

# **U.S. Department of the Interior**



## **Fiscal Year 2003 Annual Report on Performance and Accountability**

*November 28, 2003*

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*An electronic version of this document is available on the Internet at [www.doi.gov/pfm/par2003](http://www.doi.gov/pfm/par2003). The Department of the Interior's strategic and performance plans are available at [www.doi.gov/ppp/gpra](http://www.doi.gov/ppp/gpra).*

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## Message from the Secretary



No matter what you do or where you live in the United States, the Department of the Interior touches your life.

We are stewards of the Nation's treasures, conserving lands and waters and preserving natural and cultural resources. We provide the parks, refuges, and recreation areas for your enjoyment, manage many of the Nation's natural resources, expand natural sciences, and take care of America's trust responsibilities to native peoples. Our responsibilities range from petroglyphs to satellites.

Fulfilling those broad mission goals is an increasingly complex responsibility, as this, our Fiscal Year 2003 Performance and Accountability Report, makes clear. The financial and performance data presented in this report are fundamentally complete and reliable as outlined in the guidance available from the Office of Management and Budget. This report also presents the status of the Department's compliance with certain legal and regulatory requirements. The annual assurance statement required by the Federal Managers' Financial Integrity Act (FMFIA) concludes that, with the exception of the Department's concerns regarding the controls over Indian Trust Funds and other material weaknesses reported herein, the Department can provide qualified assurance that its systems of management, accounting, and administrative controls, taken as a whole, meet the objectives specified in Section 2 of the FMFIA. It also concludes that the Department does not fully comply with applicable Federal financial management systems and accounting standards or U.S. Standard General Ledger reporting requirements as specified in Section 4 of the FMFIA.

The FY 2003 Performance and Accountability Report tells many stories. It is a gauge of the Department's successes and shortcomings over the past year, measured against 323 different targets. It is the way we judge ourselves, and the way we expect to be judged by the American public. Moreover, it shows the Department in a broader perspective as well, both looking forward and looking back. It highlights the trends and describes the forces of change that are adding to mission complexity.

The report illustrates how the Department's performance is driven by shared values. Our vision for effective stewardship centers on the "4 Cs"—communication, consultation, and cooperation, all in the service of conservation. The better we communicate, consult, and cooperate with the American people, the better we can serve our shared conservation mission. Serving with excellence requires a management focus that provides value to those who receive our services, maintains accountability, modernizes our operations, and integrates our activities to avoid duplication and reduce costs.

FY 2003 was marked with several significant accomplishments by the 70,000 men and women of Interior. We built 4 Cs partnerships inside and outside the Department, among bureaus and with other agencies and other levels of government, with private sector and advocacy groups, and with thousands and thousands of individual interested citizens. We expanded the Vital Signs Monitoring Project of the National Park Service, organizing 270 park units into 32 monitoring networks that track key indicators of change or "vital signs" occurring on park lands. We revived the Take Pride in America program, reaching out to focus public attention on volunteer opportunities for citizen stewardship. We unveiled a draft of the new scientific code of conduct to ensure that the research and science we use have been developed with the highest possible standards. We continued to innovate, building greater efficiencies for everything from facilities maintenance to

resource exploration and development coordination. We continued to work together, to improve our law enforcement, public safety, and homeland security capabilities.

FY 2003 was marked as well by a new focus on the future, and a new strategic plan to meet it. Almost two years in the making, our new plan brings all of our mission responsibilities together in an integrated blueprint for success. It aligns bureau responsibilities under four major mission goals and places a strong new emphasis on results and performance measurement. It will be implemented in the same manner that it was developed, using the 4 Cs.

At a time when the Department's responsibilities have never been greater and its management challenges never more demanding, this strategic plan offers clear guidance for the road ahead, as I believe next year's Performance and Accountability Report will show.

Our responsibilities and challenges will continue to grow in the years ahead. Continued success will demand continuous performance improvement and a steady stream of innovation. We look forward to that work, and continuing to serve the American people.

A handwritten signature in cursive script that reads "Gale A. Norton". The signature is written in black ink and is positioned above the printed name and title.

Gale A. Norton  
Secretary of the Interior

*November 28, 2003*

# Message from the Chief Financial Officer



This FY 2003 Performance and Accountability Report summarizes efforts of the Department of the Interior and its approximately 70,000 employees to protect and manage the Nation's natural and cultural heritage, provide scientific and other information about those resources, and honor special responsibilities and commitments to American Indians, Alaska Natives, and affiliated island communities. Through this report, we share with you our efforts to improve our accountability and performance consistent with the Department's Performance Plan, provide a discussion of our accomplishments and most serious challenges, and present our audited financial statements.

We are committed to excellence in mission performance, efficiently using the resources entrusted to us in accordance with applicable laws and regulations. A key to management excellence is the accelerated implementation of the President's Management Agenda, which establishes five governmentwide goals for delivering results that matter to the American people. Although we currently still have "reds" on status on the Office of Management and Budget scorecard, we have consistently been "green" on progress for competitive sourcing and strategic management of human capital. With the launch of activity-based cost management throughout the Department, the completion of our strategic plan, and better demonstration of how we are using performance information in our internal budget formulation process, we anticipate improvement on budget and performance integration. After making considerable progress in dealing with long-standing financial management issues, we have achieved "yellow" on financial management improvement. We have also shown improvement on the E-government front by achieving "yellow" for progress in implementation.

The linchpin that integrates Interior's budget, performance, and financial information is the Department's first-ever overarching strategic performance plan. Finalized in September 2003, it organizes our goals and Department-level performance measures into four new mission areas, with bureau inputs, outputs, and actions linked to these measures. The plan replaces eight distinct bureau plans with a single, cohesive framework supplemented by bureau plans that tier from this framework. The new mission areas and measures will be reflected in next year's Performance and Accountability Report (PAR).

In FY 2003, the Department met or exceeded 66% of the 323 performance measures monitored. Four percent of our measures were not reportable because of insufficient data at this time. Performance information for these measures will be reported in the FY 2004 PAR.

The Department continues to achieve audit success. For a seventh straight year, we received an unqualified ("clean") audit opinion on our consolidated financial statements. Moreover, all nine Interior bureaus and offices audited by the independent accounting firm received unqualified audit opinions. We are also proud to report that in FY 2003, the Department received the Association of Government Accountants prestigious Certificate of Excellence in Accountability Reporting award for its FY 2002 PAR. This is the third year in a row that we have received this award.

Realizing that sound financial management is a basic building block of good government, the Department has taken steps to ensure that it meets new quarterly financial statement reporting requirements as well as the accelerated due date for completing the annual financial statement audit. Specifically, we have developed a Financial Management Transformation Plan that will (1) link planning and budget with perfor-

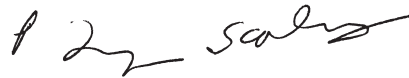
mance results; (2) perform efficient, reliable transaction processing; and (3) focus on analyses of data to provide managers and employees with timely, reliable information for delivering services to the public.

In FY 2003, we aggressively implemented the first phase of this transformation process by focusing on key areas such as revising policies and processes to improve financial operations; reducing vulnerability to unauthorized access, use, or loss of sensitive information in our financial management systems; implementing revised financial guidance and processes to meet accelerated deadlines for financial reporting; and addressing internal control findings and non-compliance issues reported in the FY 2002 audit reports.

A key to the long-term vigor of Interior's financial management infrastructure lies with the implementation of the Financial and Business Management System (FBMS) proposed in the President's FY 2004 budget. FBMS will enable us to consolidate or retire aging and non-supported systems and deliver financial and business information in a cost-effective and efficient manner.

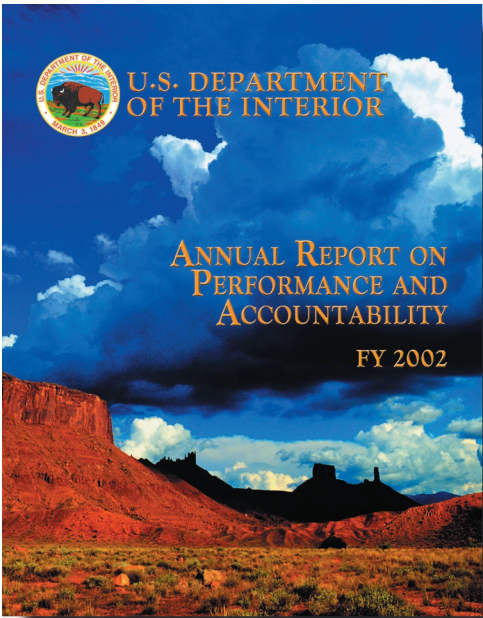
The resolution of audit weaknesses is critical to maintain integrity and accountability in the Department's programs and operations. Interior corrected or downgraded 21 of the 34 material weaknesses carried forward from FY 2002. The Department has 16 material weaknesses to address during FY 2004, including 2 new material weaknesses identified in FY 2003. Our plans provide for correcting 13 of the 16 material weaknesses by the end of FY 2004 and the remaining 3 material weaknesses during the next fiscal years.

We are pleased with the improvements we have made during the past year, but we recognize that more can be accomplished to meet Interior's mission. Through the collaborative and dedicated efforts of Interior's employees, we will strive to achieve our planned goals as well as report on the results in a timely and accurate manner.



P. Lynn Scarlett  
Chief Financial Officer

*November 28, 2003*



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# From Mission to Measurement: How to Read this Report

The Department of the Interior's FY 2003 Annual Report on Performance and Accountability will reach many people who have specific needs for the information it contains. We have designed our presentation to serve multiple audiences, with varied approaches, points of view, and levels of detail.

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

*Part 1: Management's Discussion and Analysis* is a high-level overview of the Department's performance in FY 2003. It is designed for interested citizens and customers, members of the public, and officials from Federal, state, and local government—anyone who does not need the full detail of each individual bureau's performance results.

After a brief discussion of the changing challenges to 21st century mission performance, Part 1 details each of the Department's six strategic goals identified in our FY 2002-2005 Strategic Plan and summarizes the relevant one- and five-year performance results. Related best practice examples highlight how the Department's vision and values translate into action in the field, followed by a look at departmental plans moving forward.

Part 1 also discusses the Department's compliance with legal and regulatory requirements, including the Federal Managers' Financial Integrity Act (FMFIA), the Federal Financial Management Improvement Act (FFMIA), Inspector General Act Amendments (Audit Follow-up), biennial review of user fees, and other key legal and regulatory requirements. An analysis of financial statement data concludes this part of the report.

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

**Part 3: Performance Section** presents Interior's performance results in comprehensive detail. This section charts all bureau performance targets as tied to the Department's long-term and strategic goals. It compares FY 2003 planned activities with FY 2003 actual results, explaining in each case why performance exceeded or fell short of plans. This level of detail will be most useful to members and staff in the Congress, program examiners with the Office of Management and Budget (OMB), analysts with the Office of the Inspector General (OIG) and General Accounting Offices (GAO), and interested citizens and customers.

*An important note:* Beginning in 2004, Federal agencies are required to publish their Performance and Accountability Reports by November. The Department of the Interior decided to publish its FY 2003 Report on Performance and Accountability by that November deadline, beginning this year—one full year ahead of the mandated requirement. Due to this early reporting goal, many of the performance data results discussed in this chapter and in Part 1 are estimates and not final results. Final performance data will be provided in a supplemental report in the third quarter of FY 2004.

*A Word About Data Validation and Verification ("Data V&V"):* In January 2002, the Department issued a memorandum requiring that a Data V&V process be put in place and used effectively by all offices collecting and reporting performance data. Data V&V guidance, developed in cooperation with Department bureaus and offices including the Office of the Inspector General, was issued with the memorandum. The guidance is considered a tool for effectively elevating Data V&V procedures to an acceptable functional level or for detecting potential problem areas in well-established Data V&V systems. During the course of FY 2004, bureau and office Data V&V implementation will be evaluated.

Accelerated reporting schedules for annual performance data for FY 2003 and FY 2004 reinforced the need for adequate Data V&V. Special attention will be given to data limitations and to documentation of methodologies used to estimate year-end performance results where data are incomplete and/or where sufficient time did not exist for adequate data verification.

*A Word About Data Completeness and Reliability:* Although the advanced reporting date will result in an increased incidence of estimated performance data, the Department fully expects to have complete data for all reported FY 2003 measures before mid-FY 2004. Managers continue to use performance data for fiscal and programmatic decision-making without reservation. For these reasons, the FY 2003 performance data are considered complete and reliable.

**Part 4: Independent Auditors' Report** contains an assessment of the Department's consolidated financial statements by an independent certified public accounting firm. The objective of a financial statement audit is to determine whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by management, as well as an evaluation of the overall financial statement presentation.

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

**Part 5: Appendices** contains an organization chart for the Department, a glossary of acronyms, and a list of figures and charts.

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

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