

PART 4.
OTHER
ACCOMPANYING
INFORMATION

Improper Payments Information Act Reporting Details

Description of the Risk Assessment Process

Initial reviews of all programs conducted in FY 2004 resulted in no programs were determined to be risk-susceptible for making significant improper payments based on the threshold set by OMB. As a result, OMB permitted Interior to review programs in excess of \$100 million for FY 2005. During FY 2006, managers conduct risk assessments of all programs (meeting OMB's definition of "program") over \$100 million in planned annual outlays to determine if any of these programs were risk-susceptible for making significant improper payments.

Recovery Audits

Toward the end of FY 2003, the Department selected PRG Schultz to perform recovery audit services. PRG Schultz started working with the Office of the Secretary and performed a pilot effort to set up its program. By the end of FY 2004, all bureaus of the Department had issued a Task Order engaging PRG Schultz to perform recovery auditing services. In FY 2006, all of the Department's bureaus performed recovery audits. Table 4-1 summarizes Interior's recovery audit activities as of September 30, 2006

TABLE 4-1

FY 2006 Recovery Audit Activities							
Amount of Payment Errors	Amount Deemed Not Recoverable	Amount Recovered	Amount Pending Resolution	Found by Internal Agency	Found by Recovery Auditor	Agency Costs	Amount Earned by Contractor
\$4,407,345	\$3,267,756	\$505,743	\$634,926	Not tracked	\$505,743	Not tracked but very minimal	\$101,149

Conclusion

The result of the risk assessments performed in FY 2006 reaffirmed that none of the programs reviewed pose a high-risk of making significant improper payments. (A summary of the programs reviewed can be found in the Management Discussion and Analysis portion of this report.) Interior will continue to use all cost effective means to keep improper payments to a minimum and pursue recovery when an improper payment is identified.

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Figure 4-2 Summary of Major Management Challenges Facing Interior

Major Management Challenge	Description	New or Carryover from FY 2005	Interior Actions to Date	Status at end of FY 2006
<p>Financial Management Budget and Performance Integration</p>	<p>Sound financial management is critical to providing accurate financial information, managing for results, and ensuring operational effectiveness. Although DOI has made some progress, internal control weaknesses continue to hinder the Department's financial management systems.</p> <p>The Department began implementing FBMS in FY 2005 and planned to have it fully implemented by the end of FY 2008. However, DOI removed the original contractor and brought in a new contractor which caused the implementation date to be moved from FY 2008 to FY 2011.</p> <p>Better budget and performance integration is essential to results-oriented management and efficient allocation of scarce resources among competing needs. The variety and number of programs within DOI makes budget and performance integration particularly difficult.</p> <p>From 2002 to 2005, OMB assessed 63 DOI programs, reflecting over \$9 billion dollars in annual budget authority. Of these, only 5 were rated "Effective," and OMB was unable to determine whether 23 of the programs reflecting nearly half of the assessed spending, were performing satisfactorily due to the lack of reliable performance information. Thirty-eight percent of the DOI program ratings published in 2006 were "Results Not Demonstrated." DOI needs to continue to focus on developing useful performance measures.</p>	<p>Carryover</p>	<p>In FY 2006, the Department of the Interior executed the re-procurement for Financial and Business Management System (FBMS) System Integrator support following the severing of its relationship with the original System Integrator on September 29, 2005. Throughout the FY work continued on FBMS Deployment 2 to provide core financial functionality, financial assistance integration, portal access and navigation, and Enterprise Management Information System capabilities at the Office of Surface Mining and the Minerals Management Service. Deployment 2 is scheduled for release in early FY 2007.</p> <p>DOI began implementing FBMS in FY 2005 and completed the first phase of the project in April 2005 with the launch of the financial assistance module for grant and cooperative agreement programs at MMS, OSM and selected programs at FWS. DOI selected the National Business Center (NBC) to host FBMS, established the training and production infrastructure and completed system Certification and Accreditation for the financial assistance deployment. DOI also updated the FBMS requirements, began configuration of the FBMS core systems and key departmental interfaces and completed initial testing of the core system configurations. The vision and goals of the project remain the same. DOI is currently revising the implementation timelines and related schedules for the project.</p> <p>The OIG's letter to the Secretary focuses only on the Program Assessment Rating Tool (PART) which is one element of a comprehensive suite of budget and performance integration initiatives at DOI. Previous PART evaluations for programs such as BLM habitat restoration and FWS migratory bird program have enabled DOI to seek additional funding. PART evaluations for BLM's oil and gas program and land and realty management have also led to budget proposals that seek greater cost recovery. The Department's recent experience with the PART process indicates an increase in more favorable ratings.</p> <p>The range of activities under budget and performance integration include integrating the performance and budget processes, so that performance targets are documented in budget estimates; extending activity based costing to relate financial information to both performance goals and measures; and emphasizing budget and performance information to improve management decisions. For example, bureaus such as BLM use activity based costing information to allocate funds across the regions. The Department continues to pursue budget and performance integration in accordance with the goals agreed to with OMB. Such efforts will be continuing to better integrate performance and budget planning.</p>	<p>Ongoing</p>

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Information Technology	<p>DOI's Information Technology (IT) Security Program has seen increased management awareness, involvement, focus, and funding since the enactment of the Federal Information Security Management Act (FISMA) in 2002, significant weaknesses remain in the DOI IT Security Program.</p> <p>Our 2006 evaluation of DOI's computer network, the Enterprise Services Network (ESN), found that the foresight and planning devoted to ESN network security demonstrate a solid understanding of security best-practices. However, application security, a bureau responsibility, continues to present attackers with targets of opportunity. The ESN has no control over these applications or the networks that make them accessible to the public. Until this area is addressed, ESN cannot provide the level of security promised by the Chief Information Officer.</p> <p>We conducted external penetration tests of information systems managed by the Minerals Management Service (MMS), U.S. Fish and Wildlife Service (FWS), National Business Center (NBC), and Office of Surface Mining (OSM).</p> <p>Our evaluation of DOI's Plan of Action and Milestone (POAM) process — which helps plan, implement, evaluate, and document actions needed to address deficiencies in information security policies, procedures, and practices — found that the POAM process still has a number of areas needing improvement. For example, the Office of the Chief Information Officer has yet to provide an automated POAM solution for DOI.</p>	Carryover	<p>Interior was able to make significant progress in improving and strengthening its overall security posture during FY 2006. The following milestones were achieved:</p> <ul style="list-style-type: none"> • All bureau networks were connected to the Enterprise Services Network (ESN). Also, management of bureau networks was consolidated by transferring management responsibilities to the ESN Network Operations and Security Center (NOSC). • Major network backbone nodes and circuits were migrated to a vendor provided service, which increased overall network performance and security. A consolidated, centrally managed remote access solution was developed which supports work-at-home initiatives and continuity of operations. As a result, stronger network perimeter security is achieved for all bureaus and offices within DOI. • Extensive penetration testing was performed on all bureau networks. Robust network perimeter vulnerability scanning was also implemented. These activities provide for ongoing, proactive monitoring and improvement of Interior's IT security posture. • Quality reviews of 54 Certification and Accreditation (C&A) packages for bureau systems were conducted to ensure compliance with appropriate standards and to establish a consistent level of quality in the C&A documentation of interior systems. • Increased overall awareness of IT security issues by delivering security awareness training to 98% of employees. • Sixty-one percent of employees having significant IT security responsibilities received specialized role-based security training. • In order to ensure consistent interpretation and application of regulatory guidance, on-site FISMA compliance reviews of all bureau and office IT security programs were conducted. • DOI remained free of significant data losses, breaches of confidentiality or significant contamination due to cyber attacks or malicious code. • Continued integrating IT security program with Enterprise Architecture (EA), IT Capital Planning and Investment Control (CPIC) and consolidated operations. A streamlined governance process with clearer roles and decision-making authority has been established. The Interior Enterprise Architecture (IEA) program was rated #1 by OMB across the federal government for two rating cycles in a row. In order to receive a "Green" rating by OMB, agencies must be rated a level 3 for "Completion, Use and Results" of their EAs. DOI's scores for the 2006 rating are: Completion - 4.5; Use - 4.2; and Results - 3.7. <p>For FY 2007, DOI has identified the following priorities to be addressed in the IT Security program:</p> <ul style="list-style-type: none"> • Continued improvement in: <ul style="list-style-type: none"> o C&A documentation and execution process; o POA&M process; o Security configurations in accordance with Security Technical Implementation Guides (STIGs); and o IT Systems Inventory processes. • C&A revisions to address OMB requirements for protection of Personally Identifiable Information 	Ongoing

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Health, Safety, and Emergency Management	<p>Annually, DOI has over 475 million visits to national parks, Bureau of Land Management (BLM) recreational sites, wildlife refuges, and Bureau of Reclamation (BOR) recreation sites. DOI must protect hundreds of millions of visitors, employees, and volunteers, thousands of facilities, and millions of acres of property from both internal and external threats. The physical isolation of some DOI lands and facilities increases their vulnerability to threats and inhibits DOI's response time. DOI's Office of Law Enforcement, Security, and Emergency Management (OLESEM) continues to struggle with its role involving policy and oversight of bureau law enforcement, security, and emergency management programs.</p> <p>In FY2006, we examined DOI and bureau progress in implementing 25 Secretary Directives issued in 2002 for law enforcement reform, including creating senior-level law enforcement and security positions, implementing a formal budget review process, and developing Department-wide law enforcement, security, and emergency management policies. Our review revealed that after nearly 4 years, the Department and bureaus have only fully implemented 9 of the 25 directives. In addition, the bureaus have not sufficiently addressed accountability issues stemming from non-law enforcement managers supervising law enforcement positions.</p>	Carryover	<p>The Secretary's law enforcement reforms encompassed 25 subject areas, with a total of 61 individual directives. The OIG's April 2006 progress report showed 35 of those directives as "fully implemented," 23 with "moderate progress," and only three with "inadequate progress." In fact, there has been substantial progress in these last three areas, to include the following:</p> <ul style="list-style-type: none"> • OLESEM completed a comprehensive revision of all law enforcement policies in December 2004. Because of the lengthy process required for legal review, OLESEM has prioritized the numerous chapters of the Law Enforcement Handbook and has issued policy guidance as the legal review for each chapter is completed. • OLESEM has undertaken a comprehensive revision of all security policies and has issued numerous manual changes and other policy guidance. The Department has created a Security Advisory Council, consisting of Security Directors from all bureaus and offices, to develop and review security policy. OLESEM has completed security reviews of all Departmental critical infrastructure and key resources. • OLESEM developed comprehensive policies to address Serious Incident Reporting and Internal Affairs. It created a Senior Incident Review Group (SIRG) consisting of the Director, OLESEM, and the Law Enforcement Chiefs for all DOI bureaus. The SIRG reviewed several incidents and issued detailed reports, approved by the Deputy Assistant Secretary, to address training and other needs. As noted in the OIG progress report, OLESEM has also implemented an automated Case Tracking System for internal affairs matters. <p>The Department is continuing to aggressively implement these directives and all others that have not been fully implemented. With respect to accountability for non-law enforcement managers who supervise law enforcement positions, these managers are subject to investigation by internal affairs investigators to the same extent as law enforcement officers themselves. In addition, the bureaus have fully embraced the need for all such managers to undergo a background investigation and receive comprehensive "Law Enforcement for Managers" training. Each bureau that allows supervision of law enforcement officers by non-law enforcement managers (BLM, BOR, NPS, and FWS-NWRS) has trained the vast majority of its managers, with a schedule to complete training for all managers. This process is overseen by OLESEM.</p> <p>Other Initiatives: Beyond the specific directives addressed in the Secretary's law enforcement reforms, the Department provides strong oversight of a wide range of law enforcement, security and emergency management programs. Examples include:</p>	Ongoing

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Maintenance of Facilities	<p>DOI owns, builds, purchases, and contracts services for assets such as roads, bridges, schools, office buildings, dams, irrigation systems, and reservoirs. Repair and maintenance of some of these assets have been postponed until future years due to budgetary constraints. DOI refers to these unfunded repair and maintenance needs as deferred maintenance. According to the January 2003 Government Accountability Office (GAO) report, "Major Management Challenges and Program Risks, Department of the Interior," DOI needs to more aggressively address the deferred maintenance backlog. The report states that the repair and maintenance on these assets has been postponed for years and that the deterioration of facilities can adversely impact public health and safety, reduce employee morale and productivity, and increase the need for costly major repairs or early replacement of structures and equipment.</p> <p>The deferred maintenance backlog is a continuing challenge for the Department. According to the FY2005 "Annual Report on Performance and Accountability," exact estimates of deferred maintenance costs are difficult to determine due to the scope, nature, and variety of assets entrusted to the Department, as well as the nature of deferred maintenance itself. Using the Department's current approach for estimating the backlog, the amount needed to correct deferred maintenance for property, plant, and equipment ranges from approximately \$10.1 to \$18 billion. In FY2004, estimates for DOI's deferred maintenance were between \$8.9 and \$15.3 billion.</p>	Carryover	<ul style="list-style-type: none"> Active participation in the implementation of numerous Homeland Security Presidential Directives (HSPDs), including HSPD-3 (Homeland Security Advisory System), HSPD-5 (Management of Domestic Incidents), HSPD-7 (Critical Infrastructure Protection), HSPD-8 (National Preparedness), HSPD-12 (Common Identification Standards), and HSPD-13 (Maritime Security). Active participation in numerous Homeland Security Council-led Policy Coordinating Committees, including Avian and Pandemic Influenza, Biodefense, Border and Transportation Security, Maritime Security, Continuity, Critical Infrastructure Protection, Domestic Readiness, Information Sharing, and Plans and Training. Development of a National Infrastructure Protection Plan for the National Monuments and Icons Sector, including creation of a security assessment methodology noted by DHS, OMB, and GAO. Development of a Departmental Avian and Pandemic Influenza Plan. Revision of the Departmental Manual to provide a comprehensive policy framework for the Emergency Management program. Development of a Strategic Plan for Wireless Communications to meet employee and public safety objectives. 	Closed
			<p>The Department has identified MAXIMOTM as the Facility Maintenance Management System (FMMS) of choice. BIA Education continues to use FMMS.</p> <p>At the end of the 3Rd Quarter of FY 2006, 75% of the DOI inventory (all buildings and most structures) have 'Comprehensive Condition Assessments'. This is a 5 year cycle that will eventually look at all constructed assets with a Current Replacement Value (CRV) of over \$50,000. All constructed assets with a CRV of \$5,000 and above receive an 'Annual Condition Assessment'. As an outgrowth of Executive Order 13327, the Federal Real Property Profile (FRPP) data elements have been changed. One of the data elements to be reported is 'Condition Index' (CI) for each constructed asset reported in the FRPP. For each asset this is the ratio of deferred maintenance of the asset divided by the CRV of the asset. Through FY 2006, the bureaus have been calculating CIs. All construction assets in the FRPP will have a CI value by the end of the 4th Quarter of FY 2006.</p>	

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Responsibilities to Indians and Insular Areas	<p>Using the Department's current approach for estimating the backlog, the amount needed to correct deferred maintenance for property, plant, and equipment ranges from approximately \$10.1 to \$18 billion. In FY2004, estimates for DOI's deferred maintenance were between \$8.9 and \$15.3 billion.</p> <p>Management problems persist in programs for Indians and island communities. DOI provides more than \$750 million annually for basic tribal services, including tribal courts, social services, and natural resource management. DOI is responsible for administering the U.S. Government's trust responsibilities to Indian tribes and individual Indians and has various responsibilities to seven island communities — four U.S. territories and three sovereign island nations.</p> <p>Tribal entities' financial compliance with funding agreements should be ensured through the single audit process; however, 95 tribal entities (including the tribal governments and tribal schools) submitted delinquent single audit reports during FY2006. These delinquent reports comprise over half of the 171 tribal entities reviewed.</p> <p>Serious problems persist at schools and detention facilities operated and funded by the Bureau of Indian Affairs (BIA). According to the November 2005 Investigative Report on the Chemawa Indian School Detention Facility, the lack of supervision and training on the part of BIA education administrators and Chemawa Indian School staff contributed to the tragic death of a 16-year-old girl at the Chemawa Indian Boarding School. During an October 2005 investigation of a suicide at the Blackfeet jail in Browning, MT, we found a similar lack of supervision, staffing and training. We further found that BIA detention managers had done little, if anything, to alleviate ongoing problems at the site.</p> <p>The Insular Area governments have serious long-standing financial and program management deficiencies. For example, in FY2006, we confirmed that the Development Bank of American Samoa (Bank) has mismanaged its loan portfolio so significantly that it is in danger of negating the economic goals for which it was established, namely, making economic development loans in the islands available to those who might otherwise be ineligible. The Bank's management deficiencies are long standing, dating back more than 25 years, and have been documented in numerous reports.</p>	Carryover	<p>By the end of FY 2006 all bureaus will have completed their first round of 'Comprehensive Condition Assessments' on all buildings and most structures. During the second round all buildings will be reviewed again as well as all structures. Complete CI data for all constructed assets will be in the FRPP for the issuance of the FY 2006 Report.</p> <p>Although considerable action has been taken on maintenance of facilities, deferred maintenance remains a challenge to remediate, especially in times of unfunded requirements.</p> <p>Interior has improved its collection of Indian trust funds and has placed a high priority on further improvements. OST recently completed the implementation of a centralized lockbox process that was initiated in FY 2005. Under this financial industry best practice, companies or individuals who remit payments for the use of Indian Trust resources, forward payments to a designated United States Post Office box in Arizona, instead of to various agencies and offices throughout the country. Upon receipt, payments are processed, deposited, and recorded in the Trust Fund Accounting System.</p> <p>As a result of the new lockbox system, trust payments and disbursements are faster, safer, and more efficient.</p> <p>OST is also distributing comprehensive account statements to account holders with trust assets at BIA agencies that have implemented new technology systems for title and leasing information. Beneficiaries serviced by the agencies that have converted to the TAAMS leasing module are receiving quarterly performance statements that provide information regarding source of funds, encumbrance information (i.e., leases), and a listing of trust property they own whether it is property generating income or not.</p> <p>Historical accounting for Judgment and Per Capita Individual Indian Monies (IIM) accounts has been reconciled for 82% of 99,572 of such accounts with only insignificant issues noted to date. Of these completed reconciliations, 13,103 have been mailed with Court permission to account holders with no comments from recipients regarding reconciled balances. Historical accounting for the Electronic Era (1985-2000) for Land-Based IIM accounts has been completed for all transactions over \$100,000 and a statistically valid sample of transactions under \$100,000. Statistical analysis of these results reported at a 95% assurance level a total estimated difference for receipts and disbursements of \$44 million that are disadvantageous to IIM account holders. For Special Deposit IIM accounts, historical accounting has resulted in the distribution to rightful owners of \$42.1 million (60%) of undistributed account balances at December 31, 2002, with \$16.6 million remaining to be resolved and distributed. A statistical meta-analysis of 490 relevant audits and reconciliations was performed on the Trust Fund accounting systems from the late 19th century to the present. The statisticians found no evidence of widespread fraud in the Indian Trust system in their meta-analysis.</p>	Ongoing

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	<p>A FY2006 inspection of the Federated States of Micronesia's (FSM) Compact Trust Fund (Fund) revealed that oversight from the United States, as well as from FSM Trust Fund Committee members, has failed to ensure that key positions are filled in a timely manner, annual financial and performance reports are prepared, and resources are effectively invested. These conclusions were supported by an FSM Finance and Budget Resolution (November 16, 2005) stating that the Fund had not been fully implemented, realized expected returns, or provided copies of its required financial and performance reports to its national and state governments, even though they had deposited their respective shares into the Fund.</p>		<p>Significant progress has been made in implementing the strategic goals to correct identified deficiencies. Trust records retention schedules have been developed and implemented; records management policies and procedures have been developed and implemented for BIA and OST; protocols for moving records have been put into place; over 80% of all inactive records have been retired from field offices; a state of the art facility, the American Indian Records Repository, has been built to house all Indian Affairs records; an electronic data base has been established which provides an index to all records stored to allow for timely retrieval of records; over 2,000 OST, BIA and tribal employees have been trained; OST employees are located in each BIA region to provide records management technical guidance and assistance to BIA and OST program managers; and records management site assessments are being conducted.</p> <p>BIA continues its improvement in responding to single audit report findings. BIA had one delinquent response at the end of the fiscal year, which is down from 85 delinquent responses at the end of last year. BIA also continues to take action to ensure the timely receipt of single audit reports by issuing warning letters to and imposing sanctions on entities that have not filed their audit reports. BIA developed Government Performance and Results Act (GPRA) measures to track its performance in these areas.</p> <p>In December 2005, the Bureau of Indian Education (formerly the Office of Indian Education Programs), conducted a "Stand Down" exercise requiring all BIE-funded schools to review safety and security procedures with students, staff and teachers. The "Stand Down" exercise has become an annual requirement. The most recent "Stand Down" was completed in October 2006 for School Year 2006-2007. All schools were required to complete assurance statements that they do not maintain any holding cells or detention-like facilities on or at schools/dormitories. Schools were also required to provide assurances that they have memorandums of understanding with local law enforcement and emergency medical services which respond to safety and medical emergency situations.</p> <p>In June 2006, the BIE issued a draft document entitled Safe Schools Planning: a Guide for Educators. This document is designed to assist schools with emergency preparedness and to address critical safety and security requirements. In May 2006, BIE hosted a Safe Schools Symposium: Strategies for Safer Education. The focus was on preventing, preparing, responding to emergencies as well as recovery from such events.</p>	

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Resource Protection and Restoration	<p>DOI resource managers face the challenging task of balancing competing interests for the use of the Nation's natural resources. Federal lands account for approximately 30 percent of energy produced in the United States. DOI has jurisdiction over 1.76 billion acres of the Outer Continental Shelf, manages about one-fifth of the land area of the United States, and administers 700 million acres of subsurface mineral estate throughout the Nation. In addition, DOI protects thousands of wetlands, aquatic parcels, and native plant and animal species, including more than 1,300 with special status under the Endangered Species Act.</p> <p>In 2003, GAO identified ecosystem restoration efforts as major performance and accountability challenges for DOI, specifically in the areas of 1) reducing wildland fire threats to communities and resources; 2) restoring the South Florida ecosystem; and 3) controlling and eradicating invasive species.</p> <p>Approximately 100,000 wildfires occur yearly on federal and state lands. Some are catastrophic, such as the 2003 Southern California fires that burned about 750,000 acres, destroyed over 3,600 homes, and killed at least 20 people. In recent years, the need to reduce the risk of catastrophic wildfires has taken on new urgency, as growing numbers of people choose to live in wildland urban interface areas adjacent to rangelands and forests. As identified in our April 2006 report, "Hazardous Fuels Reduction Program, Department of the Interior," DOI has made progress in implementing its Hazardous Fuels Reduction (HFR) Program to help reduce the risk of catastrophic wildfires. DOI's land management bureaus have established the broad framework and partnerships essential to address wildland fires, including implementation of HFR projects, which has also been reported by GAO in recent reports. However, DOI could make improvements in three key performance areas — measuring risk reduction, contracting for hazardous fuels reduction projects, and coordinating with the U.S. Forest Service — to advance the effectiveness of the Program.</p> <p>While some progress in restoring the South Florida ecosystem has been made, DOI has not participated effectively in the Modified Water Deliveries Project to Everglades National Park. Our March 2006 report, "Modified Water Deliveries to Everglades National Park," found that DOI's ineffective participation contributed to project delays and cost increases. The is currently 8 years behind schedule and has a projected price tag approaching \$400 million — nearly 5 times its original estimate</p>	Carryover	<p>The U.S. Department of Justice has partially funded the construction of 9 new detention centers in Indian Country. Justice is also funding another 14 facilities that are in various stages of planning and construction. BIA will provide funds for staffing and operation located in the continental United States.</p> <p>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.</p> <p>DOI continues to make progress serving communities by reducing fuels and improving the management of wildland fires. Under the National Fire Plan, from 2001 through 2006 the Department has treated more than 6.6 million acres for hazardous fuels reduction — more than 2.4 million acres of that in the wildland urban interface. Of all funds available for hazardous fuels reduction, about 65% continues to be directed to reducing threats communities face in the wildland urban interface.</p> <p>The Wildland Fire Leadership Council recently approved an updated 10-Year Implementation Plan. These measures were collaboratively developed with partners and collaborators, and they will be implemented jointly with the Forest Service in 2007. The updated Implementation Plan emphasizes information sharing and monitoring of accomplishments to improve transparency, a long-term commitment to maintaining the essential resources for implementation, landscape-level vision for restoration of fire-adapted ecosystems, the importance of using fire as a management tool, and continuing to improve collaboration consistent with the vision of the Plan.</p> <p>The Department, in collaboration with its federal, state and tribal partners, continues to achieve on-the-ground restoration of the Everglades and South Florida ecosystem. During the last year, Interior improved the management and accountability for the Modified Water Deliveries Project by implementing all of the Inspector General recommendations, including co-locating a project engineer with the Army Corps of Engineers (Corps) in Jacksonville, Florida. The Department assisted the Corps in completing a revised plan for the Tamiami Trail and worked with interested parties to achieve consensus recommendations on an operational plan for Modified Water Deliveries that balances both environmental and flood protection requirements of the project. The Department developed agreements among the federal and state agencies to measure achievement of the restoration goals and the other water needs of the Comprehensive Everglades Restoration Plan (Plan), which will facilitate the adaptive management of the Plan as it is implemented over the next several decades. The Department also issued rules implementing Dry Tortugas National Park's Research Natural Area ensuring the conservation and protection of the submerged natural and cultural resources located within the park.</p>	Ongoing

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Revenue Collections	<p>In FY2005, mineral lease revenues collected by DOI on behalf of the U.S. Government exceeded \$12 billion. In addition, DOI's earned revenue from activities such as grazing, timber, and lands sales was over \$6 billion.</p> <p>The highest revenue collector in DOI is, by far, the MMS. Since its inception in 1982, MMS has collected and distributed, on average, over \$9.9 billion annually from federal offshore leases and from onshore federal and Indian leases. Historically, both OIG and MMS have identified significant mineral revenue underpayments from lessees. Due to the amount of revenue collected by MMS and the complexity of royalty payments from lessees, we believe that there is a continuing significant potential for underpayments. In addition, MMS has received major news coverage over the past year due to the lack of price thresholds in the 1998 and 1998 leases, which could result in billions of dollars of lost revenue. The results of an OIG audit of MMS's Compliance Review Process have been provided to the Department for comment.</p>	Carryover	<p>MMS has implemented comprehensive systems and other program enhancements to mitigate the risk of underpayments. MMS continually assesses and refines its internal evaluation criteria for self assessment to meet the challenge of accomplishing its responsibilities and to maintain a high level of efficiency. MMS managers take reasonable and necessary precautions to protect the revenue stream through MMS-wide strategic plans, organizational specific business plans, risk initiatives, a highly effective internal control review program, comprehensive compliance policies and procedures; rulemakings, and the Royalty-in-Kind (RIK) operation.</p> <p>MMS's RIK operation, which manages a significant portfolio of the Nation's oil and gas royalty assets, further mitigates the risk of underpayment as the amount of royalty due is established upfront through competitive sales of crude oil and natural gas based on highly transparent and unambiguous price indices. MMS has identified business activity risks and implemented risk management processes within the RIK operation. Further, the RIK operation is governed by strong internal controls, a formal risk management policy, and an executive level governance board supported by a chief risk officer. The Government Accountability Office has closely examined RIK revenue and administrative metrics and concluded in a January 2006 report that RIK efforts in developing and executing this measurement system were good.</p> <p>Specific audits and compliance reviews are premised on an annual strategy that provides compliance coverage for thousands of producing mineral leases and hundreds of companies that pay mineral revenues to MMS. The strategy includes audits of specific companies with emphasis on selected leases, mineral producing areas, and gathering and transportation facilities. The strategy also includes compliance reviews of select properties, applying a series of tests to the volume, royalty rate, value, and allowances to determine if the royalty payment is reasonable. For any detected underpayments, MMS pursues collection which is subject to late payment interest. MMS also has substantial statutory penalty authority further minimizing the risk of underpayments.</p> <p>The MMS audit and compliance operation is also responsible for verifying that correct royalties are paid and for collecting the additional royalties due that are identified during audits. Since its inception in 1982, the MMS compliance and audit operation has collected well over \$3 billion in additional royalties that would otherwise have been lost. In November 2005, an independent certified public accounting firm issued a clean opinion of MMS' audit operation with no material weaknesses, and no reportable conditions.</p>	Ongoing

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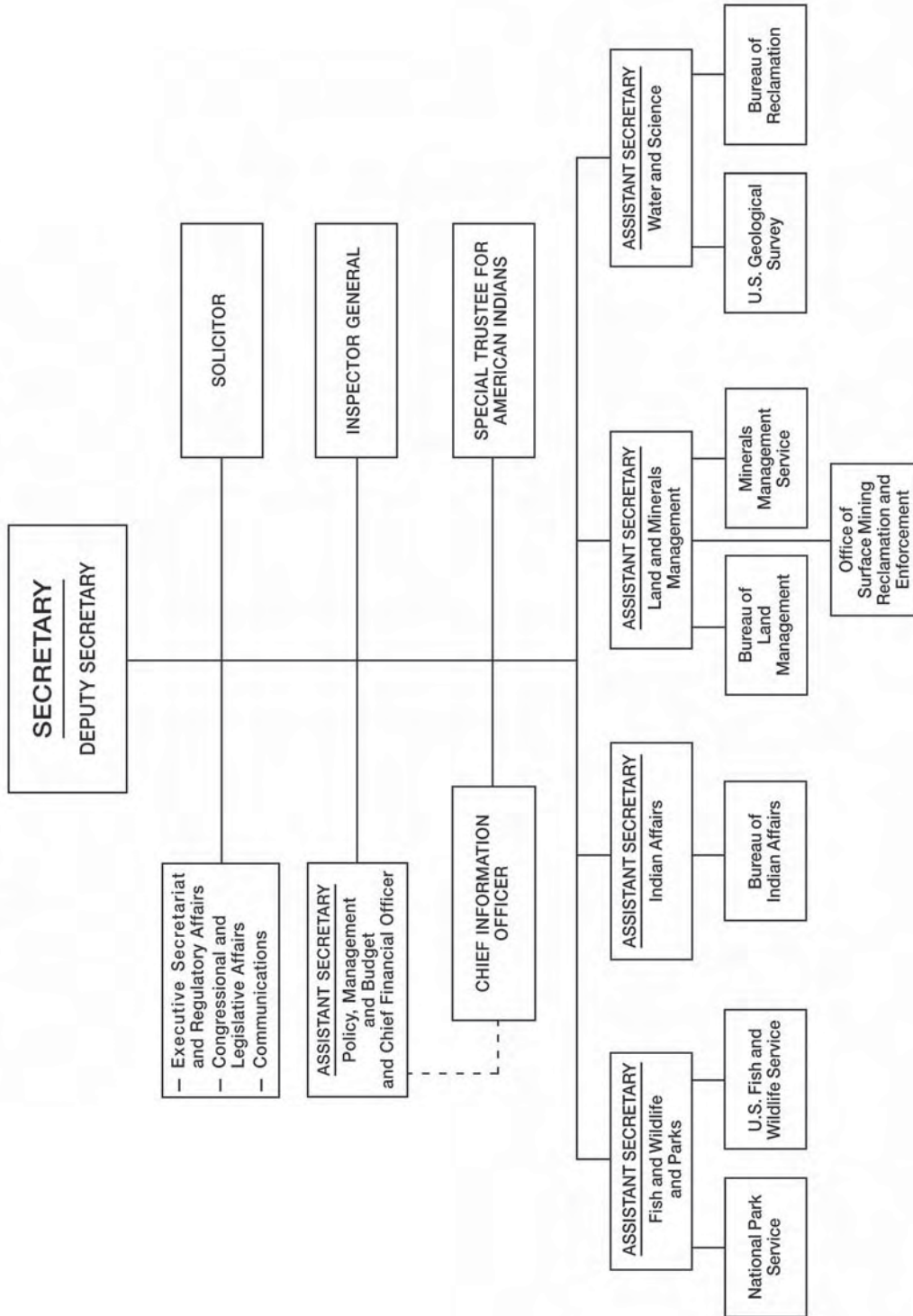
Major Management Challenge	Description	New or Carryover from FY 2005	Interior Actions to Date	Status at end of FY 2006
Procurement, Contracts, and Grants	<p>DOI spends substantial resources each year in contracting for goods and services and in providing federal assistance to states and Indian organizations. Recent audits at DOI and other federal agencies highlighted concerns with interagency procurement services performed through fee-for-service organizations.</p> <p>Procurement: Four DOI entities operate self-sustaining, business-like, fee-for-service operations. They are GovWorks, NBC, BOR (Technical Service Center), and the U.S. Geological Survey (USGS) (working capital fund). These organizations provide administrative and technical services to DOI, as well as to other federal agencies. They reported combined transactions of approximately \$3 billion in FY2005.</p>	Carryover	<p>In recent years, MMS implemented aggressive new compliance goals aimed at increasing the percentage of revenues being reviewed and/or audited, while, at the same time, cutting the overall compliance cycle from six years to three years. In FY 2006, MMS achieved its highest-ever level of contemporaneous (within 3 years) compliance coverage by confirming reasonable compliance on 72.5% of all CY 2003 royalties. However, MMS is aware that although its compliance program covered a majority of the revenue, it only covered a small percentage of companies. In early calendar year 2006, MMS began reassessing its system of selection of audits and compliance reviews by pursuing the development of a risk-based strategy for compliance. It is anticipated that this strategy will provide the detail to identify properties or payors where audits or compliance reviews are warranted.</p> <p>Lease documents for sales held in 1998 and 1999 did not include threshold levels for royalty relief; these were apparently inadvertently omitted. When the omission was discovered the sale documents were modified and a review was instituted by the Chief, Economics Division to ensure that future sales would not have a recurrence of the same problem. The current Administration has taken several additional steps. First was an MMS request for an investigation by the DOI Office of the Inspector General to determine whether the error was simply a mistake or intentional malfeasance. MMS has been working with DOI Solicitors to negotiate with lessees that hold leases from the 1998 and 1999 sales to implement threshold terms on all future production. Discussions may also include opportunities to collect revenues on past production. MMS has also begun an internal review of leasing activities to identify responsibilities and methodologies to ensure that any holes that may exist in the leasing procedures are closed. Preliminary procedures have already been implemented in the Gulf of Mexico Region where the lease problem occurred.</p> <p>The MMS is in the process of responding to OIG's draft report on its Compliance Review Process.</p>	Ongoing
			<p>The Office of Acquisition and Property Management provided guidance and support to DOI bureaus and offices in developing and implementing plans to address deficiencies identified in OIG audits and internal control reviews.</p> <p>As required under section 801 of the National Defense Authorization Act for Fiscal Year 2006, in August 2005, the Department of Defense (DOD) and Department of the Interior Inspectors General initiated a joint audit of DOI's franchised services provided to DOD military operations. Initial corrective actions have been taken based on preliminary findings throughout the audit's period of performance.</p>	

Figure 4-2 Summary of Major Management Challenges Facing Interior

Major Management Challenge	Description	New or Carryover from FY 2005	Interior Actions to Date	Status at end of FY 2006
	<p>Our March 2006 evaluation, "Fee-For-Service Organizations, U.S. Department of the Interior," found that the benefits of these fee-for-service activities may not outweigh risks. OIG auditors attempted to identify and quantify the benefits related to GovWorks and NBC, DOI's two major fee-for-service organizations. Managers of these organizations claimed monetary and non-monetary benefits, including 1) use of approximately \$22 million in GovWorks income to fund DOI initiatives; 2) reduction in DOI's administrative costs due to lower indirect costs and achievement of economies of scale; and 3) development of expertise to assist DOI with its procurements.</p> <p>Except for the \$22 million transferred from GovWorks to DOI to fund its initiatives, management provided no documentation that allowed auditors to quantify and substantiate the monetary benefits of fee-for-service operations. Further, auditors were unable to determine that the non-monetary benefits cited by GovWorks significantly affected DOI operations. In the absence of significant, quantifiable benefits, it is questionable whether the overall advantages of these activities outweigh the risks brought to management's attention through previous and ongoing audits.</p> <p>Grants Management: Audits of grants that the FWS awarded to eight states revealed a potential savings of \$1.6 million. The grants finance up to 75 percent of state-sponsored projects, such as developing sites for boating access and acquiring and managing natural habitats. Examples of potential savings include at least \$495,770 that West Virginia did not report as proceeds from the disposal of real property acquired with federal assistance funds; \$553,977 of questionable costs that Illinois claimed for unauthorized activities and unsupported charges for labor and in-kind services; and \$325,445 of unreported user fees collected by Michigan at shooting ranges.</p> <p>There have been several immediate and positive results from our audit report Framework Needed to Promote Accountability in Interior's Grants Management. DOI acted to improve grants management oversight by implementing policies requiring functional reviews of the award and administration of grants at all bureaus. DOI has also made significant progress in requiring the bureaus to use Grants.gov, which has streamlined the application process, to list all grant opportunities for the American public.</p>		<p>Line of Business, and Public Law 106-107 streamlining. Through coordinated efforts with Bureau Federal Assistance Liaisons, DOI will address inconsistency issues via standardized forms, policies, and practices, some of which is being accomplished by implementing FBMS and Grants.gov. Additionally, continued emphasis will be placed on quality control in data entry into automated systems to ensure the data's accuracy and completeness. Also, training and oversight will be administered to further address inconsistencies and to improve our responsibility for ensuring that Federal funds are used for their intended purpose.</p>	

FIGURE 4-3

U.S. Department of the Interior



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Glossary of Acronyms

AAG	American Association of Geographers
AAPC	Accounting and Auditing Policy Committee
ABC/M	Activity-Based Cost Management
ACWI	Advisory Committee on Water Information
ADMS	Accessibility Data Management System
AFMSS	Automated Fluid Mineral Support System
AHERA	Asbestos Hazard Emergency Response Act
AICR	Alternative Internal Control Review
AML	Abandoned Mine Lands
AMLIS	Abandoned Mine Land Inventory System
AMP	Asset Management Plan
ANCS	Automated National Catalog System
APA	American Planning Association
APD	Application for Permit to Drill
APIA	Aleutian Pribilof Islands Association, Inc.
ARIS	Air Resources Information System
ASG	American Samoa Government
ASMIS	Archeological Sites Management Information System
ASPRS	American Society of Photogrammetry and Remote Sensing
ATO	Authority to Operate
BI	business intelligence
BIA	Bureau of Indian Affairs
BIE	Bureau of Indian Education
BLM	Bureau of Land Management
BOR	Bureau of Reclamation
BPA	Bonneville Power Administration
C&A	Certification and Accreditation
CAA	Clean Air Act
CALFED	Water Supply Reliability and Environmental Improvement Act
CERCLA	Comprehensive Environmental Response, Compensation, and Liability Act
CFO	Chief Financial Officer
CFR	Code of Federal Regulations

CGFM	Certified Government Financial Officer
CHEU	Cliffside Helium Enrichment Unit
CI	condition index
CIO	Chief Information Officer
CLI	Cultural Landscapes Inventory
COTS	commercial off-the-shelf
CPIC	Capital Planning and Investment Control
CRPP	Culture Resource Preservation Program
CRV	current replacement value
CSRS	Civil Service Retirement System
CTM	Comprehensive Trust Management
CUPCA	Central Utah Project Completion Act
CVP	Central Valley Project
CWA	Clean Water Act
DAAAs	Designated Approving Authorities
DEAR	Departmental Enterprise Architecture Repository
DEIS	Safety of Dams Decision Reports
DO	Departmental Offices
DOE	Department of Energy
DOI	Department of the Interior
DOL	Department of Labor
DOT	Department of Transportation
EA	Enterprise Architecture
ECL	Environmental Cleanup Liability
EIA	Energy Information Administration
EIRF	Environmental Improvement and Restoration Fund
EPA	U.S. Environmental Protection Agency
ESA	Endangered Species Act
ESN	Enterprise Services Network
FAIMS	Federal Assistance Information Management System
FAMS	Facilities Asset Management System
Fannie Mae	Federal National Mortgage Association
FASAB	Federal Accounting Standards Advisory Board
FBMS	Financial and Business Management System

FBU	funds can be put to better use
FCI	Facilities Condition Index
FEA	Federal Enterprise Architecture
FEAC	Federal Enterprise Architecture Certification
FEAPMO	Federal Enterprise Architecture Program Management Office
FECA	Federal Employees Compensation Act
FEGLI	Federal Employees Group Life Insurance
FERS	Federal Employees Retirement System
FFMIA	Federal Financial Management Improvement Act
FFS	Federal Financial System
FGDC	Federal Geographic Data Committee
FIRES	Fire Integrated Recruitment and Employment System
FISMA	Federal Information Security Management Act
FIST	Facilities Instructions Standards and Techniques
FLPMA	Federal Land Policy and Management Act
FMCIP	Financial Management Career Intern Program
FMFIA	Federal Managers' Financial Integrity Act
FMMS	Facility Maintenance Management System
FMSS	Facility Management Software System
FOF	forced outage factor
FRPP	Federal Real Property Profile
FRR	Facilities Reliability Rating
FSGT	Financial Statement Guidance Team
FTE	full-time equivalent
FTM	Fiduciary Trust Model
FWS	U.S. Fish and Wildlife Service
FY	Fiscal Year
GAAP	generally accepted accounting principles
GAO	Government Accountability Office
GBLs	Government Bills of Lading
GED	general equivalency degree
GMRA	Government Management Reform Act
GPRA	Government Performance and Results Act
H5N1	H5=the fifth of several known types of protein hemagglutinin; N1=the first of several known types of protein neuraminidase

HabITS	Habitat Information Tracking System
IACB	Indian Arts and Crafts Board
ICR	Internal Control Review
IEA	Interior Enterprise Architecture
IG	Inspector General
IFF	Interior's Franchise Fund
IFTN	Imagery for the Nation
IIM	Individual Indian Monies
IMARS	Incident Management Analysis Reporting System
Interior	Department of the Interior
IRF	International Regulators Offshore Safety Forum
IPIA	Improper Payments Information Act
IPV6	Internet protocol version six
IRB	Investment Review Board
IRR	Indian Reservation and Roads
IRRBP	Indian Reservation Roads Bridge Program
ISEP	Indian School Equalization Program
ISFS	Invasive Species Forecasting System
IT	Information Technology
JFMIP	Joint Financial Management Improvement Program
JOM	Johnson O'Malley (program)
LBA	Lease Backlog Applications
LCS	List of Classified Structures
LTRO	Land Titles and Records Offices
LWCF	Land and Water Conservation Fund
M&I	municipal and industrial
MAF	million acre-feet
MAXIMO	enterprise asset maintenance software
MBF	thousand board feet
MBT	Methodology for Business Transformation
Mcf	thousand cubic feet
MCRs	Management Control Reviews
MD&A	Management's Discussion and Analysis
MEO	Most Effective Organization

MIS	Management Information System
MITS	Interior's Management Initiatives Tracking System
MMBF	million board feet
MMbtu	million British thermal units
MMS	Minerals Management Service
MRM	Minerals Revenue Management
MRMSS	Minerals Revenue Management Support System
NAGPRA	Native American Graves Protection and Repatriation Act
NAPA	National Academy of Public Administration
NARA	National Archives and Records Administration
NAS	National Academy of Sciences
NASA	National Aeronautics and Space Administration
NBC	National Business Center
NEP	National Energy Policy
NEPA	National Environmental Policy Act
NFPORS	National Fire Plan Operating and Reporting System
NIFC	National Interagency Fire Coordination Center
NIST	National Institute of Standards and Technology
NOAA	National Oceanic and Atmospheric Administration
NOSC	Network Operations and Security Center
NPS	National Park Service
NRDAR	Natural Resource Damage Assessment and Restoration Fund
NRPP	Natural Resource Preservation Program
NSIP	National Streamflow Information Program
NSGIC	National States Geographic Information Council
NSLRSDA	National Satellite Land Remote Sensing Data Archive
NWR	National Wildlife Refuge
O&M	operations and maintenance
OCIO	Office of the Chief Information Officer
OCS	Outer Continental Shelf
OCSLA	Outer Continental Shelf Lands Act
OIA	Office of Insular Affairs
OIEP	Office of Indian Education Policy
OHA	Office of Hearings and Appeals

OHTA	Office of Historical Trust Accounting
OIG	Office of the Inspector General
OLES	Office of Law Enforcement and Security
OMB	Office of Management and Budget
OMM	Offshore Minerals Management
OPA	Oil Pollution Act
OS	Office of the Secretary
OSHA	Occupational Safety and Health Administration
OSM	Office of Surface Mining
OSRP	Oil Spill Response Plan
OST	Office of the Special Trustee for American Indians
OWFC	Office of Wildland Fire Coordination
P.L.	Public Law
PAR	Performance and Accountability Report
PART	Program Assessment Rating Tool
PI/LSI	Possessory Interest or Leasehold Surrender Interest
PIA	Office of Insular Affairs
PMA	President's Management Agenda
PMDS	Performance Management Data System
PO&M	Power Operations and Maintenance
POAM	plans of actions and milestones
PP&E	property, plant, and equipment
RAPP	Refuges Annual Performance Plan
RCRA	Resource Conservation and Recovery Act
RD&D	research development and demonstration
REA	Federal Lands Recreation Enhancement Act
Reclamation	Bureau of Reclamation
RIK	Royalty-in-Kind
RMIS	Recreation Management Information System
RSI	Required Supplementary Information
SACAT	Standard Accounting Classification Advisory Team
SANS	SysAdmin, Audit, Network, Security Institute
SAR	Significant Activity Report
SBR	Statement of Budgetary Resources

SDWA	Safe Drinking Water Act
SES	Senior Executive Service
SFFAS	Statement of Federal Financial Accounting Standard
SGL	Standard General Ledger
SMCRA	Surface Mining Control and Reclamation Act
SMIS	Safety Management Information System
SNPLMA	Southern Nevada Public Land Management Act
STIGs	Security Technical Implementation Guides
STORET	EPA's Storage and Retrieval national water quality database
TBCC	Trust Beneficiary Call Center
tcf	trillion cubic feet
TFAS	Trust Fund Accounting System
Treasury	Department of the Treasury
U.S.	United States
UMWA CBF	United Mine Workers of America Combined Benefit Fund
USBM	U.S. Bureau of Mines
USCG	U.S. Coast Guard
USDA	U.S. Department of Agriculture
USFS	U.S. Forest Service
USGS	U.S. Geological Survey
USPAP	Uniform Standards of Professional Appraisal Practice
USPP	United States Park Police
USSGL	United States Government Standard General Ledger
V&V	verification & validation
VSP	Visitor Services Project
WAU	Whereabouts Unknown
Western	Western Area Power Administration
WUI	wildland-urban interface