The NPS has also focused on maintaining and assessing the integrity of historic structures and cultural archeological sites. In FY 2003, NPS inventoried and evaluated 232 cultural landscapes and 57,752 archeological sites against a target of 240 and 58,759, respectively, an increase of 69.3 percent from the FY 1999 baseline of 137 landscapes and 19.8 percent from the baseline of 48,188 sites. Against a target of 31 percent, 31.7 percent of cultural landscapes contained within the Cultural Landscapes Inventory are in good condition. The annual target of 47.8 percent of recorded archeological sites were found to be in good condition, while 44.3 percent of inventoried historic structures (against a target of 46 percent) are in good condition. Further, the NPS estimates that 50 percent of known paleontological localities in parks (home of fossils and prehistoric bones) are in good condition. NPS restored an estimated 120,108 square feet of cave floor (against a target of 117,551) in parks like Carlsbad Caverns and Mammoth Cave.

Collaboration in Action

The Department will depend on partnerships to address two of its most critical program issues: law enforcement and security, and wildland fire.

Interior manages the third largest Federal law enforcement force, with more than 4,400 law enforcement personnel spread among the Bureau of Indian Affairs (BIA), Bureau of Land Management (BLM), U.S. Fish and Wildlife Service (FWS), and National Park Service (NPS). In addition, there are about 1,700 tribal and contracted law enforcement and detention facility personnel in Indian country. We are responsible for the safety of our more than 70,000 employees and 200,000 volunteers, along with tribal members and about 1.3 million daily visitors. We maintain safety on over 507 million acres of tribal and public lands that include a number of sites of historical or national significance, along with the security of dams and reservoirs. The Department also assists in providing security for oil and gas production and transmission facilities on Federal lands, including 4,000 offshore production oil and gas facilities, 22,000 miles of pipeline, and 35,000 petroleum workers in the Gulf of Mexico.

The increased emphasis over the last few years on visitor protection, securing resources, and homeland security demands that Interior maintain a well-coordinated and highly professional law enforcement capability. Our staff is already spread thin, however, averaging one commissioned officer for about every 110,000 visitors and 118,000 acres of land. Our challenge over the next five years will be to get the maximum value from those professionals, balancing our ongoing, more conventional law enforcement activities with increasingly complex homeland security issues.

Bureau law enforcement personnel had always worked independently before 9/11. After 9/11 the combination of growing obligations and limited resources required them to work together. The Department's public safety structure was redesigned in July 2002, with a senior level executive and a small headquarters staff with a mandate to coordinate law enforcement policy and activities. Over the next five years we will develop a more coordinated Departmental approach to public safety, supported through common programs, standardized position descriptions, cross-training, and shared best practices.

Interior will continue to participate in multi-agency task forces as well. Organized by the Federal Bureau of Investigation (FBI) and Justice Department, the task forces share information, develop security protocols, and identify protective measures in order to prevent and respond to real and potential terrorist attacks.

The same strategy of multiple partnerships across bureau and agency lines underlies the Department's response to the issue of wildland fire.

Historic suppression of fires, which resulted in unnatural levels of fuel build-up, along with a lack of active forest and rangeland management and a number of seasonal droughts, have sent the risk of catastrophic wildland fire soaring. Today more than 190 million acres of public land and surrounding communities are at risk from extreme wildfires. Our ability to reduce that risk depends on our success in building long-term strategic consultation and collaboration with other interested Federal organizations, States, Tribes, local governments and citizens, an ambition formally supported by the National Fire Plan and the Implementation Plan for "A Collaborative Approach for Reducing Wildland Fire Risks to Communities and the Environment" (both developed in concert with the U.S. Forest Service); the 10-Year Comprehensive Strategy; and the President's Healthy Forests Initiative.

Interior's firefighters have been working together since the 1999 launch of the National Fire Plan. The plan linked Interior's four firefighting bureaus—the BLM, NPS, FWS, and BIA—with the Forest Service, State foresters, Tribes, and local fire departments. Today these groups share planning and equipment, treating the causes of fires, and rehabilitating fire-damaged habitat across all 50 States.

Never before had so many levels and organizations from government come together to discuss a cohesive approach to enhancing fire preparedness, reducing hazardous fuels, and restoring and maintaining forest and rangeland health. Their success was a tribute to the power of coordination, communication, and consultation among the Nation's many firefighting and resource management organizations.

Under the 10-year Comprehensive Strategy Implementation Plan, Federal wildfire agencies, affected States, counties, local governments and Tribes agreed to a common set of goals, implementation outcomes, performance measures and tasks that need to be accomplished by specific deadlines. The comprehensive agreement covers all phases of the fire program, including fire preparedness, suppression, and prevention; hazardous fuels management; restoration of burned areas; community assistance; and monitoring of progress. The initiative also includes changes in the regulatory process and legislation that will ensure more timely decisions and implementation of forest health projects.

Looking Forward

Conservation will remain a key responsibility of the Department of the Interior for the foreseeable future. There will be a continued need for restoration and remediation of sites damaged through use, invasive species, resource extraction, or wildland fire. Increased water demands will make natural habitat issues more pressing.

To meet these challenges the Department will have to work to expand our conservation partnerships, to build collaborative skills that smooth dispute resolution, to strengthen our relationships with our large network of volunteers, and to create alliances across intra- and inter-agency lines to address such critical issues as wildland fire and homeland security.

Given the combination of rising needs and constrained budgets, we face continuing challenges in meeting our conservation goals. Our inventory of objects, structures, and sites continues to grow and will require ongoing care, including maintenance and security to prevent loss from vandalism and theft.

We have begun to recognize the silent scourge of some invasive plants and animals for what it is: one of the most serious ecological battles of the 21st century, costing the Nation billions of dollars annually in lost resources and productivity and affecting America's biological heritage. Interior scientists and land managers will need to find better ways to help build a coordinated strategy with Federal and non-Federal partners to fight this battle.

All of these responsibilities will demand that Interior personnel develop and refine their mediation skills and partnership capacity. We must continue listening to our customers and interested citizens and work with diverse interests in finding creative solutions, relying on consultation, communication, and cooperation to achieve our conservation aims.

Performance and Costs at a Glance

Tables 1 and 2 summarize FY 2003 performance and cost data for Strategic Goal 1.

Interior incurred costs of approximately $4.5 billion for Strategic Goal 1, an increase of about 10% over FY 2002. The Department established 123 performance measures for Strategic Goal 1. Of the 123 performance measures, the Department achieved or exceeded the goals for 84 measures (68%). This was significantly higher than the 57% realized in FY 2002. Interior continues to use an exceptionally stringent requirement of being within .05% of the target to attain a "goal met" on performance. As a consequence, the Department did not meet the targets for 36 performance measures (29%). Most of the measures not met show significant progress toward completion as indicated in the Goals-at-a-Glance Table. In addition, Interior was unable to report performance information on 3 measures (2.4%) because data were not available at the time of printing.

Three GPRA program activities, "Sustainability of Fish and Wildlife Populations", Habitat Conservation—A Network of Lands and Waters," "Preserve Park Resources and Strengthen and Preserve Natural and Cultural Resources", accounted for about $2.9 billion or 65.4% of Strategic Goal 1 costs. Of the 9 measures not meeting annual goals in these three program activities, one goal was not achieved because BLM did not provide funding for the Museum Partnership Program, several did not achieve their objectives because of collaboration complexities and continuing development of protocols for large-scale watershed assessments to support land use planning efforts, and other goals were not achieved because of the diversion of resources to address drought and fire conditions.

The Environmental Protection program activity had an additional $98 million in resources directed to it in FY 2003, but the Department was still unable to fully achieve the performance measures based on estimated information available at the time of this report.

More detailed information concerning performance results is available in Part 3, Performance Section.

TABLE 1

Strategic Goal 1 FY 2003 Performance Measure Scorecard						
GPRA Program Activity	**Number of Measures**	**Exceeded Goal**	**Met Goal**	**Did Not Meet Goal**	**No Report**	**Percent Exceeding or Meeting Goal**
Resources Management	7	0	3	3	1	43%
Trust Services	11	3	4	2	2	64%
Preserve Natural and Cultural Heritage Resources	10	4	5	1	0	90%
Understand the Condition of Public Lands	5	1	2	2	0	60%
Restore At-Risk Resources and Maintain Functioning Systems	9	4	0	5	0	44%
Manage, Develop, and Protect Water and Related Resources	13	8	3	2	0	85%
Sustainability of Fish and Wildlife Populations	13	1	10	2	0	85%
Habitat Conservation—A Network of Lands and Waters	8	3	3	2	0	75%
Preserve Park Resources	22	1	15	6	0	73%
Strengthen and Preserve Natural and Cultural Resources	8	0	5	3	0	63%
Environmental Restoration	2	0	1	1	0	50%
Environmental Protection	2	0	0	2	0	0%
Overview	13	5	3	5	0	62%
TOTAL	123	30	54	36	3	68%

TABLE 2

Strategic Goal 1 Costs (in millions)		
GPRA Program Activity	**FY 2003**	**FY 2002**
Resources Management	$283	$359
Trust Services	148	179
Preserve Natural and Cultural Heritage Resources	173	175
Understand the Condition of Public Lands	195	157
Restore At-Risk Resources and Maintain Functioning Systems	241	214
Manage, Develop, and Protect Water and Related Resources	157	210
Sustainability of Fish and Wildlife Populations	651	610
Habitat Conservation—A Network of Lands and Waters	1,346	1,141
Preserve Park Resources and Strengthen and Preserve Natural and Cultural Resources	937	762
Environmental Restoration	191	194
Environmental Protection	154	56
Overview (Departmentwide Initiatives)	13	15
Total Gross Cost Prior to Eliminations	4,489	4,072
Less: Elimination of Intra-Department Activity	(63)	(47)
Total Gross Cost After Eliminations	$4,426	$4,025

Strategic Goal 2: Provide Recreation for America

America has turned to its public lands for respite and inspiration since 1872, when Congress designated Yellowstone as the Nation's first "pleasuring ground" for the benefit and enjoyment of the people.

Americans today come to their national parks, refuges, and public lands for many reasons: to renew their sense of self, to experience adventure and relaxation, and to sample the rich diversity of our landscape and culture on water or land, at sea level or thousands of feet above, in scuba gear, on mountain bikes or with a camera, while hunting, fishing, camping, hiking, boating, white water rafting, and birding.

Providing those recreational opportunities, consistent with other land uses and our stewardship responsibility, is Interior's second strategic goal. We are committed to providing access to Federal lands and enhancing opportunities for everyone to enjoy the benefits of our Nation's heritage. We want our visitors to leave satisfied and re-energized by their recreation experience, and we want them to come back in the future. We also want their visit to be safe.

Interior's National Park Service (NPS) manages Yellowstone, one of 56 National Parks in the 388-unit park system. Along with National Parks, America's public lands offer recreational opportunities at 90 national monument locations, 161 wilderness areas, 542 National Wildlife Refuges, 70 National Fish Hatcheries, and scores of other recreation sites managed by Interior's Bureau of Land Management (BLM), U.S. Fish and Wildlife Service (FWS), and Bureau of Reclamation (Reclamation).

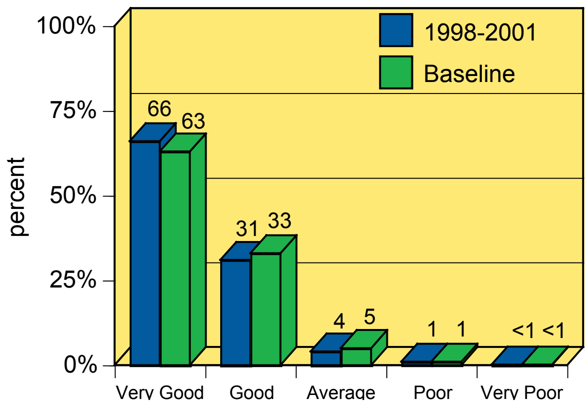
Interior's recreation destinations are among the Nation's most popular. Annually, the National Park System draws over 277 million visits. Our 93-million-acre National Wildlife Refuge System sees another 39 million visits, and National Fish Hatcheries log 2 million visits. The 262 million acres of public lands managed by our Bureau of Land Management receive 68 million visits, while the Bureau of Reclamation estimates 90 million visits annually to its 308 recreation sites.

Performance Results

The Department of the Interior measures its performance in providing recreation for America against two standards: did we provide a quality experience to our visitors, and was their visit a safe one? Our performance assessment starts with listening to our customers; we ask visitors about their recreational experiences and the quality of the facilities we provide.

FIGURE 12

Visitor Satisfaction with Park Services



The NPS was the first bureau to use surveys to capture visitor feedback. Since 1988, the Visitor Services Project (VSP) has conducted over 140 in-depth visitor studies in more than 100 units of the National Park system. Through these customized studies, park managers obtain accurate information about visitors—who they are, what they do, their needs and opinions. Managers then use what they learn to improve services.

TABLE 3

DOI Volunteer Programs

Agency	Hours Donated (thousands) 2003	2004*	2005*	Value of Volunteer Time (millions) 2003	2004*	2005*
FWS	1,676	1,758	1,840	$18.6	$19.7	$20.9
NPS	4,700*	5,900	6,100	77.7	100.3	106.7
BLM	535	540	545	8.6	8.7	8.8
TOTAL	6,911	8,198	8,485	$104.9	$128.7	$136.4

* Projected amounts

A customer satisfaction card has also been used for the past five years to survey visitors to over 300 units of the 388-unit National Park System (*Figure 12*). The card will continue to be used annually by NPS units to measure performance related to visitor satisfaction, and for insights regarding the effectiveness of NPS interpretive and educational efforts.

In FY 2003, the NPS released its ninth annual report summarizing visitor feedback. The report, available online at *http://www.nps.gov/socialscience/waso/products.htm*, summarizes how visitors feel about selected services in the parks. The report serves as the NPS annual "report card." The NPS estimates that it will achieve its annual target of satisfying 95 percent of park visitors, and that an estimated 74 percent of visitors are satisfied with commercial services offered within the parks, such as concessions and lodging facilities, meeting the annual target. The NPS further estimates that 84 percent of visitors responded that they understood and appreciated the significance of the park they were visiting, meeting the NPS annual target.

Other recreation-providing bureaus within Interior are also talking with those we serve to find out how we can improve. The BLM obtained data that revealed 97 percent of visitors to its lands were satisfied with the quality of their experiences, against a target of 93 percent. The FWS exceeded its long-term goal for visitor satisfaction in its baseline survey of National Wildlife Refuges conducted in FY 2003. The FWS survey offered findings that FWS managers are examining as opportunities for improvement. (See sidebar regarding the FWS Refuge survey.)

Interior's mission includes both serving visitors and protecting the resources that visitors come to enjoy. This combined mission cannot be accomplished alone. Interior bureaus continue to build sustainable partnerships with volunteers, corporations, foundations and others who seek to preserve some of America's greatest natural treasures.

Volunteers and partners are the heart and soul of public land preservation efforts (*Table 3*). In FY 2003, more than 200,000 volunteers provided 6.9 million hours of time valued at about $104.9 million to Interior bureaus. These volunteers provided services ranging from office work to maintaining campgrounds. The NPS received an estimated 4.7 million hours of volunteer time, against a target of 4.6 million hours. The FWS received 1.6 million hours from volunteers, exceeding the target of 1.3 million hours.

Friends Groups and partners also provide valuable time and service. In FY 2003, the NPS estimates, based upon partial data, that it worked with partners to conserve an additional 9,140 miles of trails, 5,050 miles of river corridors, and 846,282 acres of parks and open spaces, against targets of 8,450 miles of trails, 4,600 miles of protected river corridor, and 846,200 acres of park and open spaces above 1997 totals. The FWS saw the creation of 20 new Friends Groups, exceeding the target of 19, that worked closely with FWS staff to assist fish hatcheries and refuges.

Looking Forward

Coping with growing popularity and new population pressures in a context of constrained resources strains the Department's ability to fulfill its recreation mandate. Our magnificent natural resources are no longer remote sanctuaries. They face significant use and threats from some invasive plants and animals. Their infrastructure is aging and stressed by increasing visitor use and years of inadequate maintenance.

Rebuilding that infrastructure remains a high priority for the Department and for the administration of President Bush.

The increasing popularity of public lands complicates our management task. Through the Recreation Fee Demonstration Program, Interior continues to explore ways to provide seamless service to visitors of our recreation sites while providing a framework for a sensible, efficient, and coherent fee program. For example, in FY 2003, the BLM continued to participate in the Recreational Fee

Asking What Our Customers Think

The National Park Service and the Bureau of Land Management have run visitor site surveys for years. They ask their customers to evaluate the recreation experience they provided and then use the answers to set policies and priorities. But 2003 marked the first year that the U.S. Fish and Wildlife Service (FWS) commissioned an extensive on-site visitor survey.

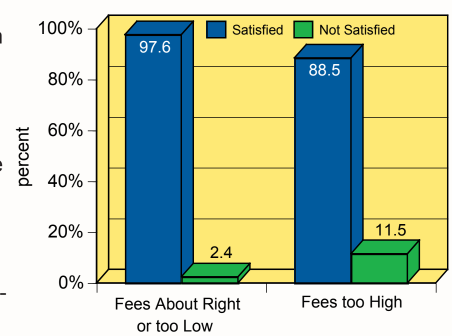
Based on more than 3,000 visitor satisfaction surveys, the report compiled information from 43 refuges, each with an environmental education program, a visitor center, and annual visitation of at least 75,000.

Visitor satisfaction was high, the survey said. More than 90 percent of customers were "satisfied" or "very satisfied," and said they would probably visit a refuge again within the next two years. Visitor satisfaction was durable, too. Even visitors dissatisfied with some element of service or facilities were likely to express overall satisfaction with their visit.

Most visitors initially learned about refuge recreation opportunities through word of mouth, the survey noted, suggesting that the Refuge System could benefit by extending its outreach efforts to broader demographic groups.

"That's one of the survey issues we have already begun addressing," FWS Director Steve Williams said.

The report also helped the National Wildlife Refuge System analyze aspects of its fee demonstration program. Most refuges are open to the public at no cost, but a small percentage charges a nominal entrance fee, and some sites charge for special activities and additional services.



Survey results found that an outstanding majority of visitors, 94 percent, did not mind paying the fee. In fact, statistical analysis showed that the fee did not restrict visitation. Nearly 90 percent of visitors felt strongly that the refuge provided them with an excellent value.

Researchers found that knowledgeable and courteous employees were the most important factors when people gave high marks to refuges for the overall quality of the recreation/educational experience. Maps, signs, and printed information also played an important role. Most often, refuges that got the highest marks for overall visitor satisfaction also got high marks for their conservation efforts, law enforcement presence, road and parking lot maintenance, and the ease with which visitors could make an inquiry or complaint.

Demonstration Program, under which public land visitors are charged a fee to use many of BLM's campgrounds, day-use areas, and other developed recreation sites. All of the money collected is reinvested at the site of collection to improve its physical infrastructure and enhance customer satisfaction, directly benefiting those who pay for and use the site. In 2003, both fee collections and overall recreation use increased at BLM sites.

Our recreation mission needs to coexist with other legitimate uses of public lands, such as producing forage, forest products, water, power, and other commodities needed to meet America's needs. That coexistence is not always easy to manage. At the same time, the Department must manage increasing levels of competition among different recreation users of the same resource: off-roaders versus wildlife photographers in the same area, for example, or pedestrians conflicting with equestrians over a crowded mountain trail.

Success will depend on communication and cooperation among all recreation users. The Department will work to speed the adoption of bureau best practices among all Departmental recreation providers, and to expand our working partnerships with states, Tribes, and local governments, along with non-profit groups, concerned citizens, and our growing numbers of volunteers.

Teaching Ethics for the Outdoors

The idea behind Leave No Trace!, an innovative public/private sector educational partnership, is simple: the best way to minimize visitor impacts to America's wilderness, refuge, and park lands is to teach those visitors the ethics of the outdoors.

Leave No Trace! practices are techniques that visitors can use to help reduce evidence of their presence in the back country. The ethic is easy to understand: make it hard for others to see or hear you and Leave No Trace! of your visit. If visitors know how to minimize their impact on natural resources, wildlife, and other users, they can enjoy back country and wilderness areas while preserving the beauty and solitude of these areas.

Launched in 1994, Leave No Trace! is a not-for-profit organization designed to promote land stewardship, minimum-impact skills, and wilderness ethics through education, research, and partnerships. The program is managed by LNT Inc., a non-profit organization located in Boulder, Colorado, which oversees memberships, marketing, fundraising, and program development.

Active support is broad and deep. Leave No Trace! is the only program of its kind that has been universally adopted, administered, and used in a unified, joint effort by the Bureau of Land Management, the U.S. Department of Agriculture's Forest Service, the National Park Service, and the U.S. Fish and Wildlife Service. Whenever possible, its tenets are taught by this interagency group with no differentiation between agencies or private partners.

The human-powered outdoor recreation industry has adopted Leave No Trace! enthusiastically, too, with over 300 manufacturers and retailers joining with the Federal agencies to bring the message to the American public. Recreation users likewise have embraced Leave No Trace! across the spectrum, from wilderness to off-highway vehicle enthusiasts.

This year the partnership updated several of its skills and ethics booklets to include the latest scientific research on varied environments across the country. Special emphasis in FY 2003 was on a "Group Use" pamphlet, Western River Corridor Use, and the "Frontcountry Use" program for urban and suburban environments. Leave No Trace! teams were active teachers in the field, too, bringing the message this year to the National Trails Conference, Outdoor Writers of America Association Conference, Outdoor Retailer Show, Rocky Mountain Elk Expo, National Philmont Boy Scout Camp, and Western Region Boy Scout "Camp School".

Performance and Costs at a Glance

Tables 4 and 5 summarize FY 2003 performance and cost data for Strategic Goal 2.

Interior incurred costs of about $2.17 billion for Strategic Goal 2, a small decrease of about 1% compared to FY 2002. The Department established 32 performance measures for Strategic Goal 2. Of the 32 performance measures, the Department achieved or exceeded the goals for 28 measures (88%). This is an increase of 36% over FY 2002. Interior did not meet the goal for 4 performance measures (12%).

One GPRA Program Activity, "Provide for Public Enjoyment and Visitor Experience of Parks", incurred $1.5 billion or 69% of Strategic Goal 2 costs. The resources devoted to this GPRA program activity were about 6% less than those provided in FY 2002. Of the four performance measures related to this GPRA program activity in FY 2003, results show that 75% of the measures were met or exceeded, an increase over the 50% achieved in FY 2002, a comparable increase in performance. The other measures were not achieved because of factors such as States being unable to participate in training sessions due to budget restrictions, an inability to resolve audit issues with States, and performance related to accident/incidents on Federal land.

More detailed information concerning performance results is available in Part 3, Performance Section.

TABLE 4

Strategic Goal 2
FY 2003 Performance Measure Scorecard

GPRA Program Activity	Number of Measures	Exceeded Goal	Met Goal	Did Not Meet Goal	No Report	Percent Exceeding or Meeting Goal
Responsible Recreation	4	2	2	0	0	100%
Land Management and Development	3	2	0	1	0	67%
Greater Public Use on Service (FWS) Lands	3	1	2	0	0	100%
Partnerships in Natural Resources	9	5	2	2	0	78%
Provide for Public Enjoyment and Visitor Experience of Parks	4	0	3	1	0	75%
Enhance Recreational Opportunities Managed by Others	4	3	1	0	0	100%
Ensure Organizational Effectiveness	5	0	5	0	0	100%
TOTAL	32	13	15	4	0	88%

TABLE 5

Strategic Goal 2 Costs
(in millions)

GPRA Program Activity	FY 2003	FY 2002
Responsible Recreation	$100	$94
Land Management and Development	34	36
Greater Public Use on Service (FWS) Lands	185	175
Partnerships in Natural Resources	-	-
Provide for Public Enjoyment and Visitor Experience of Parks	1,497	1,600
Enhance Recreational Opportunities Managed by Others	352	288
Ensure Organizational Effectiveness	*	*
Total Gross Cost Prior to Eliminations	2,168	2,193
Less: Elimination of Intra-Department Activity	(23)	(12)
Total Gross Cost After Eliminations	$2,145	$2,181

* Costs not separately identified for this GPRA Program Activity

Strategic Goal 3: Manage Resources for a Healthy Environment and a Strong Economy

Managing the vast resources of America's public lands has been a core Interior responsibility since the Department was founded in 1849. Over 150 years ago, the newly formed Department focused on development by handling land sales and title adjudication as the Nation expanded. As gold and silver were discovered, the Department's role included managing a system of access to those mineral resources as well.

The Department is still managing resources, but the work has become more complex. It is our task today to determine where and how to make available renewable and non-renewable economic resources on public lands consistent with our resource protection and recreation mandates.

While some lands such as wilderness areas have been set aside for special protection, the Department of the Interior's multiple use lands produce resources that provide energy to warm our homes and power our transportation systems; minerals used for manufacturing and household goods; forage for livestock; and forest resources. The lands and offshore areas we manage or influence supply about 28 percent of the Nation's domestic energy, including about 35 percent of the natural gas, 32 percent of the oil, 35 percent of the coal, 48 percent of the geothermal energy, and 20 percent of the wind power.

In addition Interior manages over 2,500 dams and 348 reservoirs that provide water to over 31 million people for municipal, agricultural, and industrial use. This same water infrastructure generates 17 percent (42 billion kilowatt hours) of the Nation's hydropower, making Interior the second largest producer of hydroelectric power in the United States.

The resources produced from public lands-including energy and non-energy minerals, water, timber, grazing land, and electricity—contribute substantially to virtually all sectors of the American economy. In FY 2003, Interior generated $9 billion in revenue to the Federal Treasury and other recipients from the lands and waters it manages.

Performance Results

The Department of the Interior measures its performance in managing natural resources for a healthy environment and a strong economy against two long-term measures: our ability to ensure environmentally sound development and our ability to manage resources to ensure economic viability and the sound management of mineral receipts.

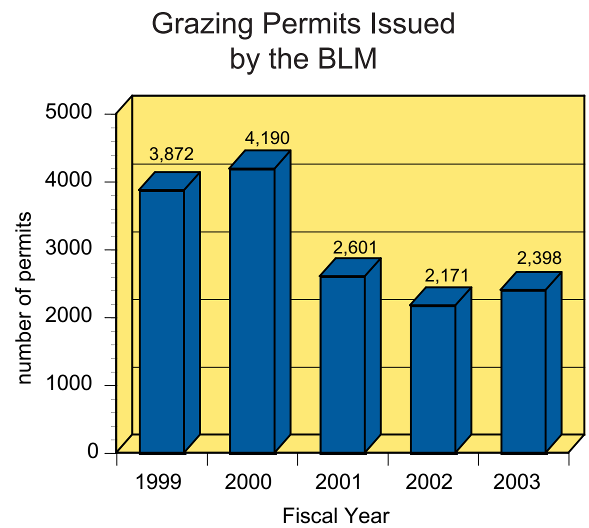
Ensuring environmentally sound development is an increasingly complex challenge, requiring a balancing among many, often-conflicting points of view. Success depends on a combination of careful environmental assessments, strong public input, and fulfillment of regulation and inspection requirements.

Given the size and mixed uses of its holdings, the BLM faces particularly broad challenges. The BLM manages one-eighth of the Nation's land, along with some 54,000 oil and gas leases, 400 geothermal leases, 300 coal leases, 440 other solid leasable mineral leases, and 220,000 mining claims.

In FY 2003, the BLM processed 4,619 energy mineral (such as coal) lease actions and 5,173 non-energy mineral actions on Federal lands against targets of 5,360 and 4,000, respectively. It processed 54,765 energy mineral post-lease actions and 1,205 non-energy mineral post-authorization actions on Federal lands, exceeding targets of 28,700 and 800, respectively. It also completed 20,051 energy mineral and 7,908 non-energy mineral compliance, inspection and enforcement actions on Federal lands, exceeding targets of 19,500 and 7,850 in FY 2003. The BLM issued 2,398 grazing permits or leases for a cumulative total of 11,360 grazing permits, exceeding its target of 1,200 permits issued in FY 2003 and a cumulative total of 10,162 permits (*Figure 13*). While these targets are output oriented in nature, as stated earlier in the introduction to this report, the Department of the Interior, through its new Strategic Plan and measures, will begin systematically measuring the outcome of these efforts beginning in FY 2004.

The Minerals Management Service (MMS) likewise bears responsibility for simultaneously achieving commercial activity and environmental goals. Its focus is on mineral resources associated with 1.76 billion submerged acres on the Outer Continental Shelf (OCS). About 1.8 million barrels of oil per day are produced from the OCS. The MMS manages more than 7,300 active oil and gas leases on the Federal OCS, which cover about 40 million acres. Since 1982, it has spent more than $650 million in environmental studies to decrease negative impacts related to commercial activities.

FIGURE 13



When access to resources on public lands for development purposes is environmentally and economically prudent, the responsibility of the government is to realize fair market value for those resources consistent with Federal statutes. Once revenues accrue from industry exploration and development efforts, it is essential that an accurate accounting of the revenue occur, and that payments to the U.S. Treasury and royalty recipients be made effectively and on time.

In FY 2003, the fair market value of commercial products (including oil and gas, coal, other salable minerals, and timber) from public lands managed by the BLM totaled about $18 billion. Over 99 percent of production value was derived from energy and minerals. The direct and indirect economic impact of these commercial activities amounted to about $38 billion. Federal revenue generated from these activities amounted to $2.2 billion. While much of the revenue is provided to the Treasury Department, about $800 million is shared with the States.

Re-engineering Customer Service at MMS

Process improvement is driven by the public demand for greater effectiveness and efficiency in the work we do. The more we can re-engineer our programs and processes to be cheaper, faster, and better, the more likely we are to meet or exceed our mission targets.

Significant process improvement doesn't always come as a single dramatic change. It is just as likely to build over several related steps, like the best-practice customer service improvements driven by the Secretary's 4Cs at the MMS.

Consider the MMS audit partnerships—cooperative agreements with 8 Tribes, and delegated authority to 10 States—that allow those Tribes and States to conduct the required inspections, audits, and investigations of activities on royalty-producing properties within their jurisdiction.

State and tribal auditors follow General Accounting Office accounting and auditing standards when performing field audits on behalf of the MMS. These audits are a critical component of overall MMS royalty compliance activities. The State or Tribe is reimbursed up to 100 percent of the costs directly required to carry out the agreed-upon activities by the MMS.

Putting the 4Cs to work is what makes these partnerships click. To ensure consistent application of government auditing standards, issue resolution, and continuing dialogue on MMS' policies and procedures, key MMS managers and technical experts meet on a quarterly basis with the State and Tribal Royalty Audit Committee. MMS's continuing dialogue with the Audit Committee underscores the importance of partnering with our constituents to ensure a fair return for minerals produced on public and tribal lands.

The cost-benefit result has been impressive, too—a 5.4 to 1 dollar return to the Federal government.

Key success factors include keeping the States and Indian Tribes constantly informed on valuation, settlement, financial/compliance system, and royalty issues, along with having them participate on various MMS teams, and receiving their input on the issues concerning them. These actions have enabled the States and Tribes to become partners who are vested in MMS strategies and goals.

Further process improvements are being implemented, including the planned E-government redesign of MMS's Offshore Minerals Management (OMM) Program business processes. Developed collaboratively by the OMM and involving input from State and Federal agencies, industry, and citizen groups, the redesign will transform previously paper-based business processes so that the MMS can electronically receive, process, and deliver data, information and knowledge across all business levels. This E-government transformation will allow the MMS to shift its focus from processing data to evaluating and analyzing work products such as equipment testing, facility inspection, environmental and technical research, lease administration and economic valuation, and mineral resource assessment.

In addition, MMS's Minerals Revenue Management (MRM) Program's reengineered business processes are improving reporter compliance with lease terms, regulations, and laws by reducing the MRM business cycle from 6 years to 3 years, consistent with expected industry standards. Process redesign also aligned the MRM multiple functions into two core end-to-end business processes, established organizational accountability for compliance and asset management outcomes at the producing property level, simplified regulatory reporting requirements to reduce reporting burdens to both MRM and industry, and modernized the MRM information technology environment.

These best practices are spreading widely among the Department's resource stewards. Similar process redesigns are planned for energy, mineral, water, forage, and forest products over the next five years to cut cycle times, reduce process friction, and improve collaboration.

Over the last 10 years, the MMS has disbursed over $60 billion, with about $7.5 billion of that going to 36 states as their share of revenues from leases located within their borders or adjacent to their shores. States receive 50 percent of the royalties collected, except for Alaska, which gets a 90 percent share as prescribed in the Alaska Statehood Act. In FY 2003, the MMS disbursed 92.6 percent of its revenues, against a target of 92 percent, to recipients by the end of the month following the month received

Special purpose funds, including the Land and Water Conservation Fund (LWCF), the National Historic Preservation Fund, and the Reclamation Fund, have received more than $15 billion in MMS-collected mineral revenues over the last 10 years. During the past decade, mineral revenues from the Outer Continental Shelf have accounted for more than 90 percent of the deposits to the LWCF. Most LWCF revenues in recent years have been used to purchase or acquire through exchange about 4.5 million acres. Acquisitions funded through LWCF grants must remain in recreation use into perpetuity.

Average annual collections by the MMS since 1982 total more than $6 billion. In FY 2003, over $8.2 billion was collected with approximately 51 percent going to the U.S. Treasury, 36 percent to Interior agencies, 1 percent to Indian Tribes and agencies, and 12 percent to States and other Federal agencies (*Figure 14*). Revenues directed to the Federal government are used to fund programs enacted by Congress. Monies that go to the States are used as the States deem necessary, often for schools, roads, libraries, public buildings, and general operations. Revenues collected from Indian lands go directly to the American Indian tribes and individual American Indian mineral owners, meeting a wide variety of their needs.

The Bureau of Reclamation is the largest manager and supplier of water in the country. Throughout the west, Reclamation fulfills its contractual obligations to deliver water. As of this writing, Reclamation estimates that it will have delivered 26.1 million acre feet (MAF) of water to meet its commitments in FY 2003, against a target of 27 MAF. While final data will not be available until after the publication of this report, Reclamation anticipates

FIGURE 14

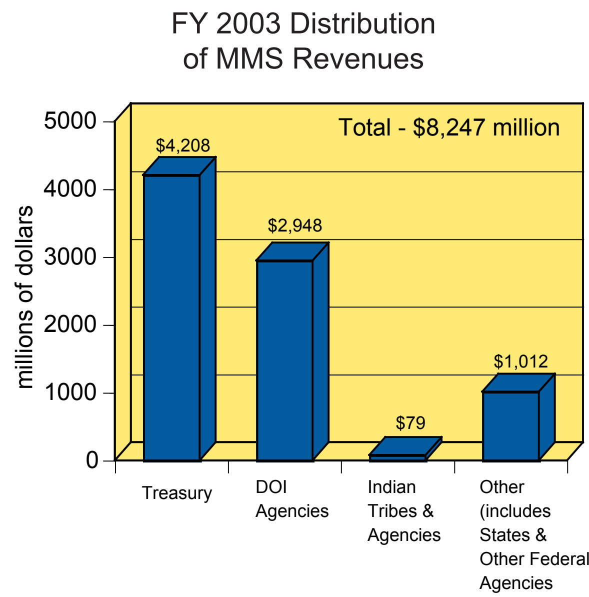
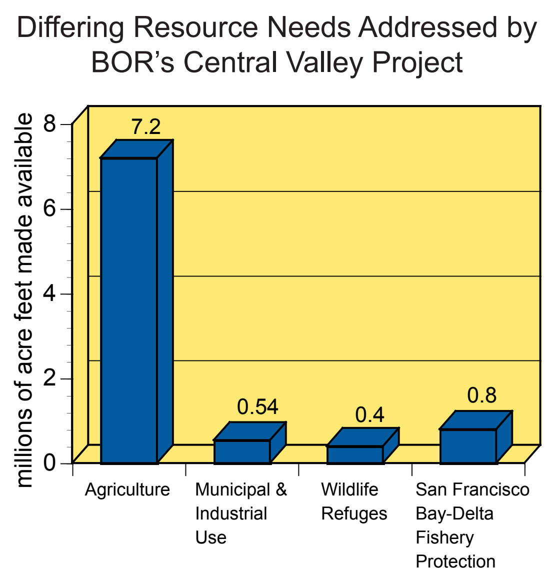


FIGURE 15



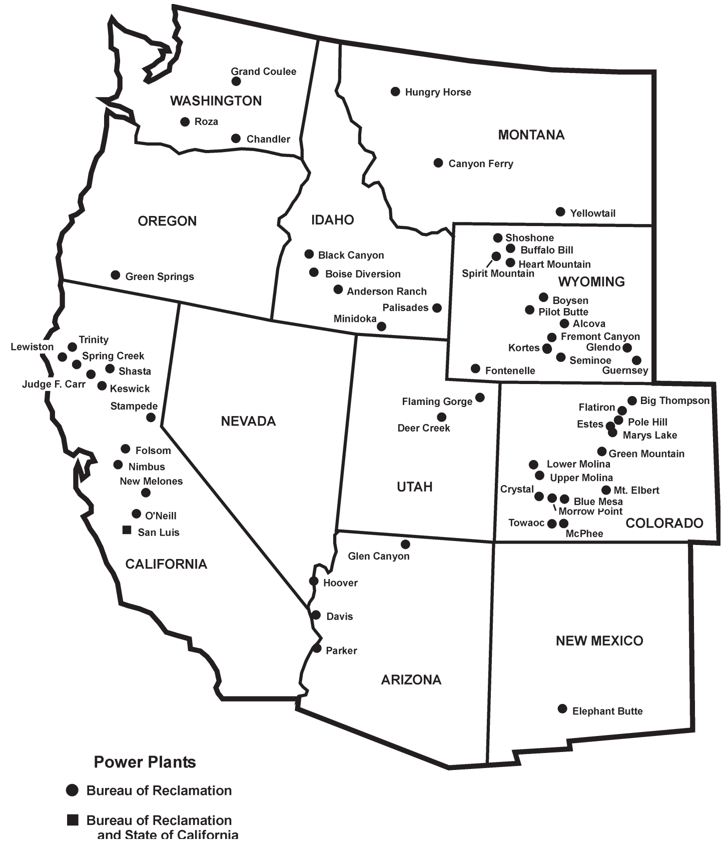
that its results may be slightly below target due to continuing drought conditions throughout parts of the western United States.

Reclamation considers many resource needs (for example recreation, fish and wildlife habitat, environmental enhancement, and Native American trust responsibilities), while ensuring reliable water deliveries under Reclamation contracts. For example, in FY 2003, Reclamation's Central Valley Project in California addressed different demands simultaneously (*Figure 15*). About 7.2 MAF of water was made available released for agriculture; 540,000 acre feet for municipal and industrial water users; 400,000 acre feet for wildlife refuges; and 800,000 acre feet to protect and restore the San Francisco Bay-Delta fishery, as required by the Central Valley Project Improvement Act.

As the second largest producer of hydropower in the Nation (*Figure 16*), Reclamation maximizes its power generation and efficiency by maintaining power production costs at a level comparable to the most efficient and lowest-cost sector of the hydropower industry. For the past five years, Reclamation has been within the 75th percentile of lowest cost hydropower facilities. In FY 2003, Reclamation continued to perform well in ensuring its facilities were available to generate power. Its forced outage rate was 1.5 percent, against a target of 3 percent or lower for its hydropower units (*Figure 17*). These statistics make Reclamation a leading source of high reliability, low-cost power.

FIGURE 16

Reclamation Powerplants



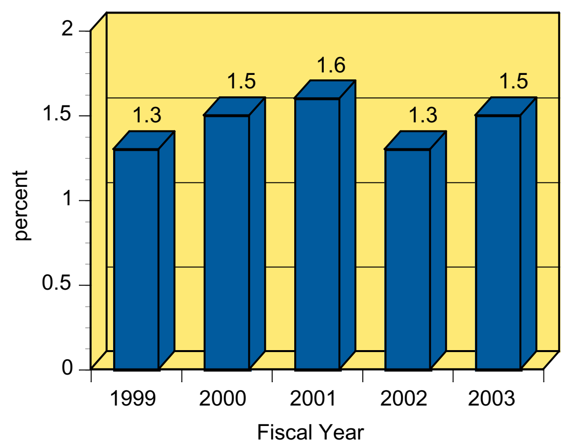
Looking Forward

The Department's responsibility for careful resource stewardship is certain to increase in the years ahead. As demand grows, we will continue to evaluate the resource potential of public lands and provide access for exploration and development consistent with environmental quality goals.

Although the public lands and the Outer Continental Shelf are an important energy source, they cannot themselves meet rising domestic demand. Public lands provide nearly 30 percent of annual national energy production and are estimated to contain 68 percent of the Nation's undiscovered oil resources and 74 percent of our undiscovered natural gas resources. Even with those resources, however, America's energy needs outstrip supply. Over the next 20 years, U.S. oil consumption is projected to grow by over 6 million barrels a day, while production is estimated to decline by 1.5 million barrels per day. Over the same time period, U.S. natural gas consumption has been projected

FIGURE 17

Forced Outage Rate for BOR Hydropower Units



to grow by over 50 percent, while production will grow by only 14 percent.

The growing demand for water is an even more critical concern, particularly in the 17 western States served by the Bureau of Reclamation. As populations soar, municipal, industrial, and agricultural users all call for more water, but too often there is not enough water to meet everyone's needs.

Shortages are likely to become even more severe in the years ahead. The Bureau of Reclamation will continue to forge partnerships with local entities to plan and implement conservation measures, facility modernizations, and improved monitoring and management. Long-term success, however, will depend on a cooperative and forward-looking approach to water management for the next century.

An example of such an approach that provides hope our ability to innovatively meet future challenges is the Colorado River Water Delivery Agreement. The Agreement, signed by Secretary Norton and officials of four California water agencies, provides assurances of long-term water supplies and clears the way for market-based transfers and other essential tools to meet the growing water needs of the region. Under Secretary Norton's leadership, Cali-

Water for the West

It is difficult to predict with accuracy how much water will be available to America's western States in the years to come. Supply will depend on naturally occurring yearly water supply, variable weather patterns, and water management.

But there is one certainty. However much there is, demand for water will exceed supply.

The West is the fastest growing region of the country today, and water is its scarcest resource. Demand already exceeds supply—a gap that will continue to grow as the numbers and needs of commercial, municipal, industrial, agricultural, environmental, and domestic users continue to swell.

For the Bureau of Reclamation (Reclamation), which currently provides water to over 31 million people, the task over the next decade will be to address those supply-demand challenges, reconciling the needs of all of the competing groups.

Aging water facilities limit our available options. Most of the Federal water management infrastructure is nearly 50 years old, and some facilities have almost a century of service. Our goal will be to optimize the overall benefits from the water available through more effective management and operations.

We will ensure that delivery systems are as efficient as possible, looking to watershed modeling, precipitation forecasting, process enhancements, and technological improvements to drive performance. We will focus on developing innovative water management tools and partnerships, consistent with the substantive and procedural requirements of Federal and State water law, along with water banking, voluntary water transfers, and improved water treatment technologies We will address environmental concerns and complete existing construction projects to increase delivery infrastructure and water availability.

The problem of water for a thirsty West will not be solved in the next five years. Even if we exceed all the targets in our strategic plan, challenges will not be solved in the next 25 years either—unless we begin to address the long-term challenges today.

Interior launched "Water 2025: Preventing Crisis and Conflict in the West" to focus attention on those long-term challenges. The danger is that conflict between competing users will turn into crises, with serious social, economic, and environmental impacts.

Improved crisis management is not the answer. It is, at best, a short-term fix. Instead, any solution will depend on planning and preparation by local and regional communities long before the conflicts arise.

Ultimate responsibility for solving the West's water problems appropriately belongs to State, local, and tribal governments. The Department's role is to focus public and water-user attention, and to provide resources where limited Federal dollars can have the biggest impact.

"Water 2025" will facilitate a cooperative, forward-looking focus and balanced practical approach to water management for the next century. It aims to stretch or increase supplies to satisfy the demands of growing populations, protect environmental needs, and strengthen regional, tribal, and local economies.

The Department has identified four key tools needed to turn the goals into reality:

- Conservation: working with our partners to retrofit and modernize existing facilities, using improved water management and market-based approaches to head off conflicts;
- Collaboration: using cooperative approaches to resolving disputes;
- Technology: finding new tools to purify wastewater and saltwater to increase supply; and
- Cooperation: taking down the institutional barriers to improved water management and building coordination among Federal agencies.

fornia has agreed to take specific, incremental steps that will reduce its over-reliance on Colorado River water in the next 14 years, allowing the State to live within its authorized annual share of 4.4 million acre-feet. The agreement allows the six other Colorado River Basin States to protect their authorized shares to meet future needs.

Performance and Costs at a Glance

Tables 6 and 7 summarize FY 2003 performance and cost data for Strategic Goal 3.

Interior incurred costs of approximately $3.8 billion for Strategic Goal 3, a decrease of over 12% from FY 2002. The Department established 45 performance measures for Strategic Goal 3. Of the 45 performance measures, the Department achieved or exceeded the goals for 27 measures (60%). This represents an increase of 10% over FY 2002. Interior did not meet the goal for 12 performance measures (27%) and is unable to report performance information on 6 performance measures (13%) because performance data is not available at this time.

GPRA program activity, "Operate and Maintain Facilities Safely, Reliably, and Efficiently to Provide Project Benefits," incurred $1.34 billion or 36% of Strategic Goal 3 costs. The resources devoted to this GRPA program activity are 7% greater than in FY 2002. Of the nine performance measures in this GPRA program activity, FY 2003 results show that 67% of the measures were met or exceeded, down from 100% in FY 2002. Final data are not available on the remaining performance measures. However, preliminary or estimated data show that one measure of power production cost will exceed target and one measure to deliver water will fall slightly below target due to continuing drought conditions. Data are not yet available on power production benchmarking.

Though less resources were provided to "Provide Revenue Recipients with Access to their Money within 24 Hours of the Due Date" and "Ensure Safe Outer Continental Shelf (OCS) Mineral Development" activities in FY 2003, the Department was still able to achieve its goals. However, in other cases where reduced resources were provided to GPRA activities, performance information is not available to determine whether the goals were achieved. More detailed information concerning performance results is available in Part 3, Performance Section.

TABLE 6

Strategic Goal 3 FY 2002 Performance Measure Scorecard						
GPRA Program Activity	**Number of Measures**	**Exceeded Goal**	**Met Goal**	**Did Not Meet Goal**	**No Report**	**Percent Exceeding or Meeting Goal**
Provide Opportunities for Environmentally Responsible Commercial Activities	15	9	2	4	0	73%
Reduce Threats to Public Health, Safety, and Property	9	3	0	6	0	33%
Operate and Maintain Facilities Safely, Reliably, and Efficiently to Provide Project Benefits	9	5	1	1	2	67%
Ensure Safe Outer Continental Shelf (OCS) Mineral Development	1	0	1	0	0	100%
Ensure Environmentally Sound Outer Continental Shelf Mineral Development	2	1	1	0	0	100%
Ensure that the Public Receives Fair Market Value for Outer Continental Shelf Mineral Development	1	0	0	0	1	0%
Provide Revenue Recipients with Access to Their Money within 24 Hours of the Due Date	1	1	0	0	0	100%
Ensure Compliance with Applicable Laws, Lease Terms and Regulations for All Leases in the Shortest Possible Time, But No Later than 3 Years from the Due Date	2	0	1	0	1	50%
Interact with Our Customers in an Open and Constructive Manner to Ensure That We Provide Quality Services to Satisfy Our Customers' Needs	1	0	1	0	0	100%
Overview	4	1	0	1	2	25%
TOTAL	45	20	7	12	6	60%

TABLE 7

Strategic Goal 3 Costs (in millions)		
GPRA Program Activity	**FY 2003**	**FY 2002**
Provide Opportunities for Environmentally Responsible Commercial Activities	$371	$347
Reduce Threats to Public Health, Safety, and Property	584	628
Operate and Maintain Facilities Safely, Reliably, and Efficiently to Provide Project Benefits	1,341	1,258
Ensure Safe Outer Continental Shelf Mineral Development	65	237
Ensure Environmentally Sound Outer Continental Shelf Mineral Development	60	224
Ensure that the Public Receives Fair Market Value for Outer Continental Shelf Mineral Development	33	127
Provide Revenue Recipients with Access to Their Money Within 24 Hours of the Due Date	860	952
Ensure Compliance with Applicable Laws, Lease Terms, and Regulations for All Leases in the Shortest Possible Time, but No Later than 3 Years from the Due Date	75	218
Interact with Our Customers in an Open and Constructive Manner to Ensure that We Provide Quality Services to Satisfy Our Customers' Needs	*	*
Payments in Lieu of Taxes and Other Payments Made to States and Local Governments	436	364
Total Gross Cost Prior to Eliminations	3,825	4,355
Less: Elimination of Intra-Department Activity	(62)	(43)
Total Gross Cost After Eliminations	$3,763	$4,312

Strategic Goal 4: Provide Science for a Changing World

Political leaders, policymakers, and the public have never had a greater need for accurate and timely scientific information than they do today.

As a Nation, we face vital and perplexing questions concerning our environment and natural resources. How can we ensure an adequate supply of energy, water, and mineral resources in the future? What impact do we have on our natural environment when we use these resources? How has our planet changed over time, and what can the past tell us about the future? How can we predict, prevent, and mitigate the effects of natural hazards?

These are not abstract questions. They are immediate and pressing, framing conservation and resource decisions at every level of government. Identifying and conducting the current and best science to help policy officials make those decisions is the fourth strategic goal of the Department.

The U.S. Geological Survey (USGS) serves as the principal science bureau within the Department. In addition, several DOI bureaus have established effective partnership with the Nation's universities, increasing the scientific expertise available to the Department.

Scientific principles and research add to our knowledge and understanding of the physical and natural environment. Collecting, analyzing, and disseminating the scientific information needed to answer the questions listed above, and providing the critical science for resource management decisions, are major responsibilities of the Department. We assess and provide information about the quality and quantity of our Nation's water resources. We collect, process, archive, and provide access to remote sensing data; and develop multi-purpose geologic maps depicting the Nation's geologic formations, which are vital to the exploration and development of mineral, energy, and water resources.

The USGS also serves as the Department's electronic connection with citizens in search of current scientific information. The Federal government's spatial data assets are a vital source of data for citizens, businesses, and governments. Through the intergovernmental Geospatial One-Stop project, which it leads, the Department provides access to spatial data through a single portal; makes State and local data more accessible; promulgates standards to facilitate data exchange; and creates a marketplace for future planned data acquisition.

Interior, as the managing partner for Geospatial One-Stop initiative, unveiled the first one-stop portal providing access to a wealth of public-sector geospatial data in June 2003. On September 30, 2003, the Department, on behalf of the 11-organization intergovernmental Board of Directors for the project, submitted 13 draft data standards for the most common categories of geospatial data to the American National Standards Institute to become national standards.

Other examples of online assets include the National Water Information System, a distributed network of computers, databases, and supporting software that helps users make critical decisions concerning lives and property based on real-time water information, and the National Biological Information Infrastructure, a gateway into biological data and information sources held by Federal, State and local government agencies; private sector organizations; and other parties from around the world.

Counting on the Cutting Edge of Tradition

Fishwheels—traditional tools used for subsistence salmon fishing on interior Alaska rivers—have recently found an improved application. They're assisting fisheries managers in estimating the number of chum salmon on the Yukon River, a critical factor for effective resource stewardship.

The simple wooden framed devices have proved to be an effective tool for capturing previously marked fish for examination, but the procedure required holding the recaptured fish in a live box until biologists could net them for examination and release them back into the river. This holding and handling time has been linked to increased stress and possible mortality of individual fish, resulting in inaccurate abundance estimates.

To correct this flaw in the system, the Fish and Wildlife Service's (FWS's) Fairbanks Fish and Wildlife Field Office has developed a recapture system using computerized, video-based imaging that negates the need to hold and handle recaptured fish. Instead, fish captured by the rotating net quickly slide over a white surface, their colored tags recorded by digital video, and then drop back into the river.

In FY 2003, the Alaska Department of Fish and Game adapted this system to generate an abundance estimate for Tanana River chum salmon, an important sub-stock of the Yukon River. The system was installed on a fishwheel operated by a contracted fisherman near the village of Nenana. Fish and Wildlife Service staff provided technical expertise and support for set-up, operations, and data management, as well as mentoring the local contractor in video and computer operations.

This Federal/State/private partnership has resulted in considerable cost savings (One computer operator can now replace a 24 hour-a-day field crew of 6!) and reduced handling of captured fish. This cutting-edge technology is now being transferred to other projects in remote Alaska, empowering local residents to participate in research and management of their resources.

Performance Results

The Department of the Interior measures its performance in providing science for a changing world against two long-term measures: the extent to which we add to the environmental and physical science knowledge base, and our success in increasing knowledge and warning of natural hazards.

Interior's science programs focus on collecting data and understanding, modeling, and predicting how multiple forces affect natural systems. The data we gather, translated into useable information, helps resolve environmental issues and assists in effective Federal land management and natural resource decision-making.

More accessible data leads to better decisions. To ensure the continued availability of long-term environmental and natural resource information, Interior's USGS maintained 44 long-term data collection/data management efforts and supports 2 large data infrastructures in partnership with others against its target goal of 47 for FY 2003. Its result fell short of the target due to the malfunction of the Landsat 7 satellite at the end of May 2003. The malfunction prevented the collection of the bulk of information that was contributing to the long-term data collection "National Satellite Land Remote Sensing Data Archive."

The USGS delivered 1,081 new systematic analyses to customers, including Interior bureaus and other Federal agencies, States, Tribes, local governments, and the public, exceeding the target of 971. It also developed, improved, and delivered 11 decision support systems and predictive models to customers, exceeding its target of 8.

In order to improve our understanding of natural systems and encourage sound management practices, the USGS collaborated with university partners through 160 external grants and contracts, against a target of 209 (*Figure 18*).

Interior's BLM also contributes to the body of scientific knowledge. The BLM produces voluminous amounts of information in support of land management and scientific activities for many government agencies and the private sector. It provides cadastral survey data for over 30,000 townships and has converted more than 4 million General Land Office land title records to digital form. These records are now accessible to citizens thanks to the Internet and geographic information system (GIS) technologies. In FY 2003, BLM posted 151,739 public land records on the Internet against its target of 200,000 for a total of over 3 million records available on-line (*Figure 19*). In addition to conducting on-line title searches, citizens also use these records in historical and genealogical research. Web-based land status, boundaries, and geographic coordinates data are available for 36 percent of western townships for which BLM collects information, exceeding its FY 2003 target of 16 percent. As energy development and urban growth become a major issue in the western United States, the BLM's cadastral and land records will increasingly serve as a critical foundation for addressing these issues.

The ability to understand processes that produce natural disasters, to use that information to create more reliable predictive models, and to deal more effectively with the aftermath of a disaster can help save untold lives and costs. For Interior, research and predictive model development for hazards is primarily conducted by scientists at the USGS through their work on earthquakes, flooding, volcanos, and coastal storm damage. In FY 2003, the USGS developed and maintained 5 monitoring networks, against a target of 6, aimed at assessing risks from these natural events. It also maintained 5,621 stream-gages, against a target of 5,462, to deliver real-time data regarding stream flow and water levels so that decision-makers have the instant data they need to issue flood warnings or assess drought conditions (*Figure 20*).

FIGURE 18

USGS University Partnerships

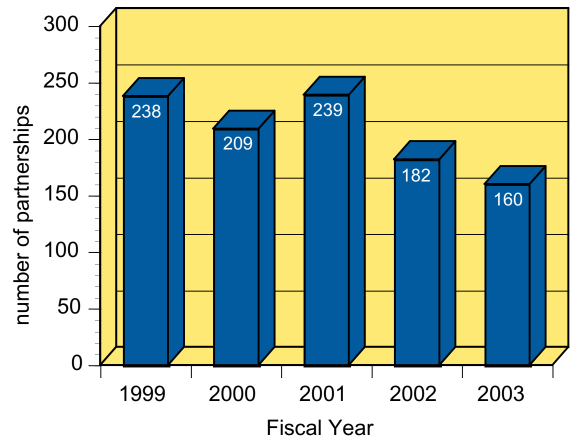


FIGURE 19

Public Land Records Posted to the Internet (Cumulative Totals)

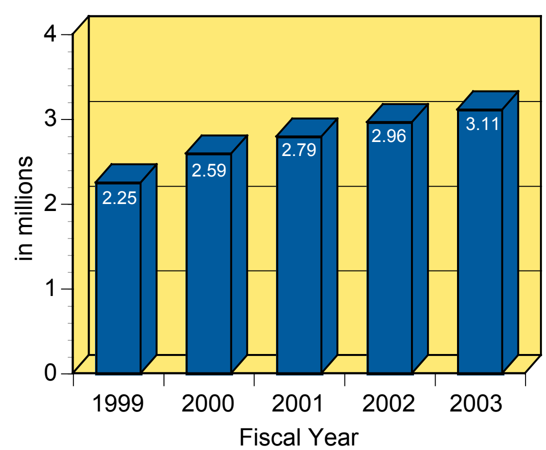
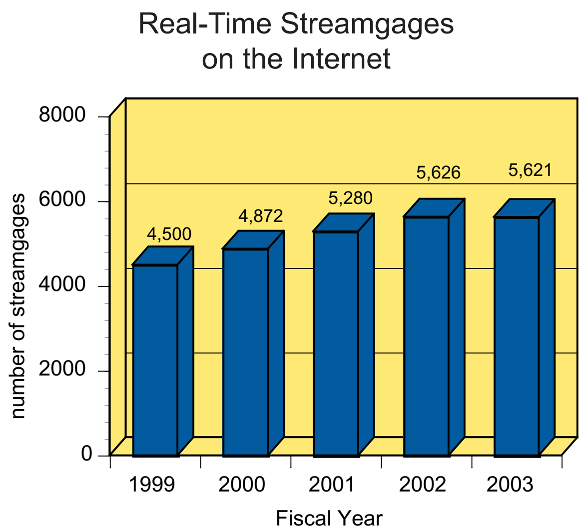


FIGURE 20



New Seismic Equipment Unveiled

The USGS unveiled new seismic stations in the Memphis, TN, area that are part of the Advanced National Seismic System (ANSS), the first line of defense in the war on earthquake hazards. Federal, State and local partners and emergency responders attended this event, held at the University of Memphis. The USGS is improving its earthquake monitoring and reporting capabilities through the Advanced National Seismic System (ANSS), a nation-wide network of modern strong motion seismometers that can provide emergency-response personnel with real-time "shaking" information within 3-5 minutes of an earthquake. The new seismic data will be used to improve earthquake characterizations in the mid-continent region by the USGS and regional partners, and by researchers studying seismic wave propagation, attenuation, and earthquake hazard.

To help the Nation respond to earthquakes, the USGS maintained 476 real-time earthquake sensors against a target of 499. Although the backlog of sensors from the previous year was installed in the first quarter, the delayed appropriation in FY 2003 forced a postponement in purchasing new equipment. Additionally, improving communications links and other network elements to improve data delivery was a priority defined by stakeholders.

The USGS stays in touch with its customers by actively listening to their concerns. In FY 2003, it held 43 different meetings, exceeding its target of 28, with interested citizens and policy-makers regarding various hazards projects, and held another 806 stakeholder meetings, against a target of 544, for environment and natural resource projects and technical assistance. These meetings help USGS conduct frequent "reality-checks" regarding the top challenges facing the Nation as decision-makers and community leaders struggle to deal with the forces of nature and man-made environmental issues. In this way, the USGS truly ensures that it is developing science to meet changing world needs.

Looking Forward

We will work to improve the usability and accessibility of science for public policy-makers, to unite the Department's scientists across bureau lines, and to reinforce a culture of collegiality, rigorous internal and external peer review, and the highest quality data.

Continued outreach to our customers, partners, and the public will be critical to the direction of our science initiatives. Listening to their needs is the best way to increase the relevance and utility of Departmental science. We will continue our efforts to consult, cooperate, and communicate with our colleagues and our many external customers, including other Federal agencies, local and State governments, Tribes, the educational community, professional societies, the private sector, nonprofit organizations, foreign governments, Congress, and the general public. The more active our interactions and the stronger our ties, the more effective we can be.

The scientific issues we face are complex, with regional, national, and global implications. Solving them will require an integrative approach and many different disciplines.

The Department's bureaus are working together with the USGS to develop and coordinate strategy. The result will be the incorporation of DOI science priorities into USGS five-year strategic plans and annual operational plans for their major scientific programs and for all of their major disciplines, including biology, geology, hydrology, and geography, integrated when appropriate.

The keys to implementation will be the same as for our new, broader Departmental strategic plan: developing realistic concrete program goals, measuring progress toward them, and holding people accountable for results. Examples of ongoing inter-bureau models include a USGS and BLM cooperative study of coalbed methane in Wyoming, and a long-term USGS and MMS partnership to understand ecosystems on the Outer Continental Shelf.

Performance and Costs At a Glance

Tables 8 and 9 summarize FY 2003 performance and cost data for Strategic Goal 4.

Interior incurred costs of about $1.54 billion for Strategic Goal 4, a small decrease of less than 1% compared to FY 2002. The Department established 16 performance measures for Strategic Goal 4. Of the 16 measures, Interior achieved or exceeded the goals for 9 measures (56%) and did not meet the goal for 7 performance measures (43.8%).

The largest GPRA program activity, "Environmental and Natural Resources", incurred about $1.18 billion or 76% of Strategic Goal 4 costs. The resources devoted to this GPRA Program were approximately 2% less than the FY 2002 total. Of the six performance measures for this GPRA program activity, FY 2003 results show that 67% of the measures were met or exceeded which is approximately the same as in FY 2002. Of the measures that were not achieved, one was not achieved because of the malfunction of the Landsat 7 satellite. A court case on information technology security requirements affected 3 other performance measures related to "Improve Land, Resources, and Title Information."

More detailed information concerning performance results is available in Part 3, Performance Section.

Creating a Code of Science Ethics

Integrity remains the foundation of all DOI science: impartiality, honesty in all aspects of scientific enterprise, and a commitment to ensure that information is used to benefit the public as a whole.

The Department is committed to common standards for its scientific methods, experiments, and research. Departmental standards and practices, developed through an exercise in the 4Cs among Interior's scientists, were introduced as a draft "Code of Science Ethic" in FY 2003 with new commonly agreed-upon guidelines on information quality, objectivity, utility, and integrity. Coordinated through the Department's human resources leadership, and vetted throughout the Department and within the Office of Management and Budget (OMB), the Code will help guide the conduct of employees, contractors, and consultants engaged in science-based projects. It will also help employees meet the Secretary's directive to make decisions based on the best science available.

The Code was drafted by Department scientists in partnership with a panel of ethicists and scientists from premiere scientific organizations. Created in response to internal Interior Office of the Inspector General recommendations and a new Federal policy published by the White House Office of Science and Technology Policy, the Code will become a permanent part of the Department's policies and ethical standards by the beginning of calendar year 2004.

The Code is similar to the codes of conduct of many scientific organizations, including the Wildlife Society, American Fisheries Society, and Ecological Society of America, to which many Interior scientists belong. All scientific activities conducted or funded by the Department are covered by the Code. These involve inventory, monitoring, study, research, adaptive management or assessments that are conducted in a manner specified by standard protocols and procedures. The Code defines research misconduct as fabrication, falsification, or plagiarism in proposing, performing, or reviewing research, or in reporting research results.

Any allegations brought under the Code will be handled in accordance with Interior personnel policies, with the Department's Handbook on Charges and Penalty Selection for Disciplinary and Adverse Actions serving as a guide. The new policy includes safeguards for subjects of allegations, including timeliness, objectivity, and confidentiality.

"It is vitally important that any organization that does as much scientific research and analysis as the Interior Department have a well-founded code of scientific conduct that governs the full range of scientific activities," said Dr. Deborah Brosnan, president of the nonprofit Sustainable Ecosystems Institute and head of the independent review panel. "Our panel felt that this was a strong code that meets three key goals of building trust between science and the public, giving guidance, and providing support for scientists."

TABLE 8

Strategic Goal 4 FY 2003 Performance Measure Scorecard						
GPRA Program Activity	**Number of Measures**	**Exceeded Goal**	**Met Goal**	**Did Not Meet Goal**	**No Report**	**Percent Exceeding or Meeting Goal**
Improve Land, Resources, and Title Information	4	1	0	3	0	25%
Hazards	6	3	1	2	0	67%
Environment and Natural Resources	6	3	1	2	0	67%
TOTAL	16	7	2	7	0	56%

TABLE 9

Strategic Goal 4 Costs (in millions)		
GPRA Program Activity	**FY 2003**	**FY 2002**
Improve Land, Resources, and Title Information	$104	$113
Hazards	264	238
Environment and Natural Resources	1,175	1,205
Total Gross Cost Prior to Eliminations	1,544	1,557
Less: Elimination of Intra-Department Activity	(93)	(91)
Total Gross Cost After Eliminations	$1,451	$1,466

Strategic Goal 5: Meet Our Trust Responsibilities to Indian Tribes and Our Commitments to Island Communities

America's island and native people are committed to revitalized communities that are spiritually strong and economically vibrant—places where people are secure in their culture, heritage, and government, and are hopeful for the future of their children.

The Department of the Interior shares this commitment. Fulfilling our trust responsibilities to Indian Tribes, along with our responsibility to island communities, is the Department's fifth strategic goal. Through the Bureau of Indian Affairs (BIA) and other major offices and agencies, we work with tribal groups and governments to protect their land and natural resources, fulfill our treaty obligations and the mandates of Federal law, and help create the infrastructure and educational opportunities that build strong communities.

Today, there are 562 federally recognized American Indian Tribes and Alaska Native villages in the United States. Each possesses inherent governmental authority deriving from its original sovereignty. Our fiduciary trust responsibilities include managing 56 million acres of Indian trust land; managing $3.2 billion of trust assets held in over 1,400 trust accounts for roughly 290 Tribes; and managing about 250,000 open accounts for individual Indians. We also have other responsibilities including providing elementary and secondary education to almost 48,000 Indian students, about 9 percent of the total Indian school age children, at 184 elementary and secondary schools and dorms, and protecting millions of cultural and historic resources on Federal and Indian lands.

Interior has administrative responsibility for coordinating Federal policy in the territories of American Samoa, Guam, the U.S. Virgin Islands, and the Commonwealth of the Northern Mariana Islands, and oversees Federal programs and funds in the freely associated States of the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau. Our objective is to foster more efficient and effective government in the insular areas by recommending policies, providing financial and technical assistance, and strengthening Federal-insular relationships.

Performance Results

The Department of the Interior measures its performance in meeting its trust responsibilities and commitments against three long-term goals: to protect Indian Trust Assets, improve the Indian quality of life, and improve the management of island communities. In FY 2003, Interior met or exceeded 55% of its 60 annual goals related to this, its fifth strategic goal.

Fiduciary trust assets are the fiscal and natural resources owned by Tribes and individual Indians that are held and managed by Interior for their benefit. Most of these assets include forests, minerals, water, fisheries, and farmland. Other assets include infrastructure that supports communities—roads, bridges, power systems, and housing.

The Secretary's 4 Cs are the keystones in ensuring that Interior meets its obligations to protect Trust Assets. Interior communicates, consults, and cooperates with Indian Tribes by partnering with them to provide technical assistance and training.

In FY 2003, Interior's Bureau of Reclamation (Reclamation) provided $160 million in assistance to American Indian Tribes to plan, construct, and operate a variety of water resource projects. Under the auspices of Secretary Norton's water rights settlement program, Reclamation provided $1 million in funding, staff, and technical assistance that helped Tribes develop, manage, and protect their water resources. Reclamation participated in 50 technical assistance activities, exceeding its target of 47, which helped support negotiations aimed at settling conflicts in a collaborative, non-litigious manner regarding Indian water rights and the competition for limited water supplies.

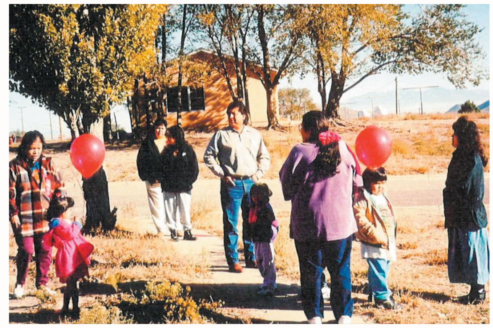
Interior's Fish and Wildlife Service (FWS) provided training and technical assistance that helped American Indian Tribes protect their fish and wildlife resources. In FY 2003, the FWS estimates that it sponsored 82 training sessions, meeting its annual target, aimed at giving tribal participants the skills needed to manage and develop habitats that will support increased populations of fish and wildlife. These training sessions drew an estimated 684 tribal participants. Since 1999, about 453 similar training sessions have been offered to 3,267 participants. This training is augmented by cooperative agreements and technical assistance projects in which FWS employees and Native Americans partner to preserve these valuable resources.

The Bureau of Land Management (BLM) provided the Tribes with expertise needed to manage energy and mineral resources under 87 formal agreements in FY 2003 that permit it to supervise post-lease mineral operations on tribal lands. These operations generate royalty incomes for Indian mineral owners and economic benefits for communities, including employment opportunities for American Indians. The estimated market value of minerals produced from BLM-managed operations on Indian Trust lands was $1.92 billion in FY 2003. The mineral royalty generated was $274 million, a significant source of income for Tribes.

The Minerals Management Service (MMS) assists Tribes by providing them with access to automated systems and on-the-job training that ensures Indian gas-producing properties comply with dual accounting requirements, making it easier for the Tribes to assume royalty collection and disbursement functions. As of FY 2003, Tribes manage audit activities for 88 percent of tribal mineral royalties, meeting our target for the year. The MMS entered into Intergovernmental Personnel Agreements (IPAs) with the Chippewa-Cree Tribe and Hopi, anticipating these IPAs will eventually lead to additional cooperative agreements with the Tribes to perform their own audits. The MMS also improved its service to Tribes by ensuring that 99.3 percent (against a target of 99 percent) of American Indian revenues was dispersed to Interior's Office of Trust Funds Management within 24 hours of receipt.

The strength and quality of Indian community life is equally important as asset protection. Quality of life efforts embrace a range of human services, such as social service programs for children, families, the elderly, and the disabled; economic development programs and business loans; elementary and secondary education for about 48,000 students, as well as post-secondary education through 25 tribally controlled community colleges; and tribal government support, law enforcement, judicial courts, and adult and juvenile detention facilities.

Turning Parents into Education Partners



The Department's Family and Child Education program (FACE), a comprehensive family literacy initiative, provides a variety of services to the American Indian population.

Recognizing that parents are a child's first and most influential teacher, FACE offers parents an opportunity to become more involved with their children's education while increasing their own knowledge and skills.

Launched in 1991 with six pilot sites, today the program is offered through 39 sites in 11 States, including 17 opened over the last two years. The results have been impressive, with significant increases in performance for both participating children and adults.

Other outcomes include:

• School-parent compacts are in use at three-fourths of FACE schools, compared to one-half of schools nationally.

• Participation at FACE has a significant impact on both parental involvement in the school and parental support of learning in the home after children enter school. For families who have previously participated in FACE, attendance at classroom/school events and parent-teacher conferences is significantly higher than for families who have not participated in FACE.

• 1,550 families were served—1,900 adults and 1,850 children ages from birth to 5.

• 45 adults earned a graduate equivalent degree (GED) or high school diploma and 332 gained employment as a result of the skills they obtained through FACE involvement.

• 92 percent of parents report reading to their child every day, 96 percent report playing with their child each day, and 95 percent report praising their child every day—all likely to advance the constructive growth of children and parents alike.

Significant program advances and growing national recognition marked the FACE program in 2003.

The most notable success was the launch of a new Baby-FACE initiative. A home-based teaching component aimed at children from birth to age 3 and their parents, Baby-FACE was jointly created and delivered by the Office of Indian Education Programs and the Bureau of Indian Affairs.

Over the six-month implementation period, 119 new parent educators were identified, trained, and certified to deliver the Born to Learn Curriculum. Those parent educators, in turn, began implementing the curriculum in the field in October through 60 BIA funded schools, where they served 800 families, 1,100 adults, and 1,000 infants and toddlers.

Additionally during FY 2003, five FACE programs—from schools in Blackwater, Chi Chi'l Tah/Jones Ranch, Crownpoint, Rough Rock, and Little Singer—were chosen as part of the national Equipped for the Future (EFF) Reading Project. A partnership between the National Institute for Literacy and the National Center for Family Literacy, the EFF Reading Project will create a train-the-trainer model and materials to support family literacy programs.

Special kudos go to Wingate Elementary School FACE Coordinator, Charlotte Begay, winner of the prestigious Milken Family Foundation Educator Award during FY 2003. Winners are chosen for their outstanding instructional practices in the classroom, school, and profession; outstanding accomplishments; strong long-range potential for professional and policy leadership; and an engaging and inspiring presence that motivates and impacts students, colleagues and the community. Ms. Begay was among 100 K-12 educators from across the country to be recognized during the 16th annual National Notifications.

Honors, too, go to Ann Viau, Parent Educator at the Hannahville FACE Program, the 2003 recipient of the newly established Parent Educator of the Year award.

Interior's BIA has been providing Indian schools and education for 178 years. While the BIA education facilities have begun to show their age, Interior is taking an aggressive approach to improve those school systems. In FY 2001, BIA first began tracking the Facilities Condition Index (FCI), which provides a ratio of the cost to repair over the cost to replace. The resulting index number ranks a facility as poor, fair, or good condition. Interior has shown marked improvement over FY 2001 conditions in the BIA school systems. In FY 2003, there was a 22% improvement in conditions at schools indicated as "poor." In FY 2003, Interior awarded 8 Facilities Improvement and Repair (FI&R) projects, against a target of 10, aimed at reducing unsafe conditions at BIA facilities. The results fell short due to project rescoping of program requirements during the data reporting period. The BIA will continue its efforts to obligate the projects for construction.

Maintaining physical structures is only part of Interior's responsibility. Improvements in the education process are critical to ensure that no child is left behind. In FY 2003, Interior continued to address the challenges of improving the succession of Indian students to advanced educational levels and ultimately to job placement. Student proficiency in the areas of Math and Language Arts meets the target of 52 percent (*Figure 21*). Student attendance at BIA/tribal schools remained constant at 89 percent against a target of 92 percent as compared to FY 2002. This is attributed to a reduction in overall student count and the implementation of an in-depth data verification and validation process aimed at improving the validity and reliability of data submitted from BIA schools. The technology-use proficiency of BIA school-teachers rose to 75 percent from 73 percent in FY 2002. BIA provided accreditation for 98 percent of BIA and tribal schools.

In addition to education, BIA plays an important role in improving tribal economic development. The BIA exceeded its target of 92 percent when 93 percent of participants were successful in reaching their educational, training, and employment objectives through BIA regional employment and training offices (*Figure 22*). Public Law (P.L.) 102-477, the Indian Employment, Training and Related

FIGURE 21

Student Proficiency

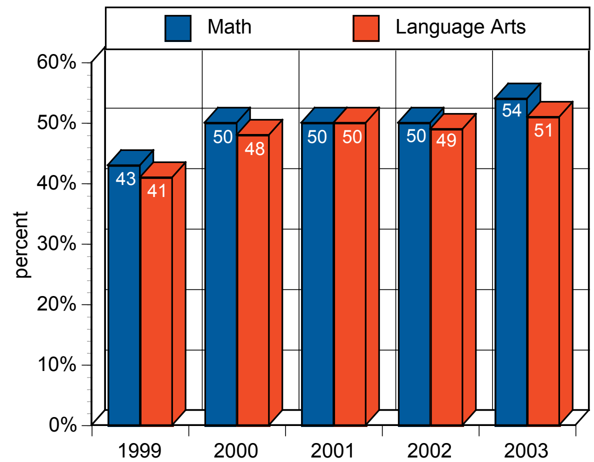
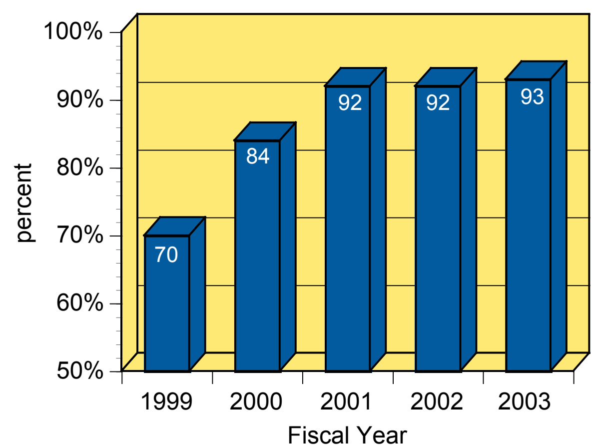


FIGURE 22

Success Rate for Educational Training and Employment



Services Act, allows federally recognized Tribes to integrate funds from the Departments of Labor, Health and Human Services, and the Interior for employment, training, child care, welfare reform, and related services. Amendments to 477 (P.L. 106-568) strengthened this initiative by providing Tribes with the flexibility to use a percentage of their existing funds for job creation. The Citizen Potawatomi Nation redesigned its P.L. 102-477 plan to create jobs and assist clients as well as employers. In one economic development project alone, the Citizen Potawatomi Nation created 280 jobs for the local community; 105 of the jobs were obtained by

American Indians. In another example, the BIA served as the guarantor for private sector funding that helped create 64 new businesses, against a target of 50, that provided or sustained 1,549 jobs, exceeding a target of 1,000.

While reducing crime is the overall goal of the BIA law enforcement program, preventing crime is the most effective way to create safer communities and neighborhoods. In the spirit of realizing the President's Management Agenda, the BIA Office of Law Enforcement Services (OLES) is fostering a citizen-based organization that meets the goals of reducing and preventing crime in Indian country.

Sweeping changes have been made at the Crow Agency by the BIA Police Department along with a team of tribal officials, community members, business owners, and schools who have dedicated their time and efforts to assure community policing efforts are implemented. Community policing is essential in crime prevention, and experience demonstrates that direct engagement between law enforcement and communities serves to reduce and prevent crime. Community policing efforts have included "Family Nite Out" street dances, and a camping trip into the Black Canyon of the Big Horn Mountains where 132 Indian youth enjoyed community-sponsored activities that included traditional approaches to drug and alcohol abuse prevention, stories told by elders, and canoeing. Police officers have conducted four-week "Citizen Police Academy" training, and one community is forming a Reserve Police Officer Program.

Implementing community-oriented policing has cost the BIA Police Department at the Crow Agency no money, yet the program has allowed the police force to go from a 10 percent satisfaction rating in the community to a 75 percent satisfaction rating in the last year. OLES considers this a best practice model and is continuing to implement Community Policing Initiatives in tribal communities nationwide in an effort to support community needs.

Our final responsibility under Strategic Goal 5 is to improve the management of island communities. Interior's Office of Insular Affairs (OIA) strives to increase economic self-sufficiency by improving the financial management practices of insular governments, increasing economic development, and increasing Federal responsiveness to the unique needs of island communities. Through its emphasis on financial management, economic development, and

Learning from Best Practices

Interior's Office of Insular Affairs (OIA), has, over the past year, emphasized efforts to identify and achieve performance objectives in grant awards to better measure results, identify success, and allow for learning from best practices. In establishing a framework for measurement, the OIA began by identifying critical programs, such as capital infrastructure. In FY 2003, the OIA received results of an assessment of the outcomes of capital infrastructure investment in the insular areas. This assessment was based on a review and assignment of benchmarks for U.S. Insular Areas infrastructure. While only a portion of the insular areas was rated, the objective of this initiative was achieved since a program was developed to identify, catalogue and report on the progress and effectiveness of capital improvement programs and operations and maintenance improvement programs in the U.S. Insular Areas.

The baseline infrastructure study (1) established standardized, quantitative benchmark indicators to measure the condition and maintenance of selected government infrastructure; (2) compiled benchmarking data and identified best practices; and (3) prepared Geographic Information Systems (GIS) for each island to incorporate all site-specific benchmarking project data. Benchmarking rated roads, schools, hospitals, airports, seaports, solid waste disposal, and major government buildings. Best practices—the term in this context refers to the methods of management of a particular asset that have been proven to result in maximizing the benefits to that asset and to the community as a whole—have been identified as follows:

Facility	Best Practices	
Roads	Kosrae, FSM	Ebeye, RMI
Schools	Majuro, RMJ	Saipan, CNMI
Hospitals	Ebeye, RMI	Saipan, CNMI
Airports	Yap, FSM	Moen, FSM
Harbors	Saipan, CNMI	Kosrae, FSM
Solid Waste Disposal	Tutuila, AS	Yap, FSM
Government Buildings	Majuro, RMI	Koror/Babelthoap, RP

responsiveness to the unique needs of the insular areas, the OIA continues to increase or improve the resources available to the insular area governments, focusing primarily on economic self-sufficiency.

The OIA provides financial assistance to help develop more efficient and effective government in the insular areas. This assistance meets a variety of needs, including resources for critical infrastructure like wastewater systems, hospitals, and schools. In FY 2003, the OIA received over $75 million in Assistance to Territories Funding, providing over 92 percent of these funds to insular areas in the form of grants to support and provide financial assistance to them. It also benchmarked 110 infrastructure facilities in selected U.S. insular areas to assess the effectiveness of capital improvement programs as well as operations and maintenance improvement programs. By FY 2005, the OIA plans to expand this effort to more than 200 benchmarked areas.

Looking Forward

The issue of trust management remains a central focus of the Department. We will continue working with tribal governments to ensure that technical and economic assistance is provided to the Tribes, and that organizational and process changes are introduced to address longstanding issues. Solutions to these problems will require working in strong collaborative partnerships.

Interior has developed a new Trust reorganization plan and is articulating a revised strategy for managing and reforming trust responsibilities. The re-engineering of the trust business processes is expected to improve the oversight, management, and administration of fiduciary trust assets. In its 2004 budget, the Department presented the first-ever unified trust budget, a budget that encompasses all of the fiduciary Indian trust programs.

The Department is undertaking a reorganization of systems of delivery and administration of trust programs to improve its ability to fulfill its trust responsibilities. Re-engineering of trust business processes and support functions will continue through FY 2004. The Department's FY 2004 budget proposed substantial resources for historical accounting in Individual Indian Money accounts, based on the Department's plan of January 6, 2003, submitted to the U.S. District Court; tribal accounts would also benefit.

Interior is also expanding its Indian land consolidation effort aimed at reducing the number of individual owner's interests in parcels of Indian lands allotted to individuals. A new Office of Indian Land Consolidation has been established in the BIA and staff was recruited, which allowed 15,500 interests to be acquired in FY 2003. Guidance has also been developed and implemented, which included written policies and procedures for land consolidation to streamline the process. Without this effort, it is projected that the 4 million interests present today could expand to 11 million by 2030, thus creating a substantial workload.

Interior will continue to provide assistance to increase economic development and accountability in the insular areas. Generally, the economies of the insular areas resemble those of developing countries rather than those of States. All of the territories face fiscal crisis, geographic isolation, inadequate infrastructure, minimal resources and dependence on a few industries. Interior's OIA plans to continue devoting resources to these challenges, providing sound building blocks to increase economic self-sufficiency and promote greater accountability in the insular areas. The Interagency Group on Insular Areas (IGIA) is one such resource the OIA will use to assist in resolving issues related to the insular areas. The IGIA was reestablished on May 8, 2003, by Executive Order to coordinate Federal policy related to Guam, American Samoa, the U.S. Virgin Islands, and the Commonwealth of the Northern Mariana Islands. The IGIA has been tasked to formulate recommendations to the President and other appropriate officials regarding issues affecting the insular areas. The IGIA will consult with governors, delegates to the U.S. House of Representatives, and other elected representatives from the insular areas, as well as Members of Congress, in the process of fulfilling this mandate.

Performance and Costs At a Glance

Tables 10 and 11 summarize FY 2003 performance and cost data for Strategic Goal 5.

Interior incurred costs of about $2.6 billion for Strategic Goal 5, a decrease of about 11% compared to FY 2002. The Department established 60 performance measures for Strategic Goal 5. Of the 60 performance measures, the Department achieved or exceeded the goals for 33 measures (55%) and did not meet the goals for 23 performance measures (38%) .

The two largest GPRA program activities were "Community Development" and "Education," accounting for $928 million (35.3%) and $879 million (33.4%), respectively, of Strategic Goal 5 costs.

The amount of resources devoted to these GPRA Program Activities was less than the FY 2002 amounts. The "Community Development" activity met or exceeded goals in 11 of 20 performance measures, did not meet the goals in 7 cases, and no performance data are available at this time for 2 measures. Of the 7 goals that were not met, the failure was primarily due to the inability to achieve the intended targeted goals based on programmatic considerations, such as isolation, remoteness, recruitment issues, and overall changes in student count.

The "Education" GPRA program activity achieved only one of its performance goals in FY 2003, did not meet targets for 5 goals, and one performance measure did not have information available. Of the 5 goals not achieved, the specific measures relate to increasing student attendance rate at Bureau/tribal schools, achieving 100% accreditation at Bureau and tribal schools, improving the percentage of teachers' proficiency in technology, reducing violence among students, and bringing student transportation funding to national averages.

More detailed information concerning performance results is available in Part 3, Performance Section.

TABLE 10

Strategic Goal 5
FY 2003 Performance Measure Scorecard

GPRA Program Activity	Number of Measures	Exceeded Goal	Met Goal	Did Not Meet Goal	No Report	Percent Exceeding or Meeting Goal
Trust Government	4	1	0	3	0	25%
Public Safety and Justice	1	0	0	0	1	0%
Community Development	20	6	5	7	2	55%
Administrative and Support Services	2	0	0	2	0	0%
Education	7	0	1	5	1	14%
Provide Economic and Technical Assistance	8	5	1	2	0	75%
Water and Energy Management and Development	1	1	0	0	0	100%
Partnerships in Natural Resources	5	0	5	0	0	100%
Fulfill Our Mineral Revenue Indian Trust Responsibilities	4	2	2	0	0	100%
Improve Infrastructure	3	0	0	3	0	0%
Improve Governmental Systems and Services	3	1	1	1	0	66%
Improve Governmental Relations	1	0	1	0	0	100%
Overview	1	0	1	0	0	100%
TOTAL	60	16	17	23	4	55%

TABLE 11

Strategic Goal 5 Costs
(in millions)

GPRA Program Activity	FY 2003	FY 2002
Trust Government	$108	$115
Public Safety and Justice	194	149
Community Development	928	1,179
Administrative and Support Services	*	*
Education	879	974
Water and Energy Management and Development	*	*
Provide Economic and Technical Assistance	*	*
Partnerships in Natural Resources	*	*
Fulfill Our Mineral Revenue Indian Trust Responsibilities	*	*
Improve Infrastructure	371	411
Improve Governmental Systems and Services	11	9
Improve Governmental Relations	*	*
Overview	140	101
Total Gross Cost Prior to Eliminations	2,631	2,943
Less: Elimination of Intra-Department Activity	(7)	(9)
Total Gross Cost After Eliminations	$2,624	$2,934

* Costs not separately identified for this GPRA Program Activity.

Strategic Goal 6: Manage for Excellence and Accountability

Management excellence lies at the heart of fulfilling our mission and meeting our strategic mission goals. It is the glue that binds our program efforts and the catalyst that accelerates them.

The management challenges for Interior are the same challenges that face all public servants: how can we meet the public's increasing expectations within a context of constrained resources, and how can we coordinate the efforts of thousands of employees working across an entire continent? Only a steady stream of innovation will produce the required increases in our efficiency and effectiveness to keep our performance results high. Our success depends on our ability to find more effective means of leveraging and coordinating available resources, and the continuous introduction and evaluation of process and technology improvements.

The President's Management Agenda (PMA) guides our course. Released by the Office of Management and Budget (OMB) in August 2001, it targets five mutually reinforcing management initiatives, each addressing clear opportunities for improvement: Strategic Management of Human Capital, Improved Financial Performance, Expanded Electronic Government, Budget and Performance Integration, and Competitive Sourcing.

Management practices inside the Department reflect the same values that drive our mission efforts. Cooperation, consultation, and communication provide a vision for working together. The Secretary's four key business principles—customer value, accountability, integration, and modernization—are our guide.

These values formed the basis for the September 2002 report detailing the Department's goal of ***Citizen-Centered Governance: Customer Value through Accountability, Modernization, and Integration***. The report describes the critical linkages between the Department's management agenda, the PMA, and the Secretary's 4 Cs. Designed to complement the Department's strategic plan, Citizen-Centered Governance fosters an integrated approach to mission performance with improved program and service delivery, new technology behind new processes, and standards of accountability that extend across the Department.

By focusing on the PMA and the Secretary's vision and management principles, the Department's integrated strategy will improve performance and reduce inefficiency and duplication, giving us the support we need to continue to improve mission performance.

Performance Results

The Department of the Interior measures its performance in managing for excellence and accountability against five long-term goals:

- Lead People to Succeed
- Use Information Technology to Better Manage Resources and Serve the Public
- Ensure Financial and Managerial Accountability
- Provide Safe and High Quality Places of Work
- Ensure Efficient and Effective Business Practices

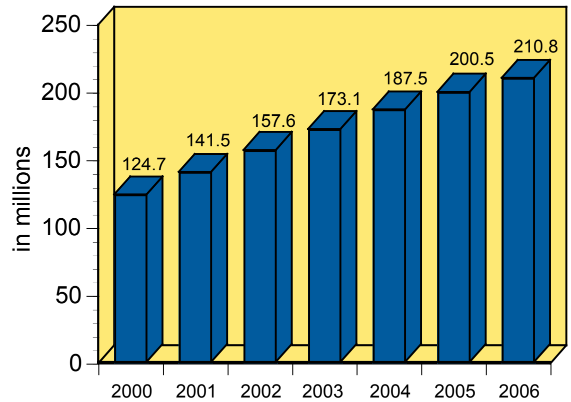
Our effectiveness as managers depends on our having the right people in the right place at the right time. Consistent with the PMA goal of improving the strengths of our employee base, Interior has identified actions that will enable us to build, sustain, and effectively deploy the skilled, knowledgeable, diverse, and high-performing workforce we will need to move forward.

The Department continues to address the challenge of improving the diversity of its workforce. Our goal was to increase workforce diversity workforce to 4.1 percent in FY 2003, up from a 1.4 percent level in 1999. Instead, we reached 3.35 percent. The decrease is attributed to separations, which offset the increase in the number of new hires.

The next five years will see significant challenges for Interior's workforce. Some 20 percent of Interior's employees are eligible to retire by FY 2008, taking with them significant institutional and disciplinary expertise. Data collected over the past 18 years substantiate that while the number of employees and funding resources have become more and more

FIGURE 23

Internet Users in the United States



constrained over the years, Interior is challenged to provide increased levels of service to increasingly technology-savvy citizens and partners who expect more and want more now. For example, Internet and digital technologies have revolutionized the way Interior interacts with the public, but as these capabilities expand (*Figure 23*), so too do expectations for Interior. Along with the right technological and physical infrastructure, Interior needs employees with the right skills and abilities to meet these growing expectations.

The Department's Strategic Human Capital Management Plan, presented to OMB in September 2002, presents a framework for addressing those challenges. Along with its accompanying Implementation Plan, introduced in December 2002, it offers a roadmap for human capital management decisions across the entire Department.

The Human Capital Plan calls for the development and implementation of a five-year workforce plan for each Interior bureau and office. These five-year plans will serve as the foundation for an Interior-wide workforce planning implementation effort.

Interior met its targeted annual performance goal of completing a Departmental five-year Workforce Plan overview in FY 2003. This plan identifies the resources, workforce competencies, and human capital programs needed to accomplish Interior's mission over the next five years. It also identifies gaps in critical Interior occupations, including fire management, Indian trust management, law enforcement, facilities management, and financial management. The plan overview summarizes the recruitment, certification, and training approaches that will be used to reduce these crucial gaps.

Restructuring and workforce improvements are already underway in three occupational gap areas, including fire management, law enforcement, and Indian trust management. Interior also achieved two other related FY 2003 annual goals by developing policy and standards for one new Departmental Alternative Dispute Resolution training program, as well as continuing seven existing training programs.

As Interior strives to meet the needs of those we serve, we continue to focus on meeting common process challenges. By reducing our business costs and leveraging resources, we can enhance our capacity for accomplishing program goals, particularly when innovations are spread from bureau to bureau as shared best practices.

Many best practices have resulted from efforts to increase access to our data and services by using Information Technology (IT). Interior has a long record of E-government accomplishment, building strong connections with its partners and the public through such innovative web initiatives as Geospatial One-Stop, Recreation One-Stop, and Volunteer.gov/gov. These accomplishments are just a prologue, however, to the Department's ambitious plans for the years ahead.

Current efforts are focused on a Department E-government strategic plan that will serve as a roadmap for navigating our numerous information highway opportunities. In FY

Improving Citizen-Centered Service through E-Government

USASERVICES

Scientists, researchers, public affairs officers, customer service center staff, and public inquiries staff spend thousands of hours each year responding to citizen inquiries regarding the various services and programs of the Department of the Interior and its bureaus. With current staff resource and funding constraints, Interior and other agencies have found it increasingly challenging to respond to large volumes of citizen questions in a timely manner. But there may now be help to stretch agency resources through an electronic government project led by the General Services Administration (GSA).

Between July 1 and September 30, 2003, Interior partnered with the GSA to pilot USA Services—one of the Office of Management and Budget's (OMB's) electronic government projects aimed at providing Federal agencies with a resource to assist them in responding to citizen inquiries. USA Services also provides citizens with a one-stop point of contact for obtaining information from and about Federal agencies.

USA Services is multi-channel in nature, meaning that it will interact with agencies and citizens using a wide variety of communication media, including fax, e-mail, telephone, and postal mail. It is being built on the foundation of three successful information providers, each of which has been providing comprehensive access to Federal information and services within its particular medium for several years: FirstGov.gov (for Web services); the National Contact Center at 1-800-FED-INFO (for telephone and e-mail services); and the Federal Citizen Information Center in Pueblo, Colorado (for publications).

Two bureaus within Interior, the U.S. Fish and Wildlife Service (FWS) and the Office of Surface Mining (OSM), worked with GSA in a pilot project to direct telephone and e-mail inquiries to USA Services for response on behalf of the two bureaus. USA Services agents answer these phone calls and e-mails as if they are FWS and OSM employees, making the effort transparent to citizens. FWS and OSM employees, in turn, work closely with USA Services agents to ensure that citizen inquiries are addressed accurately, courteously, and in a timely manner.

Between July 1 and September 30, 2003, USA Services handled almost 27,000 citizen inquiries on behalf of the Department of the Interior. More than 26,000 of these were on behalf of the FWS. About 60 percent of these citizen questions were addressed using Interactive Voice Response technology or phone-tree systems. More than 9,000 were "live assistance" calls, meaning that USA Services agents spoke to citizens directly, spending an average of 4 minutes per call. The "live assistance" service translates into about 600 hours or fifteen 40-hour work-weeks' worth of time, that FWS and OSM employees did not need to spend on citizen inquiries. This enabled FWS and OSM employees to spend more time researching complex citizen inquiries and improving service. Citizens were pleased because they had their inquiries addressed accurately and quickly through USA Services. Interior has been pleased with the service provided thus far and is exploring future applications of USA Services across the Department.

2003, Interior met its annual performance goal of expanding on-line procurement by including the use of the Central Contractor Registration—an existing on-line database—as Interior's single validated source of data on vendors who conduct business with the government.

As part of its E-government and enterprise architecture strategies, Interior also implemented a Departmental IT security plan, another performance goal for FY 2003, augmenting this with an IT Security Scorecard that provides the Department's management team with performance measures to continually improve its security posture. The IT Security Scorecard tracks bureau and office achievements in IT security programs. The scorecard is published monthly and contains nine major performance elements that are derived from reportable elements of the Federal Information Security Management Act (FISMA) and activities deemed a priority by DOI. The Department exceeded its goal of a "C" or 70 percent ranking on the IT Scorecard with a 75 percent ranking in FY 2003, a noteworthy 31-point improvement from the original ranking of 44 in May 2003, when monitoring commenced.

As a function of its IT program, Reclamation supports mission-related activities and facilities, several of which have been identified as components of the national critical infrastructure. Recognizing the importance of its role as a provider of water and power resources, Reclamation set performance goals focused on improving the security of its supporting IT infrastructure. Towards this end, Reclamation improved its perimeter security by decreasing the number of IT systems directly addressable from the Internet to less than 5 percent of the total number of systems.

The Department's ability to produce accurate and timely financial information has been a good news/bad news story for many years. The good news is that Interior has received an unqualified or "clean" opinion on its consolidated financial statements for the past seven years, consistently achieving its annual goals. The bad news is how labor intensive producing those statements has been. Interior's goals for improving its financial performance include replacing outdated technology and linking other critical transaction systems and budget formulation systems with its core financial systems.

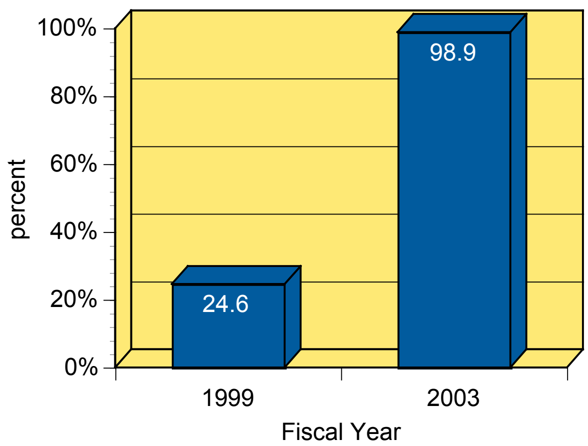
New capital planning processes are providing the framework for evaluating and managing more than $1 billion in annual investments in facilities and IT assets and services. In FY 2003, the Department put into place a structure for reviewing bureau and Department capital and IT investments, including the establishment of an executive council that reviews and approves individual projects, promoting greater alignment with the President's Management Agenda and Secretarial priorities. In FY 2003, Interior worked to complete 95 percent of its repair and construction projects funded at the beginning of FY 2000, and to complete initial environmental audits of 80 percent of all internal facilities. Final results of these efforts will be published in the Supplemental Report in the third quarter of FY 2004.

The National Park Service (NPS) met its performance target for environmental compliance audits of 100 percent of park units, but estimates that only 10 percent of concession operations (against a target of 11 percent) have been audited for environmental compliance in FY 2003. It exceeded its target for implementing regulatory recommendations arising from environmental audits with 54 percent of park units (against a target of 50) and estimates it will meet its target of 5 percent of concessions having implemented regulatory recommendations, resulting in more sustainable planning and operations. Annual condition assessments were conducted for 98.9 percent (381) of NPS park units, meeting its performance target in FY 2003 (*Figure 24*). Interior's Bureau of Reclamation conducted 155 management reviews and implemented 74 percent of the corrective actions identified to improve the quality of its recreation areas, against an FY 2003 target of 157 reviews and 65 percent corrective actions.

In FY 2003, Interior further improved its financial performance by estimating that it implemented 100 percent of OIG and GAO audit recommendations in a timely manner, exceeding the target of 80 percent. These recommendations helped the Department correct its material weaknesses; Interior completed 100 percent of its corrective plans for these material weaknesses, against a goal of 80 per-

FIGURE 24

Annual Condition Assessment Completed by the NPS



cent. Interior also estimates a reduction in erroneous payments in FY 2003 by maintaining adequate controls over Federal assistance payment processes. Erroneous payments were kept below 0.6 percent at .058 percent.

One best practice approach widely used by agencies across the Federal government to improve our service and provide value is competitive sourcing. Competitive Sourcing is about harnessing the best that government or the private sector has to offer to improve service delivery for our customers by opening up commercial-type functions to competition. It gives managers a mechanism to choose whatever internal or external supplier will produce the best result for the public.

Launched in 2001, the Department's ongoing competitive sourcing initiative is facilitated by our Center for Competitive Sourcing Excellence. Our one-stop center includes staff expertise in such disciplines as human resource planning, budgeting, and acquisition and program management—professionals whose skills are available to help bureaus with such challenges as commercial activity inventory preparation, activity selection, cost analysis and comparison, and performance-based work statements.

In FY 2003, Interior completed competitive reviews of 2,575 FTEs. These studies were performed in a manner that was sensitive to the concerns that employees have about competitive sourcing. Interior's competitive sourcing activities provide the most flexibility and opportunity for employees to compete for their jobs. Furthermore, Interior management has made the commitment that the Department will take every reasonable action to ensure that any employee whose job may be lost through competitive sourcing will be provided appropriate alternative work opportunities. As of October 1, 2003, not a single permanent employee has been involuntarily separated from the Department. Estimated savings for Interior are $2.4 million annually, at a one-time cost of $2.1 million.

The National Park Service: A Best Practice in Competitive Sourcing

A competitive sourcing team at the National Park Service's Southeastern Archeological Center in Tallahassee, Florida, tested the new Streamlined Competition with a Most Efficient Organization (MEO) developed by the Department of the Interior and adopted by the OMB. The team of 45 archeologists was the winner of the competition. The in-house team reorganized itself into an MEO and eliminated 17 full-time equivalent positions. The elimination trimmed $850,000 per year in annual personnel costs from the NPS program. Over the next five years, the NPS will save $4.2 million as a result of the competitive sourcing study. The savings, in accordance with the Secretary of the Interior's policy, will be retained by the NPS to enhance mission delivery. Not one permanent employee lost his or her job as a result of the competitive sourcing study. The results of this study represent the largest cost savings realized by the Department of the Interior in implementing the President's Management Agenda goal area for competitive sourcing.

In another NPS example, also in Florida, NPS held an Express Review competition of four full-time equivalent Federal employee lifeguards. The winning contractor hired the Department's former temporary and seasonal employees. These employees report they are now working more hours for the contractor, who has a large number of contracts for providing lifeguard services, than they did previously with the Department.

Looking Forward

Continued performance improvement depends on continued management innovation. To meet our growing mission challenges, we will need to continue to upgrade our processes, developing teams, tactics, and tools to attack the Department's maintenance management issues while cutting cycle time, reducing friction, and improving communication with resource users. At the same time we will work to spread best practices Department-wide, driven by the mandates of the PMA.

Continued human capital success will require thoughtful succession planning and strategic use of partnerships, contractors, and volunteers. Our focus will be on finding new ways of recruiting and training our people; providing employees with new technology; building on our considerable E-government capability while developing security, consistency, efficiency and integration across bureau lines, and giving our employees new ways of working together and with other partners through shared best practices.

Asset Management and the President's Commitment to Reduce the Maintenance Backlog at National Parks

Both the Secretary of the Interior and the President are committed to providing funding and initiating management reforms and performance measurement tools to enable the National Park Service (NPS) to address maintenance backlog challenges, thereby ensuring the preservation of our natural and cultural heritage for the enjoyment of millions of Americans today and into the future.

The NPS has identified several key construction projects for attention in FY 2004. These include:

- Replacing a failing wastewater treatment facility at Wind Cave National Park;
- Reconstructing historic stone guard walls along the Blue Ridge Parkway;
- Replacing and expanding the Sunset Point restroom and renovating a picnic facility at Bryce Canyon National Park;
- Installing safety rails and repairing walkways on George's Island at Boston Harbor Islands National Recreation Area; and
- Preserving and protecting Meridian Hill Park in Rock Creek Park.

Emphasis on management reforms and performance measures, featuring a state-of-the-art software system, is helping the NPS refine budget estimates for its maintenance and construction projects based on the actual condition of the facilities. The NPS has accelerated its efforts to conduct facility condition assessments at all park units to provide, for the first time ever, a comprehensive inventory of maintenance needs. Annual condition assessments were completed for all but four of the larger parks in FY 2003.

The Department's new E-Gov Strategic Plan is being designed to support Interior's overall strategic mission and management goals. It aligns IT with the Department's major mission delivery areas—resource protection, resource use, recreation, and serving communities. It helps improve management support to enhance strategic human performance, financial management, physical asset management, performance measurement and decision-making, and information management and workflow. Its goals, enabling strategies, and performance measures are tied to IT privacy and security, technical infrastructure, and governance and program management. Enterprise architecture is the integral component, promoting inter-bureau cooperation and improving data-sharing capabilities across business lines.

In each of these management initiatives, as in each of our program projects, we are moving away from a bureau-centric approach toward a more coordinated and integrated Department that shares a common culture, challenges, and goals. We can and will develop this enterprise culture without losing the traditions and identity of the individual bureaus.

Our new strategic plan is the keystone of that ongoing integration, and a significant document in its own right.

Unlike all previous planning and reporting documents, the Department's new strategic plan works as a single integrated whole encompassing the broad range of departmental missions, programs, and organizations. At the same time, it connects our larger goals with each day's ground-level work, whether that work is rehabilitating a wetland clogged with the invasive plant purple loosestrife, improving a visitor center at a national park, monitoring the rehabilitation of a played-out mine, or adding real-time capability to a flood warning system. It gives us a better way to gauge our successes and failures, a new link between budget and performance, and the rudder that will help us steer our course into the future.

Although Departmental planning now centers on high-level outcome-oriented goals and performance measures, performance information will be tracked and evaluated at various levels within the organization. Because the plan sets targets at every level, it gives us numerical measures by which we can judge what we've accomplished, whether we want to evaluate individual, program, bureau, or Department-wide activities.

The gain will be significant. Linking key programs and outcomes of individual efforts, programs, and bureaus reinforces the Department's unity and its stewardship of critical resources, especially important in light of increasing population pressures, growing public demand, and accelerating changes in science and technology. It gives us a set of consistent goals with a common agenda. It gives us the means to increase our focus on performance results, helps make our managers more accountable, and creates a springboard for communication, collaboration, and coordination in the interest of conservation.

We believe adoption of our FY 2003-2008 Strategic Plan marks a significant step forward in the Department's ongoing efforts to improve its reporting performance under the Government Performance and Results Act as well. Our new system and measures will make our reporting more transparent, more exact, and easier to evaluate. In addition, the Department's direction will be guided by an ongoing series of OMB assessments of the effectiveness of agency programs. Each year, about 20 percent of the programs covered under an agency's budget will be evaluated using the OMB Program Assessment Rating Tool (PART).

The pressures on our resources have never been greater, and they will continue to grow in the years ahead. Our response must be a relentless focus on their efficient and careful use and management. Only by effectively measuring the results we achieve—and connecting them to budgets, spend-

Green Cleaners Close the Circle

In 2003, the Department of the Interior received a "Closing the Circle" Award from the White House. This award recognizes efforts made by Federal agencies to use environmentally sound practices and technologies in carrying out their missions. Interior's award hailed our promotion of environmentally preferable cleaners in Federal buildings. Four years ago, building managers at the Department's Main Interior Building in Washington, DC, were the first in the Federal government to incorporate green-cleaning performance objectives in a solicitation and contract for new custodial services. Interior managers defined criteria containing major attributes of environmentally preferable cleaners. Interior shared its contract language with several other Federal agencies, including the U.S. Coast Guard, the Social Security Administration, the Environmental Protection Agency, and the Department of Agriculture, as well as defense agencies (where the language was used in all new cleaning contracts at the Pentagon). Interior partnered with the National Industries for the Blind and National Institutes for Safety and Health (NISH) to educate companies with large percentages of disabled employees about the advantages of green cleaners. Based on its satisfaction with green cleaning products used within the Interior building, Chimes, Inc., a NISH-affiliated community work program, converted all of its janitorial cleaning sites (over 20 million square feet of Federal office space) to environmentally preferable cleaners during 2001 and 2002. This action resulted in improvements to indoor air quality for as many as 90,000 Federal employees in the Washington, DC area, and has created a safer workplace for 1,300 Chimes employees, no fewer than 75 percent of which have mental or other disabilities.

ing, and human capital development—can we adjust the tactics and strategy we use to meet our goal of mission excellence, and deliver the best possible performance for the American people.

Performance and Costs at a Glance

Tables 12 and 13 summarize FY 2003 performance and cost data for Strategic Goal 6.

The Department established 47 performance measures for Strategic Goal 6. Of the 47 performance measures, the Department achieved or exceeded the goals for 33 measures (70%), did not meet the goals for 11 measures (23%), and is unable to report performance information on 3 measures (6.4%) because data was not available.

The Department has established aggressive goals in pursuit of its quest for management excellence and accountability. A number of performance measures that were not achieved relate to Interior offices that have established the most aggressive management improvement agendas.

The cost of management activities are not reported separately. Instead the Department includes theses costs in other GPRA program activities or allocates the costs to the activities.

The Department manages a number of working capital funds that operate on a reimbursable basis. These funds are required by law to cover the costs of operation. In FY 2003, the cost of operations for these funds totaled approximately $2 billion. This cost includes the Interior Franchise Fund, which administers the Government Works Acquisition Services and the U.S. Films and Video Productions ($1.12 billion in cost), and Department Offices Federal Services ($1.47 million in cost). GPRA performance measures have not been established for these operations.

More detailed information concerning performance results is available in Part 3, Performance Section.

TABLE 12

Strategic Goal 6 FY 2003 Performance Measure Scorecard						
GPRA Program Activity	**Number of Measures**	**Exceeded Goal**	**Met Goal**	**Did Not Meet Goal**	**No Report**	**Percent Exceeding or Meeting Goal**
Advance Reclamation's Organizational Effectiveness	6	2	1	3	0	50%
Ensure NPS Organizational Effectiveness	17	3	10	2	2	76%
Lead People to Succeed	4	0	3	1	0	75%
Use Information Technology to Better Manage Resources and Serve the Public	4	0	3	1	0	75%
Ensure Financial and Managerial Accountability	10	1	6	3	0	70%
Provide Safe and High Quality Places to Work	2	1	0	0	1	50%
Ensure Efficient and Effective Business Practices	4	0	3	1	0	75%
TOTAL	47	7	26	11	3	70%

TABLE 13

Strategic Goal 6 Costs (in millions)		
GPRA Program Activity	**FY 2003**	**FY 2002**
Advance Reclamation's Organizational Effectiveness	*	*
Ensure NPS Organizational Effectiveness	*	*
Lead People to Succeed	*	*
Use Information Technology to Better Manage Resources and Serve the Public	*	*
Ensure Financial and Managerial Accountability	*	*
Provide Safe and High Quality Places to Work	*	*
Ensure Efficient and Effective Business Practices	*	*
Shared Services **	$2,866	$1,630
Cost of Other Programs **	228	218
Total Gross Cost Prior to Eliminations	3,094	1,848
Less: Elimination of Intra-Department Activity	(1,483)	(1,056)
Total Gross Cost After Eliminations	$1,611	$792

Note - The Reimbursable Activity and Other category in the Consolidated Statement of Net Cost correlates to Goal 6.

* Costs not separately identified for this GPRA Program Activity.

** No GPRA measures are included in the GPRA Annual Plan.

Compliance With Legal and Regulatory Requirements

This section of the report provides information on the Department's compliance with the:

- Federal Managers' Financial Integrity Act (FMFIA);
- Federal Financial Management Improvement Act (FFMIA);
- Inspector General Act Amendments (Audit Follow-Up);
- Biennial review of user fees; and
- Other key legal and regulatory requirements.

This section also includes a crosswalk of management control reviews and Office of Inspector General (OIG) and General Accounting Office (GAO) audits related to:

- The President's Management Agenda; and
- Other management challenges facing the Department.

Federal Managers' Financial Integrity Act (FMFIA)

The FMFIA requires agencies to provide a statement of assurance annually regarding the effectiveness of their management, administrative, and accounting controls, and financial systems. Interior's FY 2003 Annual Assurance Statement is provided in *Figure 25*. The basis for the assurance statement conclusions is discussed in the FY 2003 Management Control Assessments section that follows.

The Department believes that maintaining integrity and accountability in all programs and operations: (1) is critical for good government; (2) demonstrates responsible stewardship over assets and resources; (3) ensures high-quality, responsible leadership; (4) ensures the sound delivery of services to customers; and (5) maximizes desired program outcomes. Interior has developed and implemented management, administrative, and financial system controls that reasonably ensure that:

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

Interior's management control program is designed to ensure full compliance with the goals, objectives, and requirements of the FMFIA and Office of Management and Budget (OMB) Circular A-123, "Management Accountability and Control," Circular A-127, "Financial Systems," and OMB Circular A-130, "Management of Federal Information Resources."

FIGURE 25

FISCAL YEAR 2003
ANNUAL ASSURANCE STATEMENT

The Department conducted the annual assessment of its systems of management, accounting, administrative, and financial systems controls in accordance with the requirements and guidelines prescribed by the Federal Managers' Financial Integrity Act (FMFIA) and the Office of Management and Budget (OMB). Based on the results of this assessment, with the exception of the Department's concerns regarding the controls over the accuracy of ownership records and propriety of account balances in the Indian Trust Fund and the other material weaknesses noted herein, the Department can provide reasonable assurance that its systems of management, accounting, and administrative controls, taken as a whole, meet the objectives specified in Section 2 of FMFIA, and OMB Circular A-123, "Management Accountability and Control."

Based on the results of the annual independent audited financial statement process, the Department is not in full compliance with applicable Federal accounting standards and the U.S. Government Standard General Ledger at the transaction level. Further, due to the weaknesses in information system security controls, the Department does not fully comply with Federal financial management systems requirements specified in OMB Circular A-130, "Management of Federal Information Resources." Therefore, the Department does not fully comply with, or meet the objectives of, Section 4 of the FMFIA and OMB Circular A- 127, "Financial Systems." The Department has implemented a remediation plan to resolve these material weaknesses and expects to complete corrective actions in fiscal year 2005.

Gale A. Norton

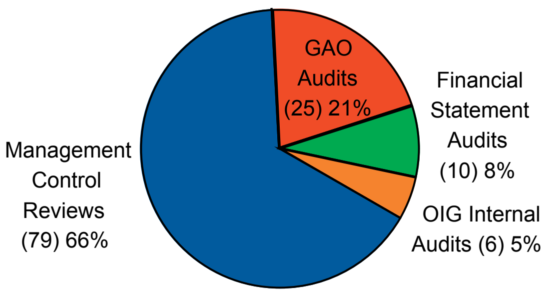
Secretary of the Interior

FY 2003 Management Control Assessments

Interior conducted an annual assessment of the effectiveness of its management, administrative, and accounting systems controls in accordance with the FMFIA and OMB guidelines. The conclusions in the Secretary's Annual Assurance Statement are based on the results of management control reviews of programs and administrative functions conducted by bureaus and offices, OIG and GAO program audit reports, and the results of the financial statement audits conducted by the independent public accounting firm, KPMG LLP, under the auspices of the Chief Financial Officers (CFO) Act of 1990 and the Government Management Reform Act (GMRA) of 1994. *Figure 26* presents the distribution of management control reviews and audits used to support the FY 2003 Annual Assurance Statement. It should be noted that, as in prior years, management control reviews performed by the Department and its bureaus provided a majority of the support (66%) for the Annual Assurance Statement. As noted later in this section of the report, Interior's FY 2003 manage-

FIGURE 26

Basis for FY 2003 Assurance Statement



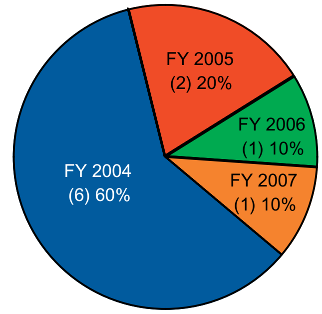
ment controls reviews, OIG and GAO program audits, and financial statement audits also focused on areas that were identified as Major Management Challenges for the Department or as Presidential Management Initiatives.

Material Weaknesses and Accounting System Non-conformances

Since the inception of the FMFIA in 1982, Interior has identified and reported 172 material weaknesses and 65 accounting system non-conformances. By the end of FY 2003, Interior had corrected 162 of these material weaknesses (94%). No new material weaknesses were identified during FY 2003 and the one material weakness targeted for correction in FY 2003, (the U.S. Fish and Wildlife Service Federal Aid Management Control and Audit Follow-up Program), was completed on schedule. All accounting system non-conformances identified through FY 2000 have been corrected. The correction of the accounting system non-conformance reported in FY 2001 for financial management system security controls remains pending. Significant progress was achieved during FY 2003 and final corrective actions are on target for FY 2004.

FIGURE 27

Planned Correction of Pending Material Weaknesses



Interior is committed to the timely correction of material weaknesses and non-conformances in order to improve integrity and accountability in all programs, organizations, and functions. As previously noted, only one material weakness was scheduled for correction in FY 2003 and all corrective actions were accomplished on time. This commitment is further demonstrated by the Government Performance and Results Act (GPRA) goals developed for the timely correction of material weaknesses, timely implementation of OIG and GAO audit recommendations, and the achievement of unqualified (clean) financial statement audit opinions. The performance results for these goals are discussed in the Management Discussion and Analysis section of this report and summarized later in this section. These goals will also be included in the Department's FY 2004 Annual Performance Plan.

The Department's progress in correcting material weaknesses and accounting system non-conformances is presented in *Table 14* and *Table 15*. These tables present the number of new material weaknesses and accounting system non-conformances reported in a given fiscal year. The number of weaknesses and non-conformances corrected and pending also correspond to the year in which they are reported. Interior will carry forward 10 material weaknesses to FY 2004. As shown in *Figure 27*,

TABLE 14

Number of Material Weaknesses

Period Reported	Reported	Corrected	Pending
Prior Years	166	160	6
FY 2000	3	1	2
FY 2001	1	1	0
FY 2002	2	0	2
FY 2003	0	0	0
Total	172	162	10

TABLE 15

Number of Material Non-Conformances

Period Reported	Reported	Corrected	Pending
Prior Years	64	64	0
FY 2000	0	0	0
FY 2001	1	0	1
FY 2002	0	0	0
FY 2003	0	0	0
Total	65	64	1

TABLE 16

Pending FMFIA Material Weaknesses as of September 30, 2003			
Bureau	**Material Weakness**	**Corrective Actions**	**Target Correction Date**
Mission Critical Material Weaknesses			
OST, BIA, and OS/ OHTA	Trust Fund Management: Beginning balances in the trust funds accounts may not be portrayed fairly due to inadequacies in certain Department of the Interior trust related systems and procedures. The remaining items to correct this material weakness include OHTA's historical accounting and strengthening the existing system of controls to ensure that BIA ownership and distribution information is correct.	Departmental trust policies, procedures, systems, and internal controls will continue to be improved and training provided to achieve the goals of the Comprehensive Trust Management Plan. The reconciliation of all individual Indian money accounts by the Office of Historical Accounting should allow the beginning balances to be more fairly portrayed.	FY 2007
OST and BIA	Records Management: Long-standing deficiencies in the records management program have made it difficult to ensure the maintenance and preservation of Indian Trust records.	An updated work plan with strategies, tasks, timelines, and resource requirements has been developed by the Office of Trust Records. The implementation of this work plan will resolve many of the identified deficiencies and establish an active and comprehensive records management program for the BIA and OST.	FY 2006
NPS	Oil and Hazmat Incident Preparedness and Response Program: The lack of an adequate oil and hazardous material incident preparedness and response program seriously endangers the safety of the public, employees, and park resources.	The NPS will develop and implement a comprehensive corrective action plan to ensure full and complete compliance with applicable laws, regulations, executive orders, and policies to ensure the safety of the public, employees, concessionaires, and park resources.	FY 2004
NPS	Structural Fire Program: The current program does not provide adequate protection of employees and visitors, contents, structures, and resources from the effects of fire as required by Director's Order No. 58.	The NPS will develop and implement a comprehensive structural fire program plan as directed by Congress. The plan will include specific milestones to address the operational, organizational, technical, and staffing deficiencies cited in the May 2000 GAO audit report and July 2000 congressional hearing on fire safety failures of the NPS.	FY 2004
DEPT	Information Technology (IT) Security: The increasing growth in electronic commerce, the heightened reliance on information systems to accomplish basic missions, and potential for exposing information systems to unauthorized access have resulted in the need for a comprehensive Department program to improve IT security further.	The Department is conducting a comprehensive IT security assessment to determine the security and control issues in DOI bureaus and offices. Based on its findings, the Department will develop and implement additional information security measures, including capital budgeting requirements.	FY 2004
DEPT	Wireless Telecommunications: Effective radio communications are critical to employee and public safety, and the efficient management of the parks and public lands. The current wireless telecommunications program in some bureaus does not effectively support bureau and public safety operations, does not comply with Departmental management directives, and is not funded to achieve timely compliance.	The Department will develop and implement a plan to meet employee and public safety objectives; restore program efficiency by reviewing bureau narrowband capital investment and implementation plans; revise plans to maximize radio system sharing, minimize supporting infrastructure requirements; and ensure maximum use of alternative wireless services.	FY 2005
DEPT	Departmentwide Maintenance Management Capability: Interior lacks consistent, reliable, and complete information to plan for, budget, and account for resources dedicated to maintenance activities.	The Department will identify and implement a comprehensive maintenance management system with an appropriate linkage to the accounting system; conduct comprehensive condition assessments; make determinations to repair, replace, or relocate facilities; develop a five-year Deferred Maintenance Plan and Capital Improvement Plan; repair, replace, and relocate facilities to achieve "good condition"; and reduce deferred maintenance to established goals (5% or less of replacement cost).	FY 2004

TABLE 16 CONTINUED

Pending FMFIA Material Weaknesses as of September 30, 2003			
Bureau	**Material Weakness**	**Corrective Actions**	**Target Correction Date**
Other Material Weaknesses			
BIA	Irrigation Operations and Maintenance: The establishment of irrigation assessment rates and collection, recording, investment, and utilization of irrigation receipts are inadequate. Operation and maintenance (O&M) receivable balances have not been kept current and billing and debt collection processes have not been consistently followed.	The BIA will publish 25 CFR 171 A and B as a Final Rule, reconcile past O&M receivables, and bring all accounts to current status. The BIA will also develop Operations Handbook regarding project operation and keeping O&M assessments and collection processes current. The BIA will convert irrigation project billings and collections to the National Irrigation Information Management System (NIIMS) and interface with Federal Financial System (FFS).	FY 2004
BLM	Land Appraisal and Exchange Functions: Management and oversight of the land appraisal and exchange functions does not ensure that objective and independent market value opinions from qualified appraisers are used in land transactions.	The BLM will establish an independent appraisal function to review all land exchange transactions and establish a multi-agency team to review and identify appraisal and exchange function deficiencies and implement appropriate corrective actions.	FY 2004
BOR and FWS	Improving Controls and Systems for Accounting and Reporting Real Property: The Bureau of Reclamation and U.S. Fish and Wildlife Service do not have the internal controls, accounting procedures and or systems to properly account for real property.	The BOR will improve its land inventory and financial reconciliations by (1) conducting reconciliations and searches to validate the accuracy of its land records; (2) populating its new real property system with such data; (3) developing and issuing policy and procedures to ensure future quality, accuracy, and completeness of data captured in the lands and finance systems; and (4) conducting an initial and periodic reconciliation between the detailed land data maintained in its real property system and FFS to ensure the quality of information contained in both systems. FWS will improve the processes, procedures, controls and systems to ensure that regions provide accurate and timely information for the real property system.	FY 2005

Interior plans to complete corrective actions for 6 of the 10 material weaknesses (60%) by the end of FY 2004 and all of the remaining material weaknesses by the end of FY 2007. *Table 16* presents a description of the 10 pending material weaknesses, including those designated as "mission critical weaknesses," along with summaries of planned corrective actions and targeted completion dates.

Government Performance and Results Act Performance Goal

In order to ensure that the material weaknesses identified and reported in the FMFIA program are corrected in a timely manner, the Department's Management Control and Follow-up (MCAF) Council established a GPRA performance measure. The Department's annual performance target for FY 2003 was to substantially complete 80% of the material weakness corrective action plans by the targeted completion date reported in the Annual Performance and Accountability Report.

The Department achieved its performance target in FY 2003 by completing corrective actions for the one material weakness targeted for completion in FY 2003. As a result, a 100% performance goal achievement is reported for this measure.

FIGURE 28

Material Weakness Guidelines

The Department defines a mission critical material weakness as:

- An inherent program or administrative functional material weakness that makes the program or activity susceptible to fraud, waste, and abuse.
- A systemic deficiency caused by ineffective program or management support, financial systems, policies, and/or procedures established by a bureau or reporting entity to carry out a major program or administrative function.
- A practice that is seriously detrimental to public health or safety, a program or administrative activity, service delivery, national security, economic growth, privacy, or citizens' rights.
- A practice that could result in significantly impaired service, program failure, significantly reduced program effectiveness or efficiency, public injury or loss of life, unreliable decisionmaking data, reduced confidence in government, and unauthorized disclosure, manipulation or misuse of sensitive information such as personal, financial management, or programmatic data maintained in computerized systems.

The Department will remove a mission critical designation or report a material weakness corrected or downgraded when:

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

Material Weaknesses Corrected

Figure 28 presents the criteria used by the Department to report a "mission critical" material weakness and to correct or downgrade a material weakness in the Annual Performance and Accountability Report. The criteria are based on guidelines in OMB Circular A-123, "Management Accountability and Control." The following is a summary of the corrective actions implemented for the U.S. Fish and Wildlife Service's Federal Aid Management Control and Audit Follow-up Program material weakness.

Federal Aid Management Control and Audit Follow-up Program (FWS). Program deficiencies identified by the Office of Inspector General and U.S. General Accounting Office, as well as increased Congressional interest and scrutiny of selected aspects of the Federal Aid Program, resulted in the Federal Aid Program being declared a material weakness in the FY 2000 Performance and Accountability Report. The program deficiencies cited prevented the FWS from achieving several fundamental objectives of management controls, including complying with laws and regulations; safeguarding assets (grant funds) from waste fraud, and mismanagement; and, providing timely, accurate and reliable financial information on the distribution of grant funds.

The FWS developed and implemented a multi-phased corrective action plan with a targeted completion date of September 2003. Significant milestones in the corrective action plan included: terminating the FWS administrative grant program; restricting use of Federal Aid travel funds; expanding program management oversight to three Assistant Directors; and establishing process improvement teams in the areas of grant management systems, financial reconciliations, grant operations audit review and resolution, and organization and staffing. In addition, the OIG's FY 2000 financial statement audit opinion identified two aspects of the Federal Aid Grant Program as material internal control weakness: (1) failure to perform timely and complete reconciliations of grant data in the Federal Aid Information Management Systems and the Federal Financial Systems and (2) failure to comply with 43 CFR 12.81 by not requiring grantees to report on the status of funds at least annually.

Over the last three years, the FWS has successfully implemented the comprehensive corrective action plan for this material weakness. Recommendations from the process improvement teams have been completely implemented, sound management controls have been restored in all program areas, and program integrity and accountability have been reinforced by ongoing State Federal Aid Program audits and resolution of audit findings by the FWS Division of Federal Aid Audit Follow-up staff. In addition, the FWS conducted a follow-up management control review of the Federal Aid Program in FY 2003 and found no material weaknesses or major vulnerabilities or deficiencies exist.

New Material Weaknesses

As a result of the FY 2003 audited financial statement process, the FWS elected to report its Real Property Inventory and Reconciliations as a material weakness for FMFIA reporting purposes because information recorded in the Real Property Inventory is used to support budget estimates and justifications for FWS maintenance and funding levels. A similar material weakness has been reported for the Bureau of Reclamation since FY 2000 for the same reasons. Due to the similarity in the scope of the FWS and BOR material weaknesses and their associated corrective action plans, the Department has combined these material weaknesses for FMFIA reporting purposes under the heading" Improving Controls and Systems for Accounting and Reporting for Real Property." If similar weaknesses are identified in the audited financial statement opinions of other bureaus and offices in the future, they will also be incorporated and tracked under this material weakness.

Mission Critical Material Weaknesses

OMB Circular A-123, "Management Accountability and Control," requests that each agency identify and report on the most critical material weaknesses affecting the agency. The Department has adopted the guidelines for mission critical material weakness designations recommended by the GAO. These guidelines are noted in *Figure 28*. Interior has identified 7 of its 10 (70%) pending material weaknesses as "mission critical weaknesses."

Interior recognizes the importance of correcting these mission critical weaknesses in a timely manner. Corrective action plans with key milestones, target dates, and accountable officials have been established and approved. The Department and senior program management officials continuously monitor corrective action progress for each mission critical weakness. The 7 mission critical material weaknesses and corrective action highlights are as follows:

1. Trust Fund Management. The American Indian Trust Fund Management Reform Act of 1994 affirmed the Secretary's trust responsibilities and established the Office of Special Trustee for American Indians (OST). The Act identified actions required for the Secretary's proper discharge of trust responsibilities, including providing adequate systems for accounting for and reporting trust fund balances; providing adequate controls over receipts and disbursements; providing periodic, timely account reconciliations; determining accurate cash balances; and preparing periodic statements of account performance and balances. The Act also addressed the need for developing systems for accounting and investing funds, for reporting to account holders, and for maintaining accurate data on the ownership and leasing of Indian lands.

The OST provides oversight for all trust reform efforts and coordinates certain trust fund-related projects within the Department. It is headed by the Special Trustee, who reports to the Office of the Secretary. Under the new organization adopted in April 2003, OST consists of the Office of Trust Review and Audit; CIO; Office of Budget, Finance and Administration; Office of External Affairs; Deputy Special Trustee - Trust Accountability; Deputy Special Trustee - Field Operations; and the Deputy Special Trustee - Trust Services.

Past reviews by the General Accounting Office, congressional committees, the Department's Office of Inspector General, and independent accounting firms have identified serious financial management problems in the management of Indian trust funds. Beginning in April 1997, the Department pursued a series of reform efforts, culminating in the current trust reform plan. The Comprehensive Trust Management Plan is based on an analysis of the trust reform program to date and substantially strengthens previous reform efforts in this area. The plan focuses on services to be provided to beneficiaries and calls for the re-engineering of current business processes and the development of Indian trust systems that are fully integrated and parallel the comparable "best practices" of trust services operations in the private sector.

In FY 2003, Interior continued to design and implement long-term comprehensive reform. Specific accomplishments included a new Special Trustee, Ross Swimmer, who was officially sworn in to become the third Special Trustee since the enactment of the American Indian Trust Fund Management Reform Act of 1994. Mr. Swimmer was formerly the Director of the Office of Indian Trust Transition, and has extensive experience with the financial industry and Indian trust; approval and initial implementation of the reorganization of BIA and the Office of the Special Trustee; implementation of a process for determining survey priorities that was developed by the Bureau of Land Management for use by the Bureau of Indian Affairs; and establishment of the Office of Trust Review and Audit (OTRA) to place greater emphasis on audit and accountability. OTRA is expected to increase the audits and reviews of self-governance tribes as well as respond to questions and concerns from individual Indian trust beneficiaries.

2. Records Management. The Office of Trust Records is responsible for developing and implementing the solution to long-standing problems with the records management programs of the BIA and the Office of the Special Trustee for American Indians. The records management responsibility was assigned to the Office of Trust Records as a subproject of the former High Level Implementation Plan. While some progress was made under that plan, the Department began an intensive effort to revitalize the Office of Trust Records beginning in July 2002.

A permanent Director was selected in December 2002 and a rigorous endeavor was begun to develop a comprehensive work plan for the OTR. To make this commitment even stronger, on September 5, 2002, the Deputy Secretary assigned the Assistant Deputy Secretary the direct management responsibility for OTR. The Assistant Deputy Secretary has worked very closely with the Director of the OTR to develop the work plan.

The work plan identifies six strategies for OTR. They are:

1. Establish records retention schedules;
2. Establish and implement record keeping requirements that allow for record retrieval on an "as needed" basis;
3. Safeguard records;
4. Implement training program;
5. Undertake continual evaluation of the records program; and
6. Establish programs to meet trust and other record retrieval needs of customers and document production requests.

The work plan includes tasks, timelines and resources required for implementation. It incorporates some activities begun within the past two years and represents a significant commitment to re-establishing a strong records management program that provides a real means for measuring accomplishments.

During FY 2003, the records management program continued to evolve with the goals of ensuring that: necessary Indian records are maintained; records retention needs are met through authorized schedules and records are safeguarded throughout their life-cycle. Specific accomplishments included: the Deputy Secretary issuing the Definition of Indian Trust Records memorandum; the release of a new Departmental Manual Chapter, "Indian Trust Responsibilities for Indian Fiduciary Trust Records," which provides records management guidance for Interior bureaus and offices to properly identify, manage, protect, and control Indian fiduciary trust records; issue of a Memorandum of Understanding (MOU) between the Secretary and the Archivist of the United Stated with the purpose of consolidating and preserving on a continuing and long-term basis designated Indian records and related Interior fiduciary records, and to develop an archival and records management studies program at the Haskell Indian Nations university; a conference with tribal leases, tribal record custodians, and other users of Indian Affairs records to provide tribes with information on records management, conduct a scoping session to identify records management policy issues facing Tribes that contract programs or have self-governance compacts, and a tour of the Federal Records Center at Lee's Summit, MO; development of decision trees for BIA, OST, BLM, MMS, OSM and other Department bureaus and offices; guidance was issued to OST and BIA offices for procedures to follow when requesting approval to move records to the Federal Records Center or OTR records center; the records training program was resumed; draft polices and procedures were developed for conducting records site assessments; hardware and software to implement a single index database with full test search capabilities were purchased; and, the contractor indexing Indian records in Albuquerque, NM, and Kansas City, MO, completed indexing approximately 24,800 boxes and loaded 22,601 boxes into the search data base, with priority given to indexing boxes responsive to tribal trust litigation.

3. Structural Fire Program (NPS). In response to the findings and recommendations in a FY 2000 GAO audit report, and Congressional hearings on fire safety issues, the NPS declared its Structural Fire Program a material weakness. In summary, the Structural Fire Program does not provide adequate protection of people, contents, structures, and resources from the effects of fire. The NPS has developed a comprehensive improvement plan that addresses the operational, technical, and organizational deficiencies in the program which were cited in the GAO audit report and Congressional hearings. The plan is expected to be fully implemented by the end of FY 2004.

The NPS has progressed in its efforts to mitigate risks associated with the Structural Fire Program. For example, additional building inspection training, testing, and structural condition assessments have been performed. Funding requests for the program are now based on priorities established by the condition assessments. To date, condition assessments were conducted at 30,000 buildings and structures. A total of 3,000 have been determined to be high risk. Structural fire condition assessments have been incorporated as an integral part of the ongoing Facility Management Software System which tracks facilities maintenance needs and improvements. NPS has established a Structural Fire Advisory Group which is chartered to assist with program development, direction, and oversight.

The following corrective action milestones were achieved in FY 2003: a new annual fire inspection form was developed and implemented; a core work plan for regional structural fire management officers was developed and implemented, a draft reference manual for field guidance in implementing uniform structural standards was developed and circulated for comments; six new fire engines were procured for the highest risk areas; building inspection, testing, and structural training continued according to plan; and, post corrections follow-up reviews were conducted to ensure that identified deficiencies have been properly corrected.

4. Oil and Hazmat Response Program (NPS). In response to the findings and recommendations from a Department environmental management control review, the NPS Oil and Hazardous Material Incident Preparedness and Response Program were declared a material weakness in FY 2002. In summary, the NPS determined that the program endangers the safety of the general public, employees, and park resources. NPS has developed and began implementation of a comprehensive corrective action plan which was originally targeted for completion in FY 2005, but based upon progress through the end of FY 2003, is now targeted to be completed one year ahead of schedule (by the end of FY 2004).

Progress to date has focused on the material deficiencies related to fuel transfers, fuel storage and fuel handling operations. In FY 2003, the NPS Office of Environmental Management completed fuel system surveys at nine high risk park units that resulted in immediate on-site corrective actions. The corrective actions were implemented at little or no cost during the survey period. In addition, NPS: prioritized replacement of antiquated fuel distribution systems; retrofitted several single-hulled to double-hulled bulk fuel transport barges; established a "zero tolerance" policy for preventable fuel spills; formally designated a program lead to establish and implement a bureau-wide hazardous materials response program consistent with existing law; and, developed an organizational structure and reporting line of authority for the Hazmat Program which establishes the role of Hazmat Response Program within the Visitor and Resource Protection function. Other ongoing efforts to improve the program are continuing and when fully implemented will insure NPS national policies and facilities are in compliance with applicable laws and regulations governing hazmat response.

5. Information Technology Security (Department). In response to findings and recommendations from recent OIG Annual Evaluation of the Information Security Program reports, the results of the annual financial statement audit of the Department and its bureaus, and the Department's IT security program reviews conducted by the CIO, IT security continues to be a material weakness for the Department. As reported in prior years, the increasing growth in electronic commerce, the heightened reliance on information systems to accomplish basic missions, and the potential exposure of information systems to unauthorized access have all resulted in the need for a comprehensive Department program to improve IT security further. Interior's strategy focuses on remediating IT security deficiencies beginning with the most important IT systems as expressed through categories and prioritized as follows:

1. National Critical Infrastructure
2. National Security Information Systems
3. Indian Trust Systems
4. Interior Mission Critical Systems
5. Systems supporting Mission Essential Facilities
6. Other Sensitive Systems
7. All Other Systems

As noted in the OIG's FY 2003 Annual Evaluation of the Information Security Program report dated September 22, 2003, Interior has made substantial progress over the last two years in improving the security of its information and information technology systems.

Interior's Chief Information Officer has concluded that if the current rate of improvement continues, Interior should meet its target date of having all IT information systems certified and accredited by December 2005. To do so, bureaus and offices must fully implement security policies and procedures, effectively assess risks, and fully integrate corrective action plans with the capital planning and investment control process.

During FY 2003, the Secretary, the Deputy Secretary, the Associate Deputy Secretary, and the Assistant Secretary for Policy, Management and Budget each continued to demonstrate strong support for improving IT security. They declared IT security as a high priority for Interior, required bureaus and offices to standardize functions with their chief information officers, and monitored the successfully and timely implementation of 11 of 19 suggested improvements included in the OIG's Annual Evaluation of the Information Security Program issued in September 2002.

Interior's Chief Information Officer (CIO) developed and monitored the implementation of new IT security policies, guidance and practices. In addition the CIO designed and implemented a methodology to report on the status of bureau and office progress in safeguarding IT systems and in meeting the requirements of the Federal Information Security Management Act of 2002 (FISMA). The methodology is used by the CIO to conduct semi-annual IT security program reviews for bureaus and offices based on National Institute of Standards and Technology (NIST) SP 800-26 (Self-Assessment

Guide for Information Technology Systems). This semi-annual review process will be used for continued monitoring of bureau and office IT security programs, and to identify and address program weaknesses and strengths. Interior's CIO will continue to utilize the IT Security Scorecard approach developed for this semi-annual review process (derived from reportable elements of FISMA/GISRA and published monthly) to measure performance and improve the IT security posture.

6. Wireless Telecommunications (Department). As reported in prior years, effective radio communications are critical to employee and public safety, as well as efficient management of the parks and public lands. The current Wireless Telecommunications Program in two bureaus does not effectively support bureau and public safety operations and does not comply with Department management directives. The Department has developed and is implementing a comprehensive Wireless Communications Plan to meet employee and public safety objectives and restore program efficiency by reviewing bureau narrowband capital investment levels and implementation plans, revising plans to maximize radio system sharing, minimizing supporting infrastructure requirements, and ensuring maximum use of alternative wireless services.

During FY 2003, corrective action milestones included developing a plan for conversion priorities of wireless system to narrowband digital technology with encryption capabilities for emergency service radios; reviewing and analyzing regional radio conversion plans to ensure conformity with established criteria and consistency in application; and continuing the phased radio replacement programs based on Department and regional bureau priorities.

The Department will continue to review and monitor its implementation plans to ensure employee and public safety objectives are being adequately addressed and prioritized; revise implementation plans to account for funding variations; and maximize the use of alternative wireless services.

7. Department-wide Maintenance Management Capability. Interior lacks consistent, reliable, and complete information to plan, budget, and account for resources dedicated to maintenance activities. As a result, Interior does not have ready access to the information needed to report on deferred maintenance in its financial statements as required by the Statement of Federal Financial Accounting Standard (SFFAS) No. 6, "Accounting for Property, Plant, and Equipment." The Department has established a Facilities Management Systems Partnership that provides a forum for the Department and its facilities-managing bureaus to coordinate the development and use of facilities management systems.

To address substantive issues in a systematic manner, Interior conducted a department-wide review of maintenance and repair issues to reduce financial, health, and safety liability to Interior; increase the effectiveness and awareness of facilities maintenance; manage deferred maintenance; and ultimately improve the stewardship of Interior's constructed assets. Based on this review, the Department has established the following three facilities maintenance objectives: (1) to properly manage and account for maintenance and construction funds from appropriations and fee receipts; (2) to identify the highest-priority facilities maintenance and construction needs of the Department by using standard definitions and data; and (3) to formulate and implement a Five-Year Maintenance and Capital Improvement Plan (Five-Year Plan) for infrastructure, which began with the 2000 Budget. Concurrent with the development of the Five-Year Plan, improvements to the Department's budget structure and accounting systems are being made to enable the Department to measure the effectiveness of its facilities management programs more accurately.

Interior has adopted MAXIMO, a commercial off-the-shelf product, as the core management enterprise software system to manage its facilities inventories, condition assessments, and work management and reporting requirements. The implementation status of MAXIMO varies among bureaus and offices. Highlights of progress during FY 2003 include Interior establishing the Facilities Condition index (FCI) as a standard results-based performance measure for bureau management programs. This will enable Interior to effectively determine at what pace its facilities condition is improving and how effectively the bureaus are

TABLE 17

Crosswalk of Activities Related to Major Management Challenges and the President's Management Agenda

Management Accountability and Integrity Program Activities in FY 2003 Related to Interior's Major Management Challenges and President's Management Agenda	Interior's Top Management Challenges						President's Management Agenda				
	Financial Management	Managing Land Exchanges and Appraisals	Deferred Maintenance Backlog	Responsibilities to Indians and Insular Affairs	Ecosystems Restoration Efforts	Management of National Parks	Competitive Sourcing	Strategic Management of Human Capital	Expanded Electronic Government	Improved Financial Management	Budget and Performance Integration
Management Control Reviews/Management Studies and Initiatives	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
Office of Inspector General Audits											
- Program Audits Completed	✔	✔	✔	✔	✔	✔			✔	✔	✔
- Financial Statement Audits Completed	✔									✔	
U.S. General Accounting Audits Completed											
Federal Manager's Financial Integrity Act (FMFIA) Material Weaknesses											
- Corrected During FY 2003	✔									✔	
- Pending and Carried Forward to FY 2004	✔	✔	✔	✔		✔			✔	✔	

using their maintenance funding. It will also allow the Department, OMB, and Congress to make more sound investment decisions; NPS completed deployment of the MAXIMO facilities management software in their remaining park units; USGS has initiated the software in the 3 of 14 installations for which it is to be used; and, BLM, FWS, and BIA/Irrigation Projects and Safety of Dams have begun a phased deployment of the system. NPS expects to have their system fully deployed by the end of this FY 2004, USGS, BLM and FWS by the end of FY 2005 and BIA Irrigation Projects and Safety of Dams by the end of FY 2007.

Major Management Challenges Confronting Interior

Recently, the OIG and the GAO advised Congress regarding what they consider to be the Major Management Challenges facing the Department. Most of these challenges have met the FMFIA criteria for, and been reported as, material weaknesses in the Department's Annual Performance and Accountability Report. The others, while not meeting the FMFIA material weakness criteria, are receiving priority management attention. *Table 17* presents a crosswalk of the FY 2003 management control reviews, OIG and GAO audits, and financial statement audits related to the Major Management Challenges identified by the GAO and initiatives in the President's Management Agenda. These management control reviews and audits helped determine progress to date in addressing these challenges and initiatives, and areas for additional management attention and/or improvement.

Table 18 presents a summary of the Major Management Challenges facing Interior and actions taken to address these challenges to date.

Audited Financial Statement Results

As required by the Government Management Reform Act, Interior prepares consolidated financial statements. Beginning in FY 2001, these financial statements have been audited by KPMG, an independent auditing firm (the OIG audited the financial statements prior to FY 2001). Additionally, each individual bureau prepares financial statements that are also audited.

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

The results of the FY 2002 and FY 2003 audited financial statement process are summarized in *Table 19*. As shown in the table, there were instances

TABLE 18

Summary of Major Management Challenges Facing Interior		
Major Management Challenge Area	**Description of Challenge**	**Interior Actions to Date**
Financial Statement	Interior's consolidated financial statements for fiscal year 2002 received an unqualified opinion. However, the auditors identified 15 reportable internal control weakness, 6 of which were material weaknesses.	Interior aggressively initiated the first phase of a transformation process designed to significantly change financial management in the Department. Progress was achieved in the following key areas: - Revised policies and processes to improve financial operations, particularly related to real and personal property, eliminations, environmental liabilities, and the US Geological Survey; - Reduced vulnerabilities to unauthorized access, use or loss of sensitive information in Interior's financial management systems; - Implemented revised financial guidance and processes to meet accelerated deadlines for financial reporting; and - Addressed over 60% of the internal control findings and non-compliance issues reported in the FY 2002 financial statement audit reports. Interior established metrics to measure progress in these areas, and commenced development of a workforce plan to address financial management structures, recruitment, retention, and training needs.
Managing Land Exchanges and Appraisals	While a private contractor has studied Interior's land exchange program, concern still exists that land exchange appraisals do not ensure that lands are appropriately valued or that the public's interest is protected.	Established an independent appraisal function to review all land exchange transactions. Establish a multi-agency team to review and identify appraisal and exchange function deficiencies and implement appropriate corrective actions.
Management of National Parks	Better scientific information on the condition of its natural resources is needed, and persistent management problems in its concessions program still need to be addressed.	The NPS has received funding to start to build natural resources inventories and has hired a private firm to analyze its concession program. These are recognized as good first steps.
Deferred Maintenance Backlog	Interior faces a deferred maintenance backlog of between $7.5 billion and $12.8 billion.	Interior issued guidance to standardize deferred maintenance estimates and repair priorities, but these efforts are new and attention will need to be paid to how they are implemented.
Ecosystems Restoration Efforts	Interior needs to address the growing wildland fire threat caused by the excessive fuel buildup; complete actions to improve the South Florida ecosystems restoration effort; issue guidance to increase and restore natural habitats; and establish an agencywide goal to control and eradicate invasive species.	Interior has taken steps to better manage ecosystem restoration efforts. It has adopted the National Fire Plan, identified the resources needed to restore the South Florida ecosystem, and issued a plan to control invasive species.
Responsibilities to Indians and Insular Affairs	Interior's efforts to properly account for Indian trust funds continues to be hampered by information systems and internal control weaknesses in the collection of Indian trust funds. Interior also has varying responsibilities to seven island communities that have long-standing financial and program management deficiencies.	Interior has continued its efforts to resolve deficiencies in its collection of Indian trust funds and places a high priority on solving these problems. Departmental trust policies, procedures, systems, and internal control are being improved and training is being provided to achieve the goals of the Comprehensive Trust Management Plan. An updated work plan with strategies, tasks, timelines and resource requirements have been developed by the Office of Trust Records. The implementation of this work plan will resolve many of the identified deficiencies and establish an active and comprehensive records management program for BIA and OST. Interior is assisting the island communities in developing more efficient and effective government by providing financial and technical assistance and helping manage Federal-island relations by promoting appropriate Federal policies.

TABLE 19

Summary of FY 2002 and FY 2003 Financial Statement Audits											
	Unqualified Opinion on Financial Statements		Clean Report on Internal Controls		Full Compliance with Laws and Regulations (Non FFMIA)		Full Compliance with Laws and Regulations (FFMIA)		Full Component Compliance with Laws and Regulations (FFMIA)		
									Systems	Accounting	SGL
	FY 2002	FY 2003	FY 2002	FY 2003	FY 2002	FY 2003	FY 2002	FY 2003	FY 2003	FY 2003	FY 2003
Dept	Yes	Yes	No	No	No (3,4)	No (3,5,6)	No	No	No	No	No
FWS	Yes	Yes	No	No	Yes	Yes	No	No	No	No	Yes
USGS	No (1)	Yes (2)	No	No	Yes	Yes	No	No	No	No	Yes
BIA	Yes	Yes	No	No	No (3)	No (3,5,6)	No	No	No	No	No
BLM	Yes	Yes	No	No	Yes	Yes	No	No	No	No	Yes
MMS	Yes	Yes	No	No	Yes	Yes	No	No	No	Yes	No
NPS	Yes	Yes	No	No	Yes	No (6)	No	No	No	No	Yes
BOR	Yes	Yes	No	No	Yes	Yes	No	No	No	No	Yes
OSM	Yes	Yes	Yes	No	Yes	Yes	Yes	No	No	Yes	Yes
DO	Yes	Yes	No	No	No (4)	No (6)	No	No	No	No	Yes

(1) No opinion issued.
(2) Balance sheet only.
(3) Debt Collection Improvement Act
(4) P.L. 104-28 Advances to Interior Franchise Fund
(5) Prompt Payment Act
(6) Single Audit Act

where exceptions on internal controls were noted as material weaknesses or reportable conditions, as well as instances of noncompliance with laws and regulations other than compliance with the Federal Financial Management Improvement Act (FFMIA).

Resolution of Internal Control Weaknesses Reported in FY 2002 Audited Financial Statements

Table 20 summarizes the status of material weaknesses reported in the FY 2002 audited financial statements. The Department has established an internal goal of completing corrective actions for audited financial statement material weaknesses by the end of the following fiscal year, unless the magnitude of the corrective action plans involves a multi-year effort.

While the Department made good progress in correcting material weaknesses reported in FY 2002, delays in completing corrective action in some bureaus and several multi-year corrective action plans precluded the achievement of the internal goal in FY 2003. In summary, 21 of the 34 (62%) total material weaknesses reported in FY 2002 financial statements were corrected or downgraded to reportable conditions during FY 2003. Moreover, 20 of the 26 (77%) material weaknesses reported in FY 2002 and targeted for correction in FY 2003 were corrected or downgraded to reportable conditions. This was a substantial improvement over the performance level in FY 2002 when only 14 of the 38 (37%) material weaknesses were corrected or downgraded. The Department intends to continue its aggressive monitoring actions during FY 2004 in order to correct material weaknesses and noncompliance issues reported in FY 2003.

Table 21 presents a summary of each of the material weaknesses reported in Department consolidated and bureau FY 2003 financial statement audit opinions. A total of 16 material weaknesses were reported, of which 14 (88%) were carried over from FY 2002. Of the 16 material weaknesses reported in FY 2003, 13 (81%) are expected to be corrected or downgraded by the end of FY 2004.

Federal Financial Management Improvement Act (FFMIA)

The Federal Financial Management Improvement Act (FFMIA) builds upon and complements the CFO Act, the Government Performance and Results Act, and the Government Management Reform Act. The FFMIA requires that Federal agencies conform to the government-wide Standard General Ledger

TABLE 20

FY 2002 Audited Financial Statements Status of Material Weakness Corrective Actions (as of 9/30/03)				
Bureau	**Material Weakness Description**	**Corrective Action**	**Original Target Date**	**Corrective Action Status**
DEPT	General and Application Controls Over Financial Management Systems	Establish and implement controls and other safeguards to ensure that sensitive and critical financial data and systems are protected.	9/30/04	Downgraded to Reportable Condition
DEPT	Reconciliation of Trading Partner Data	Implement policies and procedures to ensure the timely reconciliation of trading partner data, and a more streamlined and efficient year-end reporting process.	9/30/03 9/30/04	Intra-departmental Downgraded to Reportable Condition Intra-governmental
DEPT	Controls Over Property, Plant, and Equipment	Implement policies and procedures to ensure the proper accounting for and reconciliation of Property, Plant, and Equipment.	9/30/04	Carryover
DEPT	Controls Over Trust Funds	Implement the Department's Comprehensive Trust Management Plan to achieve comprehensive Indian Trust reform, including vital improvements to systems, policies and operations necessary to fulfill trust obligations to Indian Tribes and individuals.	9/30/05	Carryover
DEPT	Financial Processes at the U.S. Geological Survey	Implement procedures and controls to ensure timely and accurate financial transaction recording.	9/30/04	Completed
DEPT	Financial Reporting Controls	Implement policies and procedures to improve transaction entry, reconciliations, grant monitoring and activity-based costing.	9/30/04	Carryover
DO	Controls to Reconcile Transactions and Balances with Trading Partners	Adopt procedures to reconcile and clear balances with other Interior components on a quarterly basis.	9/30/03	Downgraded to Reportable Condition on Financial Reporting
DO	Accounting Controls over Interior Franchise Fund	Establish and implement policies and procedures to monitor service provider disbursements, update pricing schedules, improve controls over receipts and accounts receivables, and improve software change control.	9/30/03	Completed
DO	Controls over Tribal and Other Special Trust Funds	Implement policies, procedures, controls and systems to effectively manage Tribal and Other Special Trust Funds.	9/30/05	Carryover
DO	Controls over Property, Plant, and Equipment	Implement policies and procedures to ensure the proper accounting for and reconciliation of Property, Plant, and Equipment.	9/30/03	Completed
DO	Controls over Financial Reporting	Improve controls over year-end adjustments, suspense accounts and communications with the Office of the Solicitor.	9/30/03	Downgraded to Reportable Condition with Exception of Suspense Account Issues
FWS	Controls to Reconcile Transactions and Balances with Trading Partners	Adopt procedures to reconcile and clear balances with other Interior components on a quarterly basis.	9/30/03	Downgraded to Reportable Condition
FWS	Controls over Accounting for Property	Implement policies, procedures, controls to improve accounting for property.	9/30/03	Carryover
FWS	Controls over Year-End Accruals	Improve processes to identify and record year-end payables.	9/30/03	Completed
FWS	Financial Reporting Processes	Improve controls and processes associated with accounting and financial reporting.	9/30/03	Downgraded to Reportable Condition
NPS	Controls to Reconcile Transactions and Balances with Trading Partners	Adopt procedures to reconcile and clear balances with other Interior components on a quarterly basis.	9/30/03	Downgraded to Reportable Condition
NPS	Security and Controls Over Information Technology Systems	Develop and implement the Department IT security initiatives designed to provide appropriate policies, procedures, controls, and segregation of duties to effectively control and protect information technology systems.	9/30/03	Downgraded to Reportable Condition

TABLE 20 CONTINUED

FY 2002 Audited Financial Statements Status of Material Weakness Corrective Actions (as of 9/30/03)				
Bureau	**Material Weakness Description**	**Corrective Action**	**Original Target Date**	**Corrective Action Status**
BLM	Accounting for Property	Implement procedures to ensure proper accounting for and reconciliation of property	9/30/03	Downgraded to Reportable Condition
BLM	Controls for Accounting for Year-End Payables	Implement procedures to ensure year-end payables are completely captured and recorded.	9/30/03	Completed
USGS	Security and Contols over Information Technology Systems	Develop and implement the Department IT security initiatives designed to provide appropriate policies, procedures, controls, and segregation of duties to effectively control and protect information technology systems.	9/30/03	Downgraded to Reportable Condition
USGS	Financial Management Organization Structure	Improve controls over processing field office information; delegate authority to ensure uniform administration of and compliance with accounting policies Survey-wide; review decentralized financial management systems and internal controls; and fill existing vacancies and provide accounting training programs.	9/30/03	Completed
USGS	Account Analysis and Adjustments	Develop and implement procedures to ensure that all accounting adjustments and reconciliations (including intra-departmental eliminations) are adequately supported, timely, and independently reviewed throughout the year.	9/30/03	Downgraded to Reportable Condition
USGS	Controls over Property, Plant, and Equipment	Implement policies and procedures to ensure the proper accounting for and reconciliation of Property, Plant, and Equipment.	9/30/03	Downgraded to Reportable Condition
USGS	Controls over Revenue Cycle	Perform a study of the entire revenue cycle and consider redesigning or re-engineering the process to achieve greater efficiency and simplicity.	9/30/03	Carryover (as Unbilled Accounts Receivable issue)
USGS	Accounting for Inventory	Establish policies and procedures to account for map and hydrological inventory that will ensure full compliance with SFFAS No. 3 – Accounting for Inventory and Related Property.	9/30/03	Completed
USGS	Working Capital Fund Compliance with Accounting Standards	Develop and implement a posting model to record fee-for-services and investment components of the working capital fund.	9/30/03	Completed
USGS	Policies and Procedures	Document policies and procedures for all accounts having a material effect on the financial statements and train personnel in the applications.	9/30/03	Downgraded to Reportable Condition
BOR	Controls over Land Inventory	Develop a complete and accurate inventory system that identifies by project all land and land rights.	9/30/05	Carryover
BIA	Controls over Processing Trust Transactions	Improve fiduciary controls over the processing of Trust transactions including segregation of duties, related party transactions, probate backlogs, and appraisal compacts	9/30/04	Carryover
BIA	Controls over Financial Reporting	Improve controls and processes for financial reconciliations, transaction entry, and analysis.	9/30/03	Carryover
BIA	Legal Liabilities	Develop a communication and tracking plan with the Solicitor to provide complete, accurate, and timely contingent liability data for financial reporting	9/30/03	Carryover
BIA	Security and Contols over Information Technology Systems	Develop and implement the Department IT security initiatives designed to provide appropriate policies, procedures, controls, and segregation of duties to effectively control and protect information technology systems.	9/30/03	Downgraded to Reportable Condition
OST	Reliance on Processing of Trust Transactions	Work collaboratively with Departmental offices to monitor progress and ensure timely completion of trust reform initiatives.	9/30/03	Carryover
OST	Resolution of Financial Reporting Issues from Prior Periods	Continue to develop issue papers and action plans to address and resolve prior period issues.	9/30/03	Carryover

TABLE 21

FY 2003 Audited Financial Statements Material Weakness Corrective Action Plan				
Bureau	**Material Weakness Description**	**Corrective Action**	**Target Date**	**New Weakness or Carryover from FY 2003**
DEPT	Controls over Property, Plant, and Equipment	Implement controls to improve reporting of additions and disposals, land and land rights, construction-in-progress, leased property, depreciation, and reconciliations between general and subsidiary ledgers.	9/30/04	Carryover
DEPT	Financial Reporting Controls	Improve controls and process for financial analysis, transaction entry, and reconciliations. Continue to enhance financial staff resources.	9/30/04	Carryover
DEPT	Intra-Governmental Eliminations	Implement policies and procedures and work with other Federal agencies to provide streamlined and efficient year-end eliminations and reporting processes.	9/30/04	Carryover
DEPT	Controls Over Trust Funds	Implement the Department's plans to achieve comprehensive Indian Trust reform, including vital improvements to systems, policies and operations necessary to fulfill the trust obligations to Indian tribes and individuals.	9/30/05	Carryover
DO	Controls Over Tribal and Other Special Trust Funds	Implement policies, procedures, controls and systems to effectively manage Tribal and Other Special Trust Funds.	9/30/05	Carryover
DO	Suspense Accounts	Adopt procedures to reconcile the customer payroll suspense accounts and investigate and resolve the contents of suspense accounts on a monthly basis. Adopt procedures to ensure that entries to resolve suspense accounts are properly supported.	9/30/04	Carryover
FWS	Real Property Controls and Processes	Develop and implement procedures to assess regional responsibilities and capabilities related to real property inventory and make changes as necessary to ensure that real property transactions are recorded in the subsidiary ledger and general ledger at the time the financial event occurs and at the proper amount.	9/30/04	Carryover
BOR	Controls Over Land Inventory	Develop a complete and accurate inventory system that identifies by project all land and land rights.	9/30/05	Carryover
USGS	Unbilled Accounts Receivable and Deferred Revenue Related to Reimbursable Agreements	Implement more effective internal controls through a centralized review and analysis of agreements with abnormal billed and unbilled accounts receivable and deferred revenue balances. Also, enforce current policies and procedures for conducting reviews of agreements.	9/30/04	Carryover
BIA	Financial Reporting Controls	Improve controls and process for financial analysis, transaction entry, and reconciliations. Continue to enhance financial staff resources.	9/30/04	Carryover
BIA	Legal Liabilities	Implement controls and processes to provide complete, timely, and accurate data for contingent liabilities.	9/30/04	Carryover

TABLE 21 CONTINUED

FY 2003 Audited Financial Statements Material Weakness Correction Action Plan				
Bureau	**Material Weakness Description**	**Corrective Action**	**Target Date**	**New Weakness or Carryover from FY 2003**
BIA	Year-End Accruals and Deobligations	Develop and implement policies and procedures to ensure that appropriate accruals and deobligations are recorded in financial management systems.	9/30/04	New
BIA	Controls Over Procurement Activity	Implement controls and processes to improve the timely, accurate, and complete recording of acquisitions. Ensure that documentation complies policies and procedures.	9/30/04	New
BIA	Controls Over Processing Trust Transactions	Improve fiduciary controls over the processing of Trust transactions including segregation of duties, related party transactions, probate backlogs, and appraisal compacts.	9/30/04	Carryover
OST	Reliance on Processing of Trust Transactions in the BIA	Work collaboratively with Departmental offices to monitor progress, ensure timely completion of trust reform initiatives, and fulfill fiduciary responsibility to trust fund beneficiaries.	9/30/04	Carryover
OST	Resolution of Financial Reporting Issues from Prior Periods	Continue to develop issue papers and action plans to address and resolve prior period issues.	9/30/04	Carryover

(SGL), comply with all applicable Federal accounting standards, establish financial management systems that meet government-wide standards and requirements, and support full disclosure of Federal financial data, including the costs of Federal programs and activities.

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

As a result of the material weaknesses and other reportable conditions identified in FY 2003 financial statement audits, Interior concluded that its financial management systems did not substantially comply with all Federal financial management systems requirements and all Federal accounting standards. The Department has reported this non-compliance with the components of the FFMIA.

Information Technology Initiatives

The Department has developed initiatives to correct the material weaknesses in information technology systems as well as ensure compliance with all Federal accounting standards. The corrective actions are targeted for completion between FY 2004 and FY 2005.

Information Technology Security. Interior developed an Information Technology (IT) Security Plan to improve controls over financial and information technology systems, and protect information resources. Substantial progress has been achieved in implementing the plan at both the Department and bureau-levels to date. When completely implemented, the IT Security Plan will bring Interior's financial management and information technology systems into substantial compliance with the requirements of the FFMIA and Appendix III of OMB Circular A-130, "Management of Federal Information Resources."

IT Security Management Structure. Interior's IT Security Management Structure is aimed at providing a framework and a continuing cycle of activity for managing risks, developing and implementing security policies, assigning responsibilities, and monitoring the adequacy of Department and bureau information technology system controls. Bureaus with material weaknesses or vulnerabilities in this area, and the related corrective action plans, are noted in *Tables 21 and 26*.

Segregation of Duties. The Department requires the review and restructuring of employee roles and responsibilities to achieve a higher degree of segregation of duties in information technology system-related operations. Some bureaus have not sufficiently ensured proper segregation of duties for personnel working with information technology systems and applications through its policies, procedures, and organization structures. As a result, key aspects of information system-related operations could be controlled by a single employee, and unauthorized actions or access to assets or records could go undetected. Bureaus with material weaknesses and vulnerabilities in this area, and the related corrective action plans, are noted in *Tables 21 and 26*.

Access Controls. The Department has taken action to secure networks and improve access controls in each of the following areas: network configuration management; password management; monitoring of security audit logs; access to sensitive program files that control computer hardware and sensitive applications; and, other physical security controls. Some bureaus have not yet established sufficiently robust access controls that limit or detect inappropriate access to information technology systems and related resources. Bureaus with material weaknesses and vulnerabilities in this area, and the related corrective action plans, are noted in *Tables 21 and 26*.

Software Development and Change Controls. The Department seeks to assure that appropriate policies, procedures, and operational controls are developed and implemented to prevent unauthorized system, program, or application modifications. Some bureaus do not yet have adequate controls over application software development and change controls for all information technology systems and applications. The bureaus with material weaknesses and vulnerabilities in this area, and the related corrective action plans, are noted in *Tables 21 and 26.*

Service Continuity. The Department provides a framework for all bureaus and offices to: identify critical operations and resources; prioritize data and operations; document emergency processing priorities; provide current backup tapes and files to secure off-site facilities; and, ensure comprehensive Continuity of Operations Plans are established and communicated for all major system applications and operation centers. Some bureaus do not yet have adequate controls in place in all programs and operations to minimize the risk of unplanned interruptions, to recover critical operations, and to protect data should interruptions occur. Bureaus with material weaknesses and vulnerabilities in this area, and the related corrective action plans, are noted in *Tables 21 and 26.*

TABLE 22

FY 2003 GPRA Performance Goal for Implementation of OIG and GAO Audits

Bureau/ Office	Number of Recommendations Meeting GPRA Goal Criteria	Number of Recommendations Implemented Within Planned One Year Target	Percentage Implemention
BIA	19	17	89%
NPS	15	3	20%
FWS	28	23	82%
BLM	18	9	50%
MMS	12	12	100%
OSM	1	1	100%
BOR	28	28	100%
USGS	17	17	100%
OS (Dept)	11	9	82%
PIA (Dept)	9	9	100%
OST (Dept)	3	2	67%
TOTAL	**161**	**130**	**81%**

Federal Accounting Standards and U.S. Standard General Ledger. Interior is striving to fully develop and implement strengthened policies, procedures and controls to ensure that financial statements and related disclosures are prepared in accordance with Federal accounting standards and the U.S. Standard General Ledger, specifically the standards concerning intra-governmental eliminations and real property. The Department consolidated bureau material weaknesses and vulnerabilities in these areas. The related corrective action plans are noted in *Tables 21 and 26.*

Inspector General Act Amendments (Audit Follow-Up)

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

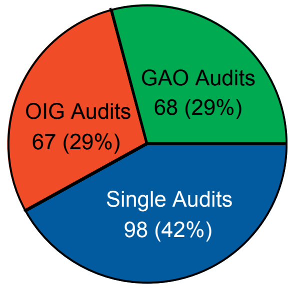
To further demonstrate the importance of timely implementation of OIG and GAO audit recommendations, beginning in FY 2001 Interior established an aggressive annual GPRA performance goal of implementing 75% of all GAO and OIG audit recommendations within one year of the referral of those recommendations to the Department for tracking of implementation. After successfully meeting that goal for the first time in FY 2002, Interior elected to raise the performance goal to 80% for FY 2003.

Interior was able to meet its GPRA performance goal for FY 2003. A composite implementation rate of 81% was achieved (*Table 22*). The primary reason for Interior's success in achieving the GPRA performance goal for the second consecutive year was the aggressive progress monitoring plan implemented at the direction of the Assistant Secretary – Policy, Management and Budget. In addition to the detailed quarterly management control and audit follow-up progress reports submitted by each bureau and office, a monthly summary progress report was implemented to ensure audit recommendation implementation commitments were being met, and that immediate senior management attention was directed to slippage when it occurred. Interior plans to employ the same aggressive progress monitoring plan in FY 2004 to ensure the achievement of its GPRA performance goal.

In FY 2003, Interior monitored a substantial amount of Single Audit, OIG, and GAO audit activity, including 98 Single Audits, 67 OIG audits, and 68 GAO audits (*Figure 29*). Audit follow-up actions included tracking, reviewing, and validating audit recommendations; developing mutually acceptable and timely resolution to disputed audit findings and recommendations; and, monitoring the recovery of disallowed costs.

FIGURE 29

FY 2003 Audit Follow-up Program Workload



Single Audits

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

Reaching Timely Management Decisions on Single Audits

Management decisions (agreement on actions to implement audit recommendations between the bureau and grantee) are expected to be agreed to within six months from receipt of the audit report. If an audit results in disallowed costs, bureaus are responsible for collecting the disallowed costs from the grantees.

During FY 2003, 98 single audits were tracked by the Department. At the end of the year, 86 audits were still pending, of which 34 (40%) had management decision dates less than six months from the date of the audit report.

Collecting and Offsetting Disallowed Costs

As shown in *Table 23*, Interior only closed 12 of 98 (12%) audits in tracking during FY 2003. There was a substantial increase in the number of audits referred for tracking with disallowed costs (62 audits with $47.2 million in disallowed costs) compared to prior years. This was primarily due to the completion of the first cycle of U.S. Fish and Wildlife Federal Aid audit program, and a clearing of the backlog in audits of insular area governments and programs. As a result, the percentage of audits in tracking closed was significantly less than the prior year. However, the $9.9 million in disallowed costs recovered was over 10 times greater than the prior year. The $9.9 million in disallowed costs recovered represented about 18% of total disallowed costs in tracking during the year.

TABLE 23

FY 2003 Summary of Actions Taken on Contract, Grant, and Single Audits with Disallowed Costs

			Number of Reports	Disallowed Costs
(A) Reports on Hand at Beginning of Period			36	$8,237,836
(B) New reports			62	$47,265,309
Total reports in tracking			98	$55,503,145
(C) Final action taken during period			12	$9,911,042
Collected	10	$6,116,677		
Written Off				
Offset	1	$3,407,022		
Reinstated	1	$387,343		
Referred to Treasury for Collection Action				
(D) Reports in progress at end of period			86	$45,592,103
Mgmt Dec < 1 yr old	34	$3,189,903		
Mgmt Dec > 1 yr old	51	$40,232,585		
Mgmt decision under formal appeal	1	$2,169,615		

Internal Audits

Internal audits are audits conducted by the OIG of Interior's programs, organizations, and financial and administrative operations. During FY 2003, 67 audits were being tracked (51 audits carried over from FY 2002 and 16 new audits were referred for tracking during FY 2003), and 21 of those audits were closed (31%). A total of 443 recommendations from OIG internal audit reports were in tracking during the year. For the 46 audits pending at the end of FY 2003, there are 227 recommendations awaiting final implementation action.

TABLE 24

Summary of Actions Taken with Funds to be Put to Better Use (FBU) in FY 2003

			Number of Reports	FBU Dollars
(A) Reports on hand at beginning of report period			2	$14,435,553
(B) New reports received during report period				
Total reports in tracking			2	$14,435,553
(C) Reports closed during report period				
(D) Reports in progress at end of report period			2	$14,435,553
Mgmt dec < 1 yr old				
Mgmt dec > 1 yr old	2	$14,435,553		
Mgmt dec under formal appeal				

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

One category of OIG internal audits is those audits where the OIG presents recommendations to improve efficiency and where funds can be put to better use (FBU audits). Interior tracks the successful implementation of FBU audit recommendations and FBU dollar estimates, which are agreed to by management. As noted in *Table 24*, there was no change in the number of audits or FBU dollars tracked during FY 2003. The two audits carried forward from FY 2002 have recommendations with multi-year targeted implementation dates. In addition, there were no new FBU audits referred to the Department for tracking during FY 2003.

TABLE 25

Summary of Actions Taken on Reports Issued by the GAO in FY 2003

				Number of Recommendations	Number of Reports
In tracking at the beginning of reporting period				58	25
Issued during the reporting period				10	25
Subtotal				68	50
Closed during the reporting period				(11)	(25)
In tracking at the end of the reporting period				57	25
Code	Status of final reports in tracking	No. of Recommendations	No. of Reports		
D1	Management decisions < 1 yr old	16	4		
D2	Management decisions > 1 yr old	41	21		
D3	Mgmt decisions under formal appeal	0	0		

General Accounting Office Audits

GAO audits are a major component of Interior's audit follow-up program workload and cover a variety of programs, operations, and activities. A total of 25 GAO final audit reports were carried over from FY 2002, and GAO issued a total of 25 new final audit reports. The Department was successful in closing 25 of the 50 (50%) audits in tracking during FY 2003, along with 11 recommendations. A total of 25 final audit reports and 57 recommendations were pending at the end of the fiscal year (*Table 25*).

Compliance With Other Key Legal and Financial Regulatory Requirements

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

Based on the results of the FY 2003 independent financial statement audit, Interior was determined to be non-compliant with several legal and regulatory financial requirements, in addition to the Federal Financial Management Improvement Act (FFMIA). *Table 26* presents a summary of the areas of non-compliance, as well as planned corrective actions and target dates.

The Department is continuing to strive to improve performance under the requirements of the Prompt Payment Act and the Debt Collection Improvement Act. The Department's FY 2003 performance in these areas is summarized in *Figure 30* (Prompt Pay), *Figure 31* (Debt Collection), and *Table 27* (Electronic Fund Transfers). In addition, the Chief Financial Officers Act of 1990 requires biennial reviews by Federal agencies of agency fees, rents, and other charges imposed for services and things of value provided to specific beneficiaries, as opposed to the American public in general. The objective of these reviews is to identify such activities and begin charging fees, if permitted by law, and to periodically adjust existing fees to reflect current costs or market value. This minimizes general taxpayer subsidy of specialized services or things of value (such as rights or privileges) provided directly to identifiable non-Federal beneficiaries.

Interior conducted a biennial review of its user fee programs during FY 2003 as required by the Chief Financial Officers Act of 1990. Interior expects all bureaus to submit a summary of their reviews on or before January 15, 2004. Based on preliminary review results, Interior does not expect any significant deficiencies to be reported by the bureaus. The last biennial review was completed in FY 2002 based on FY 2001 performance data.

The results of the FY 2003 consolidated financial statement audit indicated that Interior is not in compliance with the Debt Collection Improvement Act. This non-compliance is primarily attributable to BIA because its eligible delinquent debt represents a significant share (approximately 70%) of the Department's total. The BIA referred approximately 35% of its eligible delinquent debt to Treasury in FY 2003, which negatively impacted the overall performance of the Department (approximately 54%). It is significant to note that by excluding BIA, the Department's total referral performance would be 96%, exceeding the target of 93%.

TABLE 26

FY 2003 Audited Financial Statements Non-Compliance with Laws and Regulations Status Report				
Bureau	**Non-Compliance Description**	**Corrective Action**	**Target Date**	**New Issues or Carryover from FY 2003**
DEPT	Debt Collection Improvement Act of 1996	DOI should establish a process to ensure eligible receivables in all bureaus are referred to the U.S. Department of the Treasury in a timely manner.	9/30/04	Carryover
DEPT	Prompt Payment Act of 1982 (P.L. 97-177)	Ensure that all bureaus correctly enter payment data voucher into FFS in order to properly calculate and pay prompt pay interest due.	9/30/04	New
DEPT	Single Audit Act Amendments of 1996	Improve grantee monitoring processes to ensure compliance with the reporting requirements of the Single Audit Act Amendments.	9/30/04	New
DEPT	Federal Financial Management Improvement Act (FFMIA)	Develop and implement appropriate controls to ensure full compliance with Federal financial management systems, accounting standards, and U.S. standard general ledger at the transaction level.	9/30/04	Carryover
BIA	Single Audit Act Amendments of 1996	Improve grantee monitoring processes to ensure compliance with the reporting requirements of the Single Audit Act Amendments.	9/30/04	New
BIA	Federal Financial Management Improvement Act (FFMIA)	Develop and implement appropriate controls to ensure full compliance with Federal financial management systems, accounting standards, and the SGL at the transaction level.	9/30/04	Carryover
BIA	Prompt Payment Act of 1982 (P.L. 97-177)	Train and monitor employees to ensure that the acceptance dates per the invoice and receiving report are correctly transferred to the payment voucher and that the information should also be correctly entered into FFS.	9/30/04	New
BIA	Debt Collection Improvement Act of 1996	Establish, implement, and monitor policies and procedures addressing debt collection issues to ensure compliance with the Debt Collection Improvement Act.	9/30/04	Carryover
DO	Federal Financial Management Improvement Act (FFMIA)	Develop and implement appropriate controls to ensure full compliance with Federal financial management systems and accounting standards.	9/30/04	Carryover
DO	Single Audit Act Amendments of 1996	Improve grantee monitoring processes to ensure compliance with the reporting requirements of the Single Audit Act Amendments.	9/30/04	New

TABLE 26 CONTINUED

FY 2003 Audited Financial Statements Non-Compliance with Laws and Regulations Status Report				
Bureau	**Non-Compliance Description**	**Corrective Action**	**Target Date**	**New Issues or Carryover from FY 2003**
MMS	Federal Financial Management Improvement Act (FFMIA)	Develop and implement appropriate controls to ensure full compliance with Federal financial management systems and the U.S. Standard General Ledger at the transaction level.	9/30/04	Carryover
FWS	Federal Financial Management Improvement Act (FFMIA)	Develop and implement appropriate controls to ensure full compliance with Federal financial management systems and accounting standards.	9/30/04	Carryover
BLM	Federal Financial Management Improvement Act (FFMIA)	Develop and implement appropriate controls to ensure full compliance with Federal financial management systems and accounting standards.	9/30/04	Carryover
NPS	Federal Financial Management Improvement Act (FFMIA)	Develop and implement appropriate controls to ensure full compliance with Federal financial management systems and accounting standards.	9/30/04	Carryover
NPS	Single Audit Act Amendments of 1996	Develop controls to ensure grantees complete, report on, and implement timely corrective actions for single audits.	9/30/04	New
BOR	Federal Financial Management Improvement Act (FFMIA)	Develop and implement appropriate controls to ensure full compliance with Federal financial management systems and accounting standards.	9/30/04	Carryover
USGS	Federal Financial Management Improvement Act (FFMIA)	Develop and implement appropriate controls to ensure full compliance with Federal financial management systems accounting standards.	9/30/04	Carryover
OSM	Federal Financial Management Improvement Act (FFMIA)	Continue to improve security and internal controls over information technology systems to substantially comply with OMB Circular A-130	9/30/04	Carryover

FIGURE 30

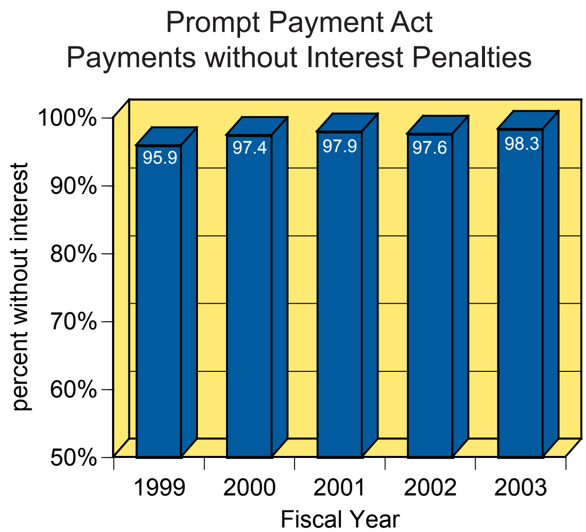


FIGURE 31

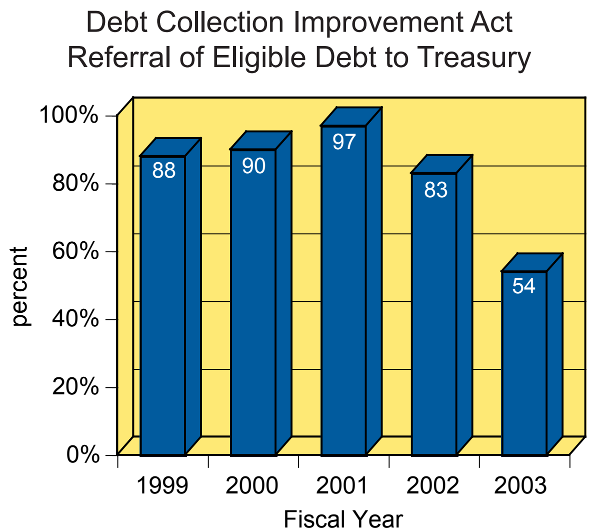


TABLE 27

Electronic Funds Transfer Payments					
Type of Payment	**FY 1999**	**FY 2000**	**FY 2001**	**FY 2002**	**FY 2003**
Salary	97.9%	98.0%	98.6%	98.9%	99.2%
Vendor	61.1%	76.5%	80.6%	84.9%	88.1%
Miscellaneous	83.5%	91.6%	92.8%	93.3%	94.7%

Analysis of Financial Statements

To ensure the integrity of financial operations and the accuracy of financial data, Interior prepares audited financial statements for the Department as well as individual bureaus. The Department's principal financial statements include:

(1) Consolidated Balance Sheet;
(2) Consolidated Statement of Net Cost;
(3) Consolidated Statement of Changes in Net Position;
(4) Combined Statement of Budgetary Resources;
(5) Consolidated Statement of Financing; and
(6) Statement of Custodial Activity.

Table 28 summarizes the objective of each financial statement.

Selected consolidating and combining financial statements are provided to assist in the analysis of key data. The Consolidating Statement of Net Cost is presented in Note 18 (see Notes to Principal Financial Statements); the Combining Statement of Budgetary Resources is presented in the Required Supplementary Information section of this report; and the Consolidating Balance Sheet and Consolidating Statement of Changes in Net Position are presented in the Other Supplementary Information section of this report.

The Department's goal is to achieve an unqualified (clean) audit opinion on its financial statements, without any findings related to deficiencies in internal control of financial reporting or any reported noncompliance with laws and regulations, including Federal Financial Management Improvement Act requirements.

Unqualified audit opinions provide independent, reasonable assurance to the public and other external users that the information being provided is reliable and accurate. The benefits of conducting financial statement audits and obtaining unqualified opinions are twofold. The audits:

- Ensure that quality data is provided to external parties and the public; and

- Ensure that financial documents and records used by management can withstand the rigors of the audit process.

TABLE 28

Federal Financial Statements	
Statement	**Federal Objective**
Balance Sheet	The Balance Sheet is intended to present the Department's financial position—assets, liabilities, and net position—at the statement date.
Statement of Net Cost	The Statement of Net Cost is intended to demonstrate the costs of missions and programs accomplished by the Department for the taxpayer.
Statement of Changes in Net Position	The Statement of Changes in Net Position explains how the Net Cost to the taxpayers for the Department's operations was funded, and reports other changes in equity that are not included in the Statement of Net Cost.
Statement of Custodial Activity	The Statement of Custodial Activity presents financial information related to oil and gas royalties.
Statement of Budgetary Resources	Statement of Budgetary Resources provides information about how budgetary resources were made available as well as their status at the end of the period.
Statement of Financing	The Statement of Financing reports the differences and facilitates the understanding of the differences between the net cost of operations and the obligations of budget authority.

Moreover, the discipline required to produce audited financial statements demands that appropriate management attention be directed to improving financial management and complying with applicable laws and regulation. It also shows external parties and the public how the Department utilizes the resources provided by Congress.

Limitations of Financial Statements

Responsibility for the integrity and objectivity of the financial information presented in the financial statements lies with Interior management. The financial statements and supplemental schedules included in this report reflect the financial position and results of operation of the Department pursuant to the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. While these statements have been prepared from the books and records of Interior in accordance with generally accepted accounting principles (GAAP), the statements differ from financial reports used to monitor and control budgetary resources that are prepared from the same books and records. The financial statements should be read with the realization that Interior is an agency of the executive branch of the United States government, a sovereign entity. Accordingly, unfunded liabilities reported in the statements cannot be liquidated without the enactment of an appropriation and ongoing operations are subjected to enactment of appropriations.

Net Costs of Operations

As shown on the Consolidated Statement of Net Cost, the total FY 2003 cost of Interior operations was $12,239 million, a decrease of $737 million from the FY 2002 cost of $12,976 million (*Table 29*).

The Consolidated Statement of Net Cost is divided into the following six major program segments:

- Protect the Environment and Preserve Our Nation's Natural and Cultural Resources
- Provide Recreation for America
- Manage Natural Resources for a Healthy Environment and a Strong Economy
- Provide Science for a Changing World
- Meet Our Trust Responsibilities to Indian Tribes and Our Commitments to Island Communities
- Reimbursable Activity and Other

Approximately 32% of Interior's total costs are directed toward "Protect the Environment and Preserve Our Nation's Natural and Cultural Resources" while 23% are provided to "Manage Natural Resources for a Healthy Environment and a Strong Economy." Resources devoted to "Meet Our Trust Responsibilities to American Indians and Our Commitments to Island Communities" account for approximately 19% of total costs (*Figure 32*).

Most costs incurred by the Department are directly related to providing services to the public. Costs associated with earning revenue from Federal agencies are approximately 15% of total expenses.

In addition, costs associated with Reimbursable and Other Activities are separately identified (see Revenues section for additional information). During FY 2003, the cost of Interior operations was impacted by an increase in revenue of approximately $1 billion, primarily due to an increase in the client base and contracts for the Franchise Fund operations. During FY 2003, the USGS experienced technical difficulties with a satellite used in operations, which is currently operating in a diminished capacity. The satellite was deemed to be impaired, and as a result, an $81.1 million impairment cost is reflected in the Statement of Net Cost.

TABLE 29

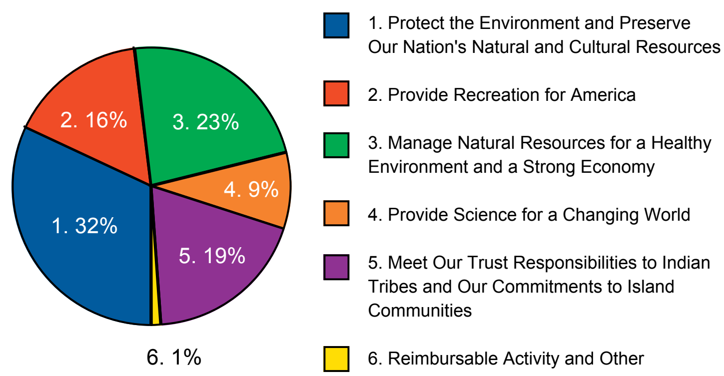
Interior Change in Net Cost of Operations
(millions)

	FY 2003	FY 2002	Change	% Change
Protect the Environment and Preserve Our Nation's Natural and Cultural Resources	$3,848	$3,624	$224	6.2%
Provide Recreation for America	1,944	1,998	(54)	-2.7%
Manage Natural Resources for a Healthy Environment and a Strong Economy	2,773	3,409	(636)	-18.7%
Provide Science for a Changing World	1,108	1,119	(11)	-1.0%
Meet Our Trust Responsibilities to Indian Tribes and Our Commitments to Island Communities	2,305	2,656	(351)	-13.2%
Reimbursable Activity and Other	180	170	10	6.0%
Asset Impairment	81	-	81	-
Totals	$12,239	$12,976	(737)	-5.7%

The Department is routinely subject to various types of litigation. The vast majority of these lawsuits occur in the normal course of business and are reflected in the appropriate program costs. Legal and environmental contingencies are discussed more fully below.

FIGURE 32

FY 2003 Net Cost of Operations



Revenues

In general, Interior's strategic goals are intended to be funded by general government funds derived from tax receipts and other sources. However, other fees and collections are supporting an increasing number of Departmental activities. Federal government revenues are classified as either (1) Exchange Revenue or (2) Non-Exchange Revenue. Exchange revenue occurs when both parties to the transaction receive value (e.g., the government sells maps or other products and services to the public for a price). Non-Exchange Revenue occurs when only one party receives value (e.g., donations to the government from the public or government demands for payment through taxes, fines and penalties). In accordance with Federal accounting standards, only Exchange Revenues are presented on the Consolidated Statement of Net Cost so that the statement reflects, to the extent possible, the net cost to the taxpayer of the agency operations.

Total Interior revenues from the public derive from sales of hydroelectric power, entrance fees at parks and wildlife refuges, sales of maps, and other products and services that are directly related to the operating responsibility of the Department. Revenues collected from other Federal agencies consist of reimbursable revenues from activities such as construction, engineering, and other technical services. In addition to the exchange revenues presented in the Statement of Net Cost, the Department also collects mineral leases revenues on behalf of the Federal government. These are presented in the Statement of Custodial Activity rather than the Statement of Net Cost.

In FY 2003, the Department earned approximately $1,544 million in revenues from the public and approximately $2,318 million in revenue from other

TABLE 30

Interior Costs and Revenues to the Public and Federal Agencies
(in millions)

	FY 2003	FY 2002	Change	% Change
Cost of services provided to the Public	$13,675	$14,194	($519)	-3.9%
Revenue earned from the Public	1,544	1,258	286	22.7%
Cost of services provided to Federal agencies	2,345	1,516	829	54.7%
Revenue earned from Federal agencies	$2,318	$1,475	$843	57.1%

Federal entities for a total of $3,862 million (*Table 30*). This is an increase of about $1,129 million from FY 2002. In FY 2002, approximately $1,258 million was earned in revenues from the public and approximately $1,475 million was earned in revenue from other Federal entities for a total of $2,733 million.

Bureau revenue details include revenue from The Southern Nevada Public Land Management Act (SNPLMA), which was enacted in October 1998 and authorizes BLM to sell public land tracts that are interspersed with or adjacent to private land in the Las Vegas Valley. During FY 2003, BLM had larger land sales than in any previous fiscal year and was able to invest almost $280 million of the proceeds from these sales. Additionally, BLM collected almost $3 million of interest revenue related to the SNPLMA investments. Finally, revenues earned by the Interior Franchise Fund increased by $717 million in FY 2003 as a result of an increase in the Franchise Fund operations.

In addition to earned revenues reported on the Statement of Net Cost, the Department collects various non-exchange revenues. Non-exchange revenues are those such as taxes, fines and penalties which the government collects as a result of its sovereign powers rather than as a result of providing a good or service for a fee. Donations to the Department are also reported as non-exchange revenues. Non-exchange revenue including taxes and donations increased from $1,118 in FY 2002 to $1,159 million in FY 2003.

Revenues earned may either be retained in the Department to further Interior's mission or returned to the General Fund of the Treasury. In either case, these revenues offset the taxpayer's investment in the Department. In FY 2003 and FY 2002, the Department returned $31 and $34 million to the General Fund of the Treasury.

Custodial Mineral Lease Revenues

Mineral leasing revenues reported on the Statement of Custodial Activity totaled $8,247 and $6,593 million in FY 2003 and FY 2002, respectively, and include Outer Continental Shelf and onshore oil, gas, and mineral sales and royalties.

In accordance with Federal accounting standards, these receipts are presented in the Department's Statement of Custodial Activity since the collections are considered to be revenue of the government as a whole rather than of the Department. In FY 2003 and FY 2002, respectively, $2,948 and $2,397 million was distributed to Interior programs, and $5,420 and $4,509 million was distributed to other entities, primarily Federal and State treasuries, and Indian tribes and organizations. The $1,654 million increase between FY 2003 and FY 2002 is primarily due to national and world economic conditions impacting oil and gas production. The distributions to the various Federal and non-Federal recipients are determined by formula and fluctuate in accordance with custodial receipts.

The Department collects a portion of revenue as royalties-in-kind for transfer to the Strategic Petroleum Reserve. The Strategic Petroleum Reserve revenues increased in FY 2003 as Interior received approximately 38.2 million barrels in FY 2003 at the request of the Strategic Petroleum Reserve while Interior only received 11.2 million barrels in FY 2002.

Distributions to Interior programs reported in the Statement of Custodial Activity differ from Royalties Retained reported on the Statement of Changes in Net Position because distributions are reported on a cash basis whereas the Royalties Retained are reported on an accrual basis.

Budgetary Resources

The Department receives most of its funding from general government funds administered by the

FIGURE 33

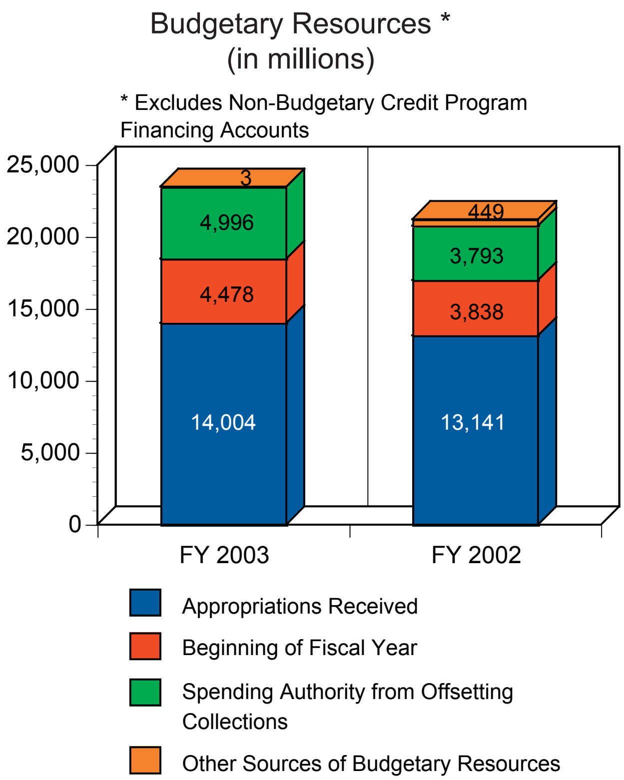
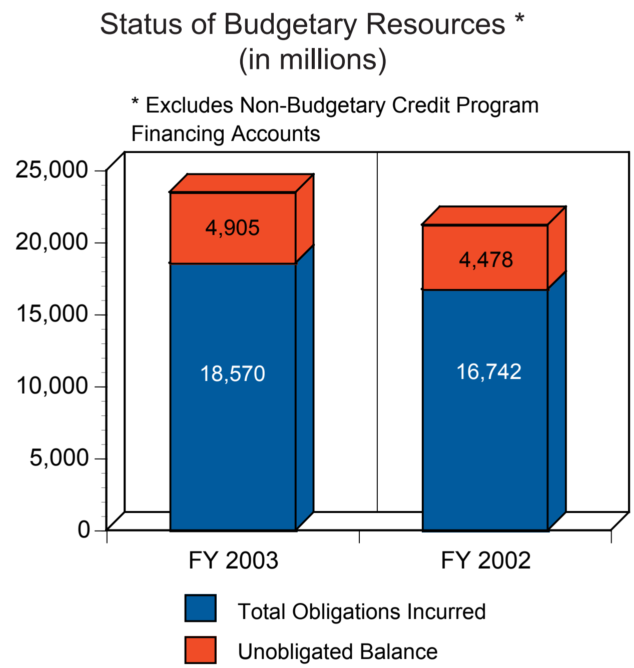


FIGURE 34



Treasury Department and appropriated for Interior's use by Congress. These resources consist of the balance at the beginning of the year, appropriations received during the year, and spending authority from offsetting collections as well as other sources of budgetary resources (*Figure 33*).

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 match expenses for that period.

The Combined Statement of Budgetary Resources provides information on the budgetary resources that were made available to the Department for the year and the status of those resources at the end of the fiscal year. Obligations of $18,570 and $16,742 million were incurred in FY 2003 and FY 2002 on total budgetary resources of $23,475 and $21,220 million, respectively (*Figure 34*). The increase in Total Budgetary Resources is due primarily to an increase in Spending Authority from Offsetting Collections resulting from increased activity in Interior's Franchise Fund. This budgetary information is presented according to budgetary accounting principles 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.

Appropriations Received reported in the Statement of Budgetary Resources differ from Appropriations Received reported in the Statement of Changes in Net Position due to Special and Trust fund appropriated receipts. These are shown as appropriations received in the budgetary statement but are reported based on the nature of the receipt in the proprietary statements as exchange revenue, non-exchange revenue or transfers.

Budgetary and Financial Accounting

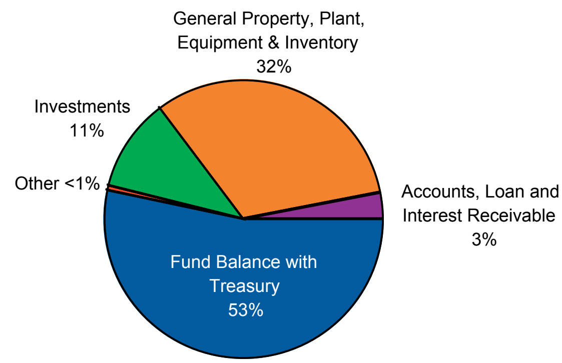
The Statement of Financing reconciles the accrual-based and budgetary-based information. The major factors impacting the FY 2003 Statement of Financing as compared to FY 2002 include an increase in obligations incurred in FY 2003 of $1,830 million, and a decrease in net cost of operations of $737 million. The decrease in net cost of operations occurred because of decreases to liabilities that do not

TABLE 31

Change in Interior Assets (in millions)				
	FY 2003	FY 2002	Net Change	% Change
Fund Balance with Treasury and Cash	$28,698	$26,877	$1,821	6.8%
Investments	5,793	5,488	305	5.6%
Accounts, Loan & Interest Receivable	1,848	2,127	(279)	-13.1%
General Property, Plant & Equipment and Inventory	17,295	17,128	167	1.0%
Other	$332	$337	($5)	-1.3%

FIGURE 35

Types of FY 2003 Assets



require resources in the current period. The largest of these decreases were in environmental and disposal liability and in future expenses for current employees.

Assets

The Consolidated Balance Sheet shows FY 2003 assets totaling $53,966 million, an increase of $2,009 million (3.9%) over the prior year's assets total of $51,957 million. *Table 31* and *Figure 35* summarize the Department's assets reflected in the Consolidated Balance Sheet. Fund Balance with Treasury of $28,698 and $26,877 million and net General Property, Plant, and Equipment and Inventory of $17,295 and $17,128 million stayed constant at approximately 32% of the Department's total assets for both FY 2003 and FY 2002. BOR accounts for approximately 77% of the DOI's Property, Plant and Equipment asset account and consist of diversion and storage dams, hydroelectric power plants, water conveyance facilities, recreational facilities and associated buildings, bridges and roads as well as related construction, maintenance, laboratory and scientific equipment.

A portion of the Fund Balance with Treasury amounting to $19,315 and $18,508 million in FY 2003 and FY 2002, respectively consists of various Conservation Funds and is reported as "restricted" as these funds are not presently available to Interior. Fund Balance with Treasury increased primarily because of an increase in advances from other Federal agencies for the Interior Franchise Fund and Working Capital Fund and because revenues exceeded transfers out and expenses for Reclamation Fund, LWCF, HPF, and AML.

The receivables for MRM decreased by $185 million due to a greater efficiency on the part of MMS to match production records and distribute cash appropriately at the end of FY 2003. Due to the Internet shutdown, there was a larger amount of undistributed cash in FY 2002 because the matching could not be accomplished. When the cash is not distributed, it is returned to Treasury and a corresponding receivable is recorded.

Most of Interior's Buildings, Structures, and Facilities are composed of dams and power and irrigation facilities managed by the Bureau of Reclamation. The remainder consists of buildings and other structures and facilities used in the Department's operations (e.g., visitor centers, fish hatcheries, and Bureau of Indian Affairs schools).

Interior's reported values for Property, Plant, and Equipment (PP&E) exclude stewardship property, such as land for national parks and national wildlife refuges, public domain land, historic buildings, and national monuments. These stewardship assets are priceless and do not have an identifiable financial value; therefore, monetary amounts cannot be assigned to them. An in-depth discussion of these assets is presented in the Required Supplementary Stewardship Information section of the report.

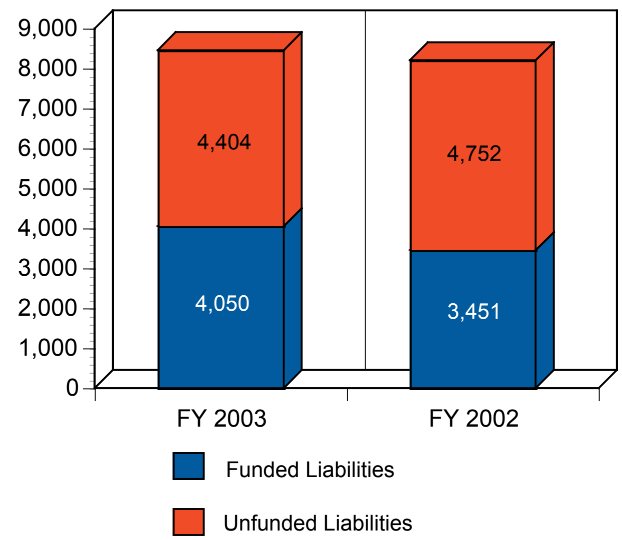
The Bureau of Reclamation, through the Reclamation Fund finances certain capital investment and operation and maintenance activities of the West-

TABLE 32

Change in Interior Liabilities (in millions)				
	FY 2003	FY 2002	Net Change	% Change
Accounts Payable	$1,033	907	126	13.9%
Accrued Payroll and Benefits	620	740	(120)	-16.2%
Debt	1,364	1,455	(91)	-6.2%
Advances & Deferred Revenue	1,238	597	641	107.2%
Custodial Liability	763	818	(55)	-6.7%
Aquatic Resource Amounts Due to Others	390	371	19	5.0%
Federal Employ-ees Compensation Act Liability	712	659	53	8.2%
Environmental, Legal & Contin-gent Liabilities	893	1,261	(368)	-29.2%
Other Liabilities	1,441	1,395	46	3.3%
Total	$8,454	$8,203	$251	3.1%

FIGURE 36

Funded and Unfunded Liabilities
(in millions)



ern Area Power Administration, a component entity of the Department of Energy. Western recovers the capital investment, associated interest, and other costs through power sales to the public, and deposits these recoveries back into the Reclamation Fund. The Bureau of Reclamation currently accounts for these appropriated transfers from the Reclamation Fund to Western as transfers to the Department of Energy, which are on the Consolidated Statement of Changes in Net Position in accordance with SFFAS No. 7 "Accounting for Revenue and Other Financing Sources," and using current Treasury Standard General Ledger guidance. The Department of Energy, however, views these payments as a loan from the Reclamation Fund. Net transfers between the Bureau of Reclamation and the Western Area Power Administration totaled $34,095 for FY 2003.

During FY 2003, OMB began a project to review the accounting and reporting of these types of appropriated transfers and plans to submit its findings and recommendations to the Accounting and Auditing Policy Committee (AAPC) of the Federal Accounting Standards Advisory Board for interpretation and guidance in FY 2004. The conclusions of the AAPC may require a change in accounting and reporting for these transactions.

Liabilities and Net Position

Total liabilities of $8,454 million are shown on the Department's Consolidated Balance Sheet, representing an increase of 3.1% over liabilities of $8,203 million from the prior year. *Table 32* and *Figure 36* summarize the Department's liabilities reflected in the Consolidated Balance Sheet. Federal agencies by law cannot make any payments unless Congress has appropriated funds. The Department's "Funded Liabilities" are expected to be paid out of funds currently available to the Department. The Department's unfunded liabilities consist primarily of legal and environmental contingent liabilities and unfunded annual leave, and will be paid out of funds made available to the agency in future years. However, under accounting concepts, these are considered to be expenses recognized in the period in which the liability is established, regardless of budgetary funding considerations.

The primary reason for the increase in advances and deferred revenue is due to the procurement function at Fort Huachuca, which had a large increase in customer orders during FY 2003. Due to the war in Iraq, there were increased requirements from DOD and the Defense Advanced Research Project Agency, which resulted in advance payments

TABLE 33

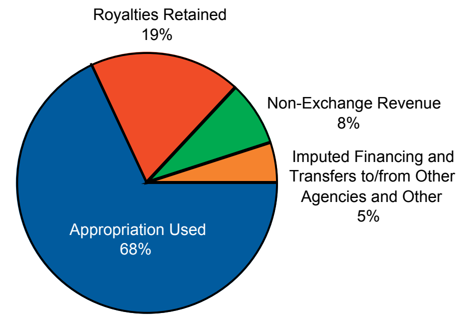
Change in Financing Sources Cumulative Results of Operations (in millions)				
	FY 2003	FY 2002	Change	% Change
Appropriations Used	$9,520	$9,211	$309	3.3%
Royalties Retained	2,583	2,541	42	1.6%
Non-Exchange Revenue	1,159	1,118	41	3.7%
Imputed Financing and Transfers to/from Other Agencies & Other	654	886	(233)	-26.2%
Total	$13,915	$13,756	$159	1.2%

from contracts. There were also increases with GSA due to the E-government initiative.

Contingent liabilities include Interior's potential responsibility for cleanup of contaminated sites and legal claims brought against the Department. The Department's liability for financial statement purposes for environmental cleanup is for sites where the Department either caused contamination or is otherwise involved in such a way that it may be legally liable for some portion of the cleanup, and the environmental cleanup liability is probable and reasonably estimable. There are also numerous sites, including abandoned mines and illegal waste dumps, where parties have caused contamination on lands managed by the Department. Although such hazards do not constitute liabilities under Federal accounting rules, the Department will often, in its stewardship capacity, correct the environmental hazard. Wherever feasible the Department will continue to initiate collection efforts against the responsible parties. As of September 30, 2003, the Department has recognized $121 million for potential environmental cleanup liabilities and $772 million related to other claims and litigation. In addition to amounts recognized in the financial statements, the Department has a number of claims against it where the potential exposure to the Department cannot be estimated. These matters include claims related to the Department's management of Indian Trust Funds, explained in more detail at Note 15.

FIGURE 37

FY 2003 Financing Sources



Contingent liabilities decreased due to the settlement of one large case and the change in likelihood of loss from probable to remote for another case. These two cases decreased the liability by approximately $300 million. The liability for estimated environmental cleanup costs decreased as a result of cleanup efforts and decreases in estimated remaining cleanup costs.

The Department's Net Position at the end of FY 2003 on the Consolidated Balance Sheet and the Consolidated Statement of Changes in Net Position was approximately $45,513 million, an increase of about $1,759 million or 4.0% from the prior year.

The Net Position of the Department consists of two components: (1) Unexpended Appropriations of $3,929 million and (2) Cumulative Results of Operations of $41,584 million.

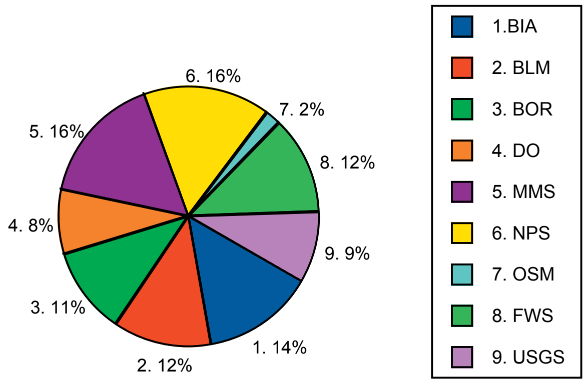
Results of Operations

The Consolidated Statement of Changes in Net Position presents, on an accrual basis, the changes to the net position section of the balance sheet since the beginning of the fiscal year. *Table 33* and *Figure 37* shows the financing sources of $13,915 and $13,756 million received by the Department during FY 2003 and FY 2002. The Consolidated Statement of Net Cost reflects, on an accrual basis, revenue and expenses by bureau. *Figure 38* illustrates total expenses of $16,020 and $15,709 million by bureau in FY 2003 and 2002.

Transfers In/Out Without Reimbursement reflect the transfer of the Landsat 7 satellite that occurred in FY 2002 in the amount of $257 million. During

FIGURE 38

FY 2003 Cost by Bureau



FY 2003, the satellite experienced technical problems and is currently operating in a diminished capacity which reduced its value by $81.1 million. This reduction, in addition to normal depreciation brought the satellite's book value to $75.7 million for FY 2003. In addition, BLM's FY 2003 receipts from the National Park Service's Land and Water Conservation Fund was approximately $70 million less than in FY 2002. Additionally, the National Park Service's transfers of unobligated balances related to fire suppression were reduced by $156 million in FY 2003 because the FY 2003 transfers were from current budget authority and unobligated balances brought forward.

Stewardship Assets

Interior is the Federal government's largest land-controlling agency, administering over 500 million acres of America's land mass and serves as steward for the natural and cultural resources associated with these lands. Parks and historic sites are the predominant categories of stewardship lands administered by the Department. Approximately 437 million acres of the 500 million acres are considered stewardship land. The 437 million acres do not include approximately 11 million acres of non-Federal land that cross or adjoin Interior-managed lands. Additional resources for which the Department has stewardship responsibility are natural heritage assets such as the national wilderness preservation system; national wild and scenic rivers; national natural landmarks and paleontological sites; cultural heritage assets, such as historical structures; cultural landscapes; archaeological sites; and stewardship lands.

The Stewardship assets managed by the Department tend to be constant from year to year, experiencing slight net increases due to new acquisitions (*Table 34*). Stewardship assets are discussed in the Required Supplementary Stewardship Information section of the report.

TABLE 34

Stewardship Land

	Beginning Acres	Additions	Withdrawals	Ending Acres
BLM	261,457,325	849,729	(356,676)	261,950,378
NPS	79,042,247	418,591	(618,014)	78,842,824
FWS	90,120,000	144,000	0	90,264,000
BOR	5,801,369	59,785	0	5,861,154
BIA	204,949	1,965	(1,709)	205,205
Other	12,140	241	0	12,381
Total	436,638,030	1,474,311	(976,399)	437,135,942

Stewardship Investments

Stewardship investments, as defined for Federal financial reporting, represent expenses charged to current operations that nevertheless are expected to benefit the Nation over time. The Department's Stewardship Investments include research and development programs, investment in education, and the purchase or construction of assets for which State, local or tribal governments and insular areas retain title. Stewardship investments are summarized on *Table 35*. Changes in the investments from FY 2002 to FY 2003 are due primarily to reduced funding available of stewardship investments.

TABLE 35

Stewardship Investments (in millions)

	FY 2003	FY 2002	Change	% Change
Non-Federal Physical Property	$645	$748	($103)	-13.8%
Research and Development	945	1,060	(115)	-10.8%
Human Capital	621	677	(56)	-8.3%
Totals	$2,211	$2,485	($274)	-11.0%