

**Part 1.**  
**Management's**  
**Discussion and**  
**Analysis**



## Who We Are and What We Do

Established on March 3, 1849, the Department of the Interior has evolved to become the Nation's principal Federal conservation agency (*Figure 1-1*). Today, more than 70,000 Interior employees and 180,000 volunteers (*Figure 1-2*) at more than 2,400 locations manage many of the Nation's special natural, cultural, and historic places; conserve lands and waters; protect cultural legacies; and keep the Nation's history alive. We fulfill America's trust responsibilities to native people and affiliated island communities. We supply water and hydropower to most of the western United States as well as provide responsible access to much of the Nation's energy resources. Our scientists provide the data needed to enhance our understanding of the natural world and to inform decisions related to natural resource conservation as well as disaster preparedness and response.

Each of our eight bureaus—the Bureau of Indian Affairs (BIA), the Bureau of Land Management (BLM), the Bureau of Reclamation (BOR), the U.S. Fish and Wildlife Service (FWS), the Minerals Management Service (MMS), the National Park Service (NPS), the Office of Surface Mining Reclamation and Enforcement (OSM), and the U.S. Geological Survey (USGS)—has specific responsibilities for discharging our mission (*Figure 1-3*). Departmental Offices, including those specifically mentioned in this report—the Offices of the Special Trustee for American Indians (OST), Insular Affairs (OIA), Inspector General (OIG), Law Enforcement (PLE) and Wildland Fire Coordination (OWFC)—support key Interior operations and help our bureaus carry out Interior's mission.



The first Interior building, 1852-1917. The building, located on F and 8th Streets, NW, Washington, D.C., today houses the Smithsonian's National Portrait Gallery. For more on the history of the Department of the Interior, see the report, "The Department of Everything Else: Highlights of Interior's History" on-line at [http://www.cr.nps.gov/history/online\\_books/utley-mackintosh/index.htm](http://www.cr.nps.gov/history/online_books/utley-mackintosh/index.htm).

FIGURE 1-1

### Interior's Mission, Vision, and Key Business Principles



#### Mission

*The U.S. Department of the Interior protects and manages the Nation's natural resources and cultural heritage; provides scientific and other information about those resources; and honors its trust responsibilities or special commitments to American Indians, Alaska Natives, and affiliated island communities.*

#### Vision

*Communication, consultation, and cooperation—all in the service of conservation.*

#### Key Business Principles

Value

Accountability

Modernization

Integration

FIGURE 1-2

### Interior's Workforce (Full-Time Equivalents)

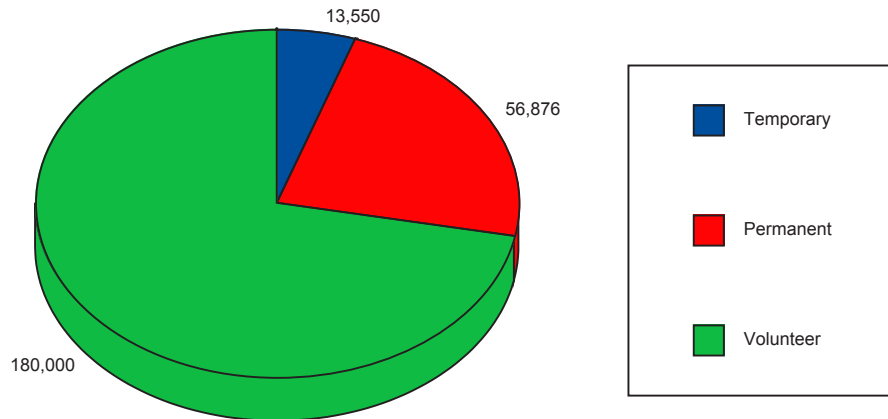


FIGURE 1-3

## Bureau Missions

**BUREAU OF LAND MANAGEMENT (BLM)**

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

**MINERALS MANAGEMENT SERVICE (MMS)**

**Mission:** The Minerals Management Service manages the mineral resources on the Outer Continental Shelf and Federal and Indian mineral revenues to enhance public and trust benefit, promote responsible use and realize fair value.

**OFFICE OF SURFACE MINING (OSM)**

**Mission:** Ensure that coal mines are operated in a manner that protects citizens and the environment during mining and assures that the land is restored to beneficial use following mining, and mitigate the effects of past mining by aggressively pursuing reclamation of abandoned coal mine lands.

**BUREAU OF RECLAMATION (BOR)**

**Mission:** 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 (USGS)**

**Mission:** 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.

**FISH AND WILDLIFE SERVICE (FWS)**

**Mission:** Conserve, protect, and enhance fish and wildlife and their habitats for the continuing benefit of the American people.

**NATIONAL PARK SERVICE (NPS)**

**Mission:** 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.

**BUREAU OF INDIAN AFFAIRS (BIA)**

**Mission:** Fulfill its trust responsibilities and promote self-determination on behalf of Tribal governments, American Indians and Alaska Natives.

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# How We Performed in FY 2005

Focused on results, our FY 2003-2008 Government Performance and Results Act (GPRA) Strategic Plan measures outcomes (i.e., how we are making a difference in the world), instead of only outputs (i.e., our products and deliverables). The strategic plan emphasizes accountability. It is organized into four areas of Interior mission responsibility:

- Resource Protection
- Resource Use
- Recreation
- Serving Communities

A fifth area, Management Excellence, which we refer to as a strategic goal rather than a mission area, provides the enabling framework within which we carry out our mission responsibilities using improved business processes, practices, and tools and a highly trained, skilled workforce. We use science and partnerships with others to augment our resources and the decision-making processes we use to carry out these responsibilities.

Each Strategic Plan Mission and each Management Excellence initiative has its own strategic goal, supported by several related end-outcome goals, i.e., the desired results. Those end-outcome goals capture a collection of related programs and services administered by one or more of the Department's bureaus and offices. Each goal is supported by a series of intermediate outcome goals and performance measures. This PAR documents our performance against each of these measures. It also shows how the Department is integrating its performance and financial information to help in assessing the effectiveness of its programs. In FY 2005, we began documenting costs related to our performance measures as part of our budget submission process. Our present financial accounting system allows us to evaluate expenditures for work activities, using established Activity-Based Costing Management tools, against the appropriate related Strategic Plan end outcome goals.

TABLE 1-1

Interior's FY 2005 Performance Measure Scorecard						
GPR Program Activity	Number of Measures	Met Goal	Did Not Meet Goal	Preliminary Data	No Report	Percent Exceeding or Meeting Goal
Resource Protection	48	36	5	5	2	75%
Resource Use	40	31	5	1	3	78%
Recreation	15	12	0	1	2	80%
Serving Communities	85	49	13	9	14	58%
Management Excellence	26	19	5	2	0	73%
Total	214	147	28	18	21	69%

The Department of the Interior uses data validation and verification (V&V) criteria to ensure that information is properly collected, recorded, processed, and aggregated for reporting and use by decision-makers. More information about our data V&V process and our definitions of the types of performance data we report can be found in Part 2, Performance Data and Analysis.

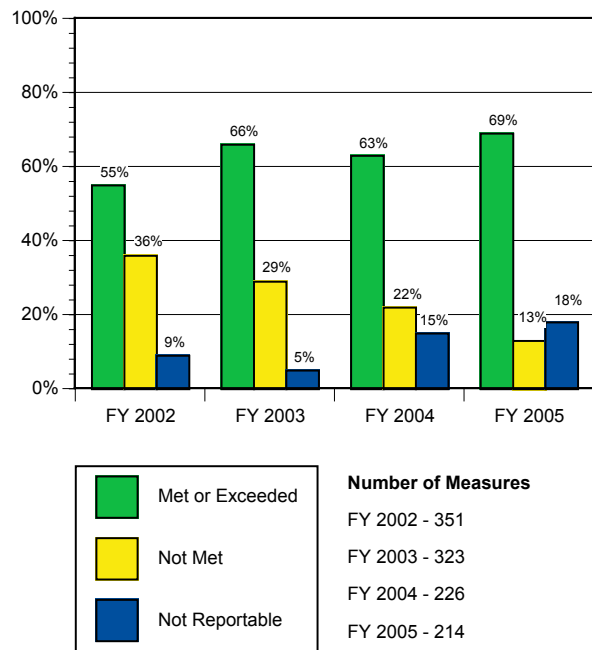
The Department of the Interior's 2003-2008 Strategic Plan can be viewed at [http://www.doi.gov/ppp/strat\\_plan\\_fy2003\\_2008.pdf](http://www.doi.gov/ppp/strat_plan_fy2003_2008.pdf). In July 2005, Interior began the statutorily required revision of the DOI Strategic Plan under GPR. We anticipate providing the final revised plan to Congress and the Office of Management and Budget on or about October 1, 2006.

With our missions ranging from resource protection and recreation to regulating natural resource development and providing services to communities, Interior has an exceptionally broad reach of responsibilities (Figure 1-5). This range of responsibilities has resulted in the need to report on the performance of a significant number of programs, including some administrative improvement areas. Consequently, Interior reports on 214 performance metrics—which, while a large number, is 39% lower than the 351 measures we reported on in FY 2002 (Figure 1-4). The advent of our highly integrated Departmental strategic plan accounts for the decrease in reportable measures.

In FY 2005, the Department met or exceeded 69% of the 214 performance measures monitored (or 147 out of 214) (Table 1-1 and Figure 1-4). This means that we improved our performance slightly over FY 2004 when we met or exceeded 63% of 226 performance measures monitored (or 142 out of 226).

FIGURE 1-4

Performance Measures Met or Exceeded



We fell short of performance targets for 13% of our measures (28 measures), an improvement over FY 2004 when we fell short of targets for 22% (51 measures). We were unable to report 18% of our measures as compared to 15% not reportable in FY 2004. While we had data for 8% of the 18% denoted “un-reportable,” we may not use preliminary data to determine whether a performance goal has been achieved as preliminary data has not yet been verified. We were unable to report on these measures because data were insufficient to generate or estimate performance.



FIGURE 1-5



Ten percent were not reportable because data were insufficient to generate or estimate performance. In some cases, data were unavailable due to impacts of external factors beyond our control, including competing priorities for our resources such as responding to Hurricane Katrina and its aftermath. In other cases, technological factors such as automated system interruptions or the inability of entities outside of Interior to provide data needed to compute performance contributed to our “no reports.” In some cases, the methodology and/or means for collecting the specific type of performance measure information described do not yet exist. For example, under the end outcome goal for improving the “health of watersheds, landscapes, and marine resources,” within our Resource Protection mission area, some bureaus aggregate and have not implemented a methodology or infrastructure for distinguishing the results in terms of the different types of land and/or water (e.g. wetland vs. riparian vs. upland vs. marine/coastal). We plan to further reduce these methodological problems in FY 2006.

Performance information for the measures stipulated as “no report,” “preliminary,” and “estimated” will be provided during FY 2006 as a supplement to this report.

The Department has highlighted results for its key measures using bar graphs (see *Figures 1-10, 1-17, 1-23, 1-25, and 1-30*). For each measure graphed, we provide the performance measure, the number of bureaus/offices reporting, and a graphical representation of the results. The bar graph displayed shows the targeted range of values for a particular performance measure. DOI considers a target to be substantially met if it is within +/- 5% of the target. (Which in this case is at the center of each bar graph.) The FY 2005 aggregate DOI result is marked on the graph with a black triangle. The FY 2004 aggregate DOI result is marked on the graph with a gray triangle. Measures where the actual aggregate result for FY 2005 or FY 2004 fall outside the range are marked on the extreme end (higher or lower) of the bar graph as appropriate. Each bureau/office reporting its values is marked in ranges below the graph showing how each one did against its own target (again represented at the center of the graph).

TABLE 1-2

The President’s Management Agenda and The Department of the Interior	
By pursuing the goals related to the President’s Management Agenda, we are ensuring that we have . . .	
<b>Strategic Human Capital</b>	The right people with the right skills.
<b>Competitive Sourcing</b>	Efficient and effective organization and service delivery structures.
<b>Financial Performance</b>	Transparent, timely, and useful financial information.
<b>E-Government</b>	Cost-efficient use of information technologies and better value.
<b>Budget and Performance Integration</b>	Strategic and cost-efficient allocation of resources.

### The President’s Management Agenda and Scorecard

In FY 2005, Interior continued to make progress in areas targeted by the President’s Management Agenda (PMA). That agenda focuses on improving Federal management and program performance. Organized around five mutually reinforcing components, the President’s Management Agenda applies to every department and agency. Its components share a goal of enhancing citizen-centered governance focused on delivering results to the American public.

In addition to the five management areas shown in *Table 1-2*, Interior is pursuing improvements in two additional areas: Research and Development (R&D) and Real Property.

The Office of Management and Budget (OMB) uses an Executive Branch Management Scorecard to monitor agencies’ status and progress toward attaining PMA goals. Color-coded ratings visually depict how an agency has performed toward making specific improvements (*Table 1-3*).

The Executive Branch Scorecard dated September 30, 2005, shows Interior made significant improvement in the areas of Human Capital, Competitive Sourcing, Budget and Performance Integration, and Real Property. We moved to a green status and progress rating for Human Capital and Competitive Sourcing, improving from a 2004 yellow status rating for both of these areas. Our improvement was attributed in part to our successful conversion from a pass-fail to a five-level performance system during the year and

modest increases in the diversity of our workforce. We exceeded Competitive Sourcing goals, completing more than 90% of our standard and streamlined competitions during the past four quarters. We expect to report a substantial increase in savings by December 2005 when all FY 2005 streamlined studies are complete.

While our progress rating remains green, we moved from a red to a yellow status rating for Budget and Performance Integration by improving our presentation of performance information in our FY 2007 budget requests and improving program management as reflected in Program Assessment Rating Tool (PART) analyses. Our improvement in Real Property can be attributed in part to the completion of Interior's first strategic plan for asset management.

Challenges remain for us in the areas of E-Government and Financial Performance. Our status and progress slipped to red for E-Government in FY 2005. Interior is currently working with OMB to validate our Earned Value Management (EVM) process that tracks progress and spending on information technology investments. We are also reviewing critical E-Government project milestones, ensuring that we complete these milestones in FY 2006. While our status remains red for Financial Performance, we scored a green for progress in this area in FY 2005, the same as in FY 2004. In FY 2005, Interior corrected and downgraded 3 of 4 material weaknesses. We also continued the implementation of our Financial and Business Management System (FBMS).

Since FY 2002, Interior has worked with OMB to review our programs using a government-wide evaluation approach called the Program Assessment Rating Tool, or PART. Winner of the Harvard Business School's Innovations in American Government Award for 2005, PART is a standardized and systematic process by which OMB evaluates program performance against a standard set of criteria. Its results are being used to improve program performance through the development and implementation of program-specific recommendations.

TABLE 1-3

Interior's FY 2005 and FY 2004 Scorecards - How OMB Scored Us				
	September 30, 2005		September 30, 2004	
	Status	Progress	Status	Progress
<b>President's Management Agenda</b>				
<i>Human Capital</i>	●	●	●	●
<i>Competitive Sourcing</i>	●	●	●	●
<i>Financial Performance</i>	●	●	●	●
<i>E-Government</i>	●	●	●	●
<i>Budget and Performance Integration</i>	●	●	●	●
<b>Other Government-wide Initiatives in which DOI Participates</b>				
<i>Real Property</i>	●	●	●	●
<i>Research and Development</i>	N/A	N/A	N/A	N/A

PART is helping Interior take a focused look at its programs. We have undergone 70 PART analyses since the process began in 2002. Twenty Interior programs were initially assessed using the PART process in 2005, as well as one program that underwent a follow-up review from 2002. A listing of the 21 programs is provided in *Table 2-4*, Part 2 of this report.

PART assessments have led to several recommendations for improvement. For example, the USGS Geologic Hazards programs PARTed in 2003 worked with partners from other hazard programs across the Federal Government to link together a suite of measures that, when taken together, can improve targeting of resources to reduce loss of life and property. USGS has held workshops with the natural hazards Federal community and integrated agreed-upon measures into cooperative agreements.

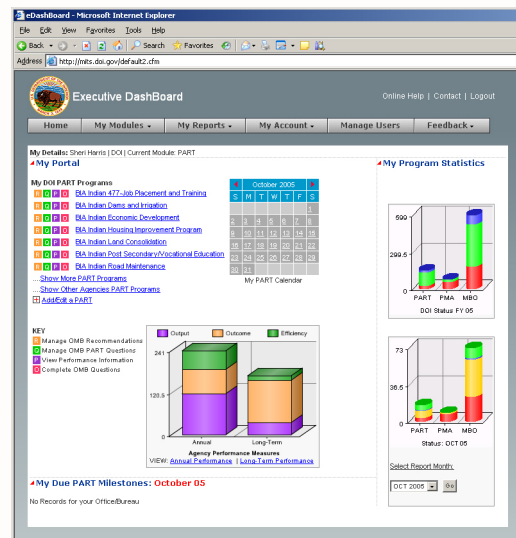
Similarly, as a result of PART findings, USGS Water Resources programs, PARTed in 2004, have been working with other Federal and State agencies to develop shared water monitoring plans. Within the rePART process for geospatial data, USGS developed an efficiency measure based on cost avoidance that has helped it document cost savings in FY 2005 of 72%, against a target of 42%, by partnering with others to collect high-resolution imagery. In this case, USGS expended \$3,108,880 for a total of 49 urban areas versus a full-price acquisition estimated at \$11,103,143.

In response to other PART assessments, Interior program managers have taken action to effect improvements. For example:

- A PART review of the Office of Surface Mining’s (OSM’s) Abandoned Mine Lands (AML) Grants program identified three recommendations for improvement. One of these led to a proposal for legislative changes to extend the authorization of fee collection authority. This proposal also focused on balancing the interests of all coal States while accelerating the cleanup of dangerous abandoned coal mines by directing funds to the highest-priority risk areas. Under this plan, reclamation could occur at a faster rate, thereby removing the risks to those who live, work, and recreate in the coalfields as soon as possible. Although this legislation was not passed, Interior continues to work with Congress to review current bills for AML reauthorization. Interior was able to work to get fee collection authority extended until June 30, 2006.
- The Bureau of Reclamation’s (BOR’s) Water Management/Supply—Operations and Maintenance Program was rated “Adequate” after a PART assessment in 2005. This program ensures that water is delivered to irrigators and municipal users in a reliable manner and condition. BOR program managers have implemented several recommendations resulting from the evaluation, including facilitating water transfers and clarifying acre limitations for those who receive federally subsidized irrigation water. BOR has asked the National Academy of Sciences to further review the program so that it can better understand any flaws and continue to make improvements.

Key executives are actively monitoring progress toward implementing post-PART actions and recommendations using a Web-enabled tracking system.

### Web-Enabling the PART Process—A Management Tool in Action



In 2003, Interior launched an interactive, Web-based database that gave program managers the ability to enter and retrieve data related to specific Interior PARTs from one site on-line. Interior’s Management Initiatives Tracking System (MITS) provided an alternative to using static-based applications such as Excel®, Web-enabling the format prescribed by OMB for PART assessments. MITS eliminated many of the requirements for re-work and manual calculations that are often associated with static applications. It automatically calculates PART question weights, scores, and program scores, and will recalculate those numbers if variables change with little effort on the part of the user. It stores editable versions of each PART assessment on-line, making these readily accessible when the need arises to anyone with a user ID and password. It provides a Web-based means to monitor and track milestones related to recommendations for improving PARTed programs. An auto-email alert system reminds managers of actions past due.

In FY 2005, Interior provided the Departments of Agriculture and Commerce with access to MITS, saving these agencies thousands of staff hours in data entry, and the maintenance and retrieval of information related to PART. The Office of Management and Budget, inspired by Interior’s MITS, launched PARTweb, a system that borrows many of MITS’ concepts and features, for governmentwide use in 2005.

In FY 2005, Interior collaborated with OMB to transfer data from MITS to OMB’s PARTweb using XML data transfer technology. Interior, Agriculture, and Commerce will continue using the system as a means to actively monitor progress in implementing follow-up actions related to PARTed programs.

# Mission Area 1: Resource Protection—Protect the Nation’s Natural, Cultural, and Heritage Resources

- End Outcome 1 Improve the Health of Watersheds, Landscapes, and Marine Resources that are DOI-Managed or Influenced in a Manner Consistent with Obligations Regarding the Allocation and Use of Water
- End Outcome 2 Sustain Biological Communities on DOI-Managed and Influenced Lands and Waters in a Manner Consistent with Obligations Regarding the Allocation and Use of Water
- End Outcome 3 Protect Cultural and Natural Heritage Resources

Since Congress created the Home Department back in 1849, Interior’s responsibilities, like its name, have evolved from serving as a general custodian for the Federal Government to our current role as steward of the Nation’s natural and cultural resources. We conserve federally-managed lands and waters, ensuring that these assets are available for future generations to enjoy. We are also the guardians of many of our Nation’s unique cultural and historic sites. And we protect thousands of native plant and animal species, including 1,268 U.S. species with special status under the Endangered Species Act (ESA).

In FY 2005, we met 75% of our performance targets for our Resource Protection Mission Area. We did not meet 10% of our targets. This compares with 52% of targets met and 29% of targets where we fell short in FY 2004. (See *Table 1-4* for more detail. Note: Within the narrative discussion for each mission area, we include parenthetical references to Performance Measure ID numbers used in *Table 2-1* of the Performance Data and Analysis section, for the convenience of readers wanting to cross-reference the data.)

Performance fell short of, or exceeded targets within the Resource Protection area during the year due to the following factors:

- The complex and voluntary nature of establishing and implementing partnerships and agreements can create challenges in meeting performance targets affected by such agreements.
- It is difficult to predict exactly how much work may be achieved during the year on a voluntary basis by partners. For example, we far exceeded a target for restoring wetland and upland acreage in FY 2005 because landowners near the Gulf of Mexico contributed much more than anticipated, protecting over 300,000 acres of uplands for the single project.

TABLE 1-4

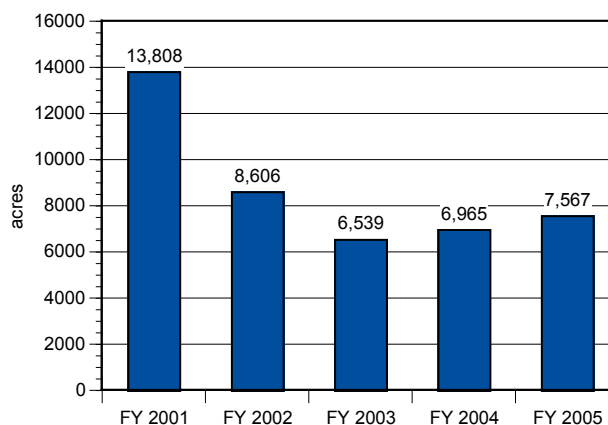
Mission Area 1: Resource Protection Performance and Resource Scorecard					
End Outcome Goal	Number of Measures Met (including estimates)	Number of Unmet Measures (including estimates)	Number of Measures Containing Preliminary Data	Number of Measures Containing No Reports	Costs (in thousands)
Goal #1: Improve the Health of Watersheds, Landscapes, and Marine Resources that are DOI-Managed or Influenced in a Manner Consistent with Obligations Regarding the Allocation and Use of Water	20	1	4	1	\$1,957,364
Goal #2: Sustain Biological Communities on DOI-Managed and Influenced Lands and Waters in a Manner Consistent with Obligations Regarding the Allocation and Use of Water	10	3	0	0	\$1,470,592
Goal #3: Protect Cultural and Natural Heritage Resources	6	1	1	1	\$299,505
Total	36	5	5	2	\$3,727,461
Percentage (Total of 48 Measures)	75%	10.5%	10.5%	4%	

### Restoring Our Lands and Waters to Healthy and Productive Status

Interior’s resource protection responsibilities extend to monitoring and repairing damage done by past mining, even if the lands affected are not federally managed. Based on preliminary data, in FY 2005, we reclaimed 7,567 acres of land, and improved 28 stream miles and 23 surface acres (Ref #5, 6, 7) of water degraded by past mining (see *Figure 1-6* for trend data). This compares to 33 stream miles and 36 surface acres of water that were improved in FY 2004. No comparison can be made for land acres reclaimed because we are unable to report a Department-wide result for FY 2004.

FIGURE 1-6

Lands Reclaimed from Past Mining \*



\* Notes - Data prior to FY 2005 represent OSM contribution only. Data for FY 2005 are preliminary.

**Habitattitude: Adopt a Conservation Attitude**



Interior's FWS has partnered with the National Oceanic and Atmospheric Administration's (NOAA) Sea Grant College Program and the Pet Industry Joint Advisory Council to lead Habitattitude, an initiative aimed at protecting and conserving our Nation's aquatic resources. This initiative educates hobbyists, consumers, and others interested in aquatic environments on the consequences of releasing exotic aquarium fish and plants into the wild (or our own backyards).

**Habitattitude™**  
PROTECT OUR ENVIRONMENT  
DO NOT RELEASE FISH AND AQUATIC PLANTS



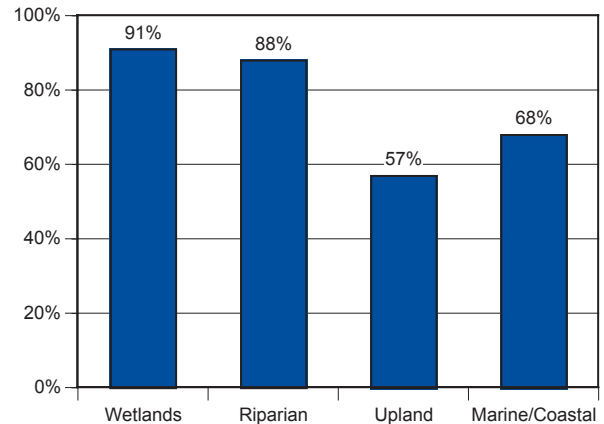
[www.Habitattitude.net](http://www.Habitattitude.net)

Our efforts to support healthy and productive lands increasingly depend upon partnerships. We actively implement the President's Cooperative Conservation Executive Order, which directs specific land-managing agencies to work with others to improve the use, enhancement, and enjoyment of natural resources, and to protect the environment.

Cooperative Conservation exemplifies a new environmentalism that uses partnerships, collaboration, innovation, and incentives to enhance achievement of the Nation's environmental goals. A suite of cooperative grant and cost share programs underpins Interior's conservation partnerships. Landowner Incentive Programs, Private Stewardship Grants, the Challenge Cost Share Program, and Partners for Fish and Wildlife Program all emphasize local input and involvement, using various monetary and non-monetary incentives to inspire and encourage landowners to manage private lands in a manner that supports resource protection goals and a sustainable environment.

In FY 2005, partnerships enabled us to achieve watershed and landscape goals for an estimated 743,192 acres (Ref #22), exceeding our target of 240,230 acres. We achieved goals for 888 stream/shoreline miles against a target of 460 miles (Ref #23). This compares to 770,065 acres and 596 miles in FY 2004. We were also able to protect and/or restore an estimated 21,137

**FIGURE 1-7**  
**Percent of Targeted Wetlands, Riparian, Upland, and Marine/Coastal Areas Restored in FY 2005**



Note - All data are preliminary.

surface and groundwater systems (Ref #10) directly managed or influenced by Interior by working with State and local resource managers. Our collaborative efforts helped achieve desired conditions for upland, riparian, wetland, and marine and coastal areas, as specified in our management plans (see *Figure 1-7*, Ref #1, 2, 3, 4). Our work with wetland areas addresses President Bush's Wetland Initiative. Successes in meeting these goals are attributed to exceptional voluntary contributions by landowners as part of the FWS Coastal Program restoration efforts and to the removal of invasive fox populations from islands in Alaska Maritime National Wildlife Refuges that contributed to about 140,000 restored acres. The removal of foxes permitted birdlife to land and nest on the islands, fertilizing the land and encouraging plant growth, thus contributing to restoration of wetland areas.

### Fighting the War on Invasive Species

Invasive species threaten the ecological and economic health of our Nation. These are non-native plants, animals, or other organisms such as microbes whose introduction hurts the economy or harms environmental or human health. Problems arise when these species are released into the wild, where they often spread, choking out our endemic flora and fauna and competing for resources like water and sunlight. The spread of invasive plants, animals, and pathogens is

### Go Native!



Did You Know—Many common garden plants are in fact invasive species. How many of these plants are in your garden? Next time you think about sprucing up your green space, consider planting only native plants, like the *Asclepias lanceolata* pictured, and verify that the species you are planting are non-invasive.

Here are some common invasive species:

- English Ivy (*Hedera helix*)
- Purple Loosestrife (*Lythrum salicaria*)
- Japanese Honeysuckle (*Lonicera japonica* and *Lonicera* )
- Wisteria (*Wisteria sinensis*)
- Tree of Heaven (*Ailanthus altissima*)
- Chinese Privet (*Ligustrum sinense*)

considered one of the most serious ecological problems facing the Nation in the 21st century, second only to habitat destruction.

In FY 2005, Interior continued to address invasive plant species on Federal lands, controlling 2% (or 614,027 acres) of known infestations (Ref #30), and restoring 383,478 acres of land and 1,313 (Ref #32, 33) miles of stream- and shoreline to mitigate or eliminate the effects of these invaders. This supported native species by creating habitat conditions that enable them to flourish and met our performance targets for the year. Interior worked closely under agreements with both private and public sector partners to achieve habitat/biological community goals for 9,917,351 acres of land (Ref #34), compared to 9,374,196 acres in FY 2004.

Interior's challenge to control the spread of invasive plant species on lands we manage continues to grow. Although the data indicate that the number of infested baseline acres controlled at the end of FY 2005 (614,027 acres) was more than 60% greater than the number controlled at the end of FY 2004 (372,971

### Knock on Woods—Two Endangered Species Have Hope



*Red-cockaded woodpecker*

The future of two endangered North American woodpeckers looks more promising than ever, thanks to dedicated conservation.

The Ivory-billed woodpecker was rediscovered in Arkansas in the Spring of 2005. The bird was believed to be extinct in the United States for more than 60 years. Secretary of the Interior Gale Norton promised, "Decisive conservation action and continued progress through partnerships..." She promised to appoint the "best talent in the U.S. Fish and Wildlife Service and local citizens" to develop a Corridor of Hope Cooperative Conservation Plan to save the Ivory-billed woodpecker.

Recent census counts provided by the FWS reveal that the red-cockaded woodpecker experienced a 23% population boom between 1994 and 2004. FWS partner programs have provided increased habitat for the species by involving private landowners in conservation efforts through Habitat Conservation Plans and Safe Harbor Agreements.

acres), the overall percentage of infested acres under control declined from 9% to 2%. The Department's recent efforts to better coordinate its invasive plant control efforts are promising. However, the ultimate measure of success will be our ability to use these and other techniques to reverse the current harm or degradation that invasive plants are having on the health of public lands.

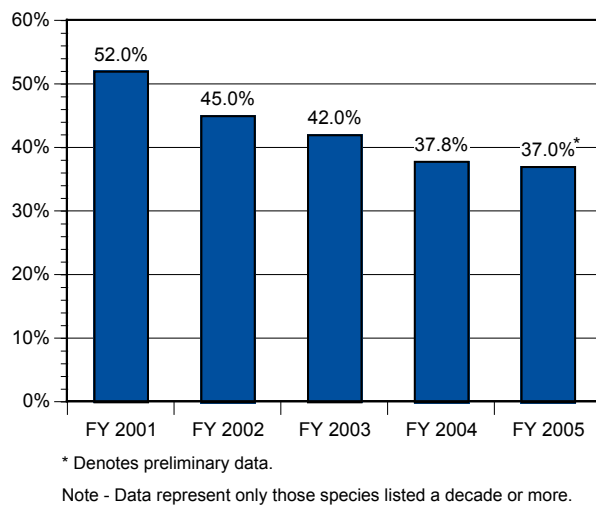
### Improving Endangered Species Status

A key part of our resource protection mission is protecting endangered species under the Endangered Species Act (ESA). Restoring endangered and threatened species to the point where they can be delisted is a prime responsibility of the Fish and Wildlife Service



FIGURE 1-8

### Percent of Threatened or Endangered Species Stabilized Over Time



(FWS). FWS follows legal procedures to determine whether to list a species, depending on the degree of threat it faces. All FWS actions, from proposals to list to proposals to remove species from a specific status, are publicly announced through the *Federal Register*.

In FY 2005, Interior reported that 37% (Ref #28) of threatened or endangered species listed a decade or more have been stabilized or improved (*Figure 1-8*). We helped bring an estimated 42% (Ref #27) of species of management concern back to self-sustaining levels, meeting our target of 40%. Conservation actions or agreements enabled us to avoid listing 1% (Ref #29) of candidate species (3 species), including the lesser Adams Cave beetle, the greater Adams Cave beetle, and the Sacramento Mountains checkerspot butterfly. This was short of our target of 2% (4 species). While conservation actions or agreements did prevent the listing of three species, the target was not met due to the complex and voluntary nature of establishing and implementing candidate agreements, which adds to the difficulties in accomplishing this target.

When reviewing the progress to improve the condition of America's threatened and endangered species, the percentage of these species listed a decade or more that are stabilized or improving, when calculated as a percentage, decreases. This is due to the fact that the overall number of threatened or endangered species

has increased significantly, and species recently listed are unlikely to become stable or improved for some years. For example, from FY 2001 to FY 2005, the number of species listed a decade or more increased from 616 to 937, a 52% increase. Meanwhile the number of species that were stabilized or improved during this period increased from 320 to 350, a 9% increase. The principal causes for this trend include habitat degradation and invasive species proliferation to which our response requires coordinated action over a long period of time. The Department and its partners must continue to practice timely and effective cooperative conservation to ensure the best means for potentially slowing this trend.

### Protecting, Preserving, and Restoring Physical Assets

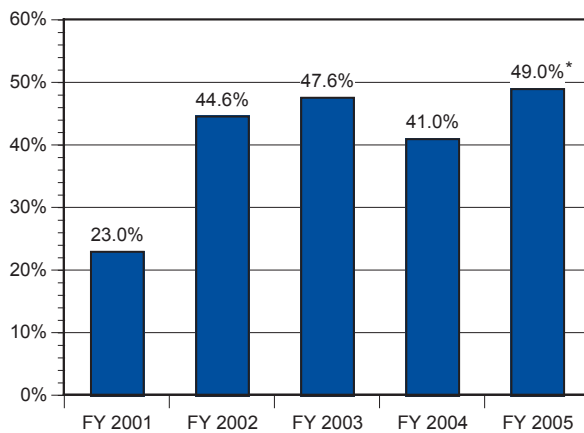
As guardians of the Nation's cultural heritage, we are responsible for priceless national assets, ranging from commemorative sites like the World War II Memorial in Washington, D.C., to Native American archeological and cultural sites such as Tuzigoot in Arizona. In 2005, Interior finalized its Asset Management Plan (AMP), which establishes a strategy to manage and oversee Interior-owned and leased assets, such as buildings, structures, motor vehicle fleet, and office and warehouse space.

We conduct annual condition assessments of all assets and use what is referred to as a Facility Condition Index (FCI) as a starting point for determining the investment needed to bring the asset to an acceptable condition over time. The FCI is used to quantify the condition of a structure. It is used to compare replacement costs versus deferred maintenance costs on facilities.

The Department plans to repair facilities to "acceptable condition" and reduce deferred maintenance to the established goal of an acceptable facility condition index for each asset type. With the completion of the first round of Comprehensive Condition Assessments in FY 2006, we will review the existing FCIs and the existing conditions of the assets in the inventory, and develop DOI ranges for good, fair and poor ratings by asset type. In FY 2005, our FCI for cultural and natural resources facilities was reported at 0.202 (Ref #47), in line with our target of 0.209, and notably worse than our FY 2004 report of 0.118. However,

FIGURE 1-9

Percent of Paleontological Localities in Good Condition



\* Denotes preliminary data.

in FY 2004, one of our bureaus did not report to the measure, therefore the number was lower than it might have been if we had reported the average aggregate. This year, FWS and NPS both successfully provided performance reports. Our FCI for conservation and biological facilities was reported at 0.087, in the fair range (Ref #39), similar to our FY 2004 estimated report of 0.063. As these numbers indicate that the Department’s facilities are in the fair to poor range, we do expect marked improvements in future years since the Department has made maintenance and repair of our facilities a priority. We are diligently tracking progress through our GPRA Strategic Plan measures and actions related to implementing our new Asset Management Plan.

An estimated 48% of the collections in our inventory were in good condition, short of a target of 49% (Ref #41). An estimated 56% of our cultural properties (Ref #40) and an estimated 49% of our paleontologic localities (Ref #43) were in good condition (Figure 1-9). While the condition of our cultural properties met the target of FY 2005, the condition of paleontologic localities did not, but showed improvement over FY 2004. Continued progress in assessment and documentation of conditions is needed first to better track the care of these collections.

We established a baseline in FY 2005 against which we will measure progress toward the percentage of collections designated as Indian natural resource trust

National Park Service Maintenance Efforts



NPS recently restored historic buildings damaged during a storm at the Lewis Farm on Monocacy National Battlefield in Maryland.

assets (defined as objects, works of art, and historic documents representing the fields of archeology, art, geology, biology, paleontology, and ethnology) contained in our inventory that are in good condition. In FY 2005, we reported that 22% of Indian natural resource collections and 70% of Indian natural resource cultural properties were in good condition (Ref #151, 152). While the natural resource collection target was met, the target on cultural properties was not met. Inventory and condition assessments are still being conducted and are taking longer than expected due to other competing priorities.

FIGURE 1-10

How We Measure Up: Performance on Key Resource Protection Goals



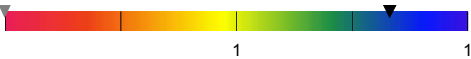


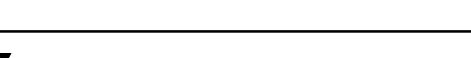
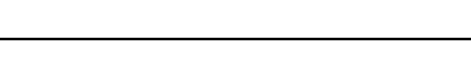
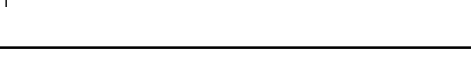
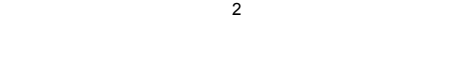


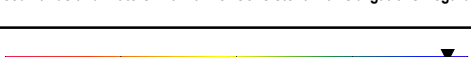
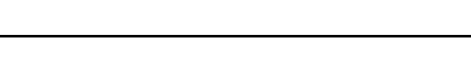
Performance Goal (Total Number of Reported Results)	Average Performance Rating and Number of Reported Results				
	Target Not Met	Below Target	On Target	Above Target	Target Exceeded
<b>End Outcome Goal – Improve health of watersheds, landscapes, and marine resources that are DOI managed or influenced in a manner consistent with obligations regarding the allocation and use of water.</b>					
Wetland areas – Percent of acres achieving desired conditions where condition is known and as specified in management plans consistent with applicable substantive and procedural requirements of State and Federal water law. <i>2 Results</i>					
Riparian areas – Percent of stream-miles achieving desired conditions where condition is known and as specified in management plans consistent with applicable substantive and procedural requirements of State and Federal water law <i>2 Results</i>					
Upland areas – Percent of acres achieving desired conditions where condition is known and as specified in management plans consistent with applicable substantive and procedural requirements of State and Federal water law <i>2 Results</i>					
Marine and coastal areas - Percent of acres achieving desired marine and coastal conditions where condition is known and as specified in management plans <i>1 Result</i>					
Number of land acres reclaimed or mitigated from the effects of degradation from past mining <i>3 Results</i>					
Number of stream-miles for which degradation from past surface coal mining has been improved <i>1 Result</i>					
Number of surface acres of water for which degradation from past surface coal mining has been improved <i>1 Result</i>					
Protect and/or restore X number of surface and ground water systems directly managed or influenced by DOI, as specified in management plans and consistent with applicable Federal and State law, by working with State and local resource managers, as appropriate to meet human and ecological needs <i>2 Results</i>					
Number of acres achieving watershed and landscape goals through voluntary partnerships <i>1 Result</i>					
Number of stream/shoreline miles achieving watershed and landscape goals through voluntary partnerships <i>1 Result</i>					
<b>End Outcome Goal – Sustain Biological Communities on DOI Managed and Influenced Lands and Waters in a Manner Consistent with Obligations Regarding the Allocation and Use of Water</b>					
Percent of species of management concern that are managed to self-sustaining levels, in cooperation with affected States and others, as defined in approved management documents <i>2 Results</i>					
Percent of threatened or endangered species listed a decade or more that are stabilized or improved <i>1 Result</i>					
Percent of candidate species where listing is unnecessary as a result of conservation actions or agreements <i>1 Result</i>					

FIGURE 1-10

How We Measure Up: Performance on Key Resource Protection Goals

Performance Goal (Total Number of Reported Results)	Average Performance Rating and Number of Reported Results				
	Target Not Met	Below Target	On Target	Above Target	Target Exceeded
Percent of baseline area infested with invasive plant species that is controlled <i>4 Results</i>					
Number of acres restored or enhanced to achieve habitat conditions to support species conservation consistent with management documents, program objectives, and consistent with substantive and procedural requirements of State and Federal water law <i>2 Results</i>					
Number of stream/shoreline miles restored or enhanced to achieve habitat conditions to support species conservation consistent with management documents, program objectives, and consistent with substantive and procedural requirements of State and Federal water law <i>2 Results</i>					
Number of acres of landscapes and watersheds managed through partnerships and networked lands that achieve habitat protection <i>1 Result</i>					
Conservation and biological research facilities are in fair to good condition as measured by the Facilities Condition Index <i>2 Results</i>					
<b>End Outcome Goal – Protect Cultural and Natural Resources</b>					
Percent of cultural properties on DOI inventory in good condition <i>3 Results</i>					
Percent of collections in DOI inventory in good condition <i>3 Results</i>					
Percent of paleontologic localities in DOI inventory in good condition <i>3 Results</i>					
Facilities are in fair to good condition as measured by the Facilities Condition Index <i>2 Results</i>					

KEY

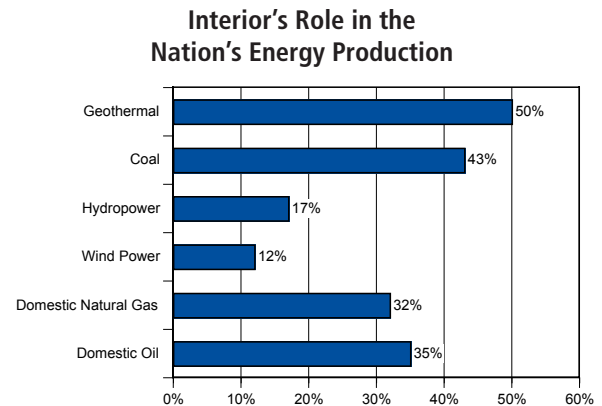
Range	95% - 105% of Target
▼	DOI FY05 Aggregate Actual compared to FY05 Target
▼	DOI FY04 Aggregate Actual compared to FY04 Target (Relative position of Bureau results identified by number)

## Mission Area 2: Resource Use— Manage Resources to Promote Responsible Use and Sustain a Dynamic Economy

- End Outcome 1 Energy—Manage or Influence Resource Use to Enhance Public Benefit, Promote Responsible Use, and Ensure Optimal Value
- End Outcome 2 Non-Energy Minerals—Manage or Influence Resource Use to Enhance Public Benefit, Promote Responsible Use, and Ensure Optimal Value
- End Outcome 3 Forage—Manage or Influence Resource Use to Enhance Public Benefit, Promote Responsible Use, and Ensure Optimal Value
- End Outcome 4 Forest Products—Manage or Influence Resource Use to Enhance Public Benefit, Promote Responsible Use, and Ensure Optimal Value
- End Outcome 5 Water—Deliver Water Consistent with Applicable Federal and State Law in an Environmentally Responsible and Cost-Efficient Manner
- End Outcome 6 Hydropower—Generate Hydropower Consistent with Applicable Federal and State Law in an Environmentally Responsible and Cost-Efficient Manner

The Department of the Interior has a vital role in maintaining the Nation's energy supply (*Figure 1-11*). Thirty percent of the Nation's domestic energy supply is produced on Interior-managed lands and waters. Of this, 30% of America's domestic oil production and 21% of our domestic natural gas production come from the Outer Continental Shelf (OCS).

FIGURE 1-11



Our efforts emphasize and underscore our stewardship role by increasing renewable energy production on Federal land and producing traditional sources of energy in an environmentally responsible way.

In FY 2005, we met 77.5% of our performance targets for our Resource Use Mission Area. We did not meet 12.5% of our targets. This compares with 70.7% of targets met and 24.4% of targets where we fell short in FY 2004 (see *Table 1-5* for more detail).

Performance fell short of or exceeded targets within the Resource Use area due to the following factors:

- An increase in applications for permit to drill (APDs) in the past few years has complicated efforts to reduce the backlog of permits requiring processing by BLM. The BLM has been addressing this backlog at the Field and State Office levels and continues to make progress. Performance should improve in FY 2006, due in part to additional funding resources and management changes, including the establishment of quality assurance and review teams charged with improving the permit review process.

TABLE 1-5

Mission Area 2: Resource Use Performance and Resource Scorecard					
End Outcome Goal	Number of Measures Met (including estimates)	Number of Unmet Measures (including estimates)	Number of Measures Containing Preliminary Data	Number of Measures Containing No Reports	Costs (in thousands)
Goal #1: Energy—Manage or Influence Resource Use to Enhance Public Benefit, Promote Responsible Use, and Ensure Optimal Value	9	3	1	1	\$2,715,593
Goal #2 Non-Energy Minerals— Manage or Influence Resource Use to Enhance Public Benefit, Promote Responsible Use, and Ensure Optimal Value	4	0	0	1	\$162,232
Goal #3: Forage—Manage or Influence Resource Use to Enhance Public Benefit, Promote Responsible Use, and Ensure Optimal Value	2	1	0	0	\$89,704
Goal #4: Forest Products—Manage or Influence Resource Use to Enhance Public Benefit, Promote Responsible Use, and Ensure Optimal Value	4	0	0	0	\$60,458
Goal #5: Water—Deliver Water Consistent with Applicable Federal and State Law, in an Environmentally Responsible and Cost-Efficient Manner	7	1	0	1	\$880,830
Goal #6: Hydropower—Generate Hydropower Consistent with Applicable Federal and State Law, in an Environmentally Responsible and Cost-Efficient Manner	5	0	0	0	\$211,802
Total	31	5	1	3	\$4,120,619
Percentage (Total of 40 Measures)	78%	13%	3%	8%	

- The BOR exceeded water delivery goals this year through the enhanced use of collaborative contract arrangements and by completing two major water projects ahead of schedule.

## Providing America with Access to Energy and Minerals—Onshore and Offshore

We met our goal of supporting the President's National Energy Policy (NEP) by holding four offshore sales (Ref #50) consistent with the Secretary of the Interior's Five-Year Program. We made an estimated 590 million onshore acres available for energy exploration and development along with 570.7 million acres available for non-energy mineral resource exploration and development (Ref #49 and Ref #63). Our premier science bureau, the USGS, contributed to the success of this effort by ensuring that managers had information they needed about resources to make critical use decisions. USGS geologists, engineers, and other scientists provided non-energy mineral information for about 3,097,647 million square miles of the U.S. (Ref #66). This information included geologic maps and digital data sets, mineral locality information, and data from a Web-based geochemical database. USGS researchers also conducted resource assessments on seven targeted onshore basins with oil and gas resources, exceeding our target of six (Ref #61).

In FY 2005, USGS scientists completed assessments of petroleum resources in Yukon Flats and in the "Middlegrounds" of northern Alaska. The latter study, when combined with previous USGS work, enables a more comprehensive evaluation of petroleum resources along Alaska's North Slope. In addition, USGS scientists, with the support of managers from the BLM, conducted geologic, remote sensing, and geographic information system analyses for a portion of Alaska's North Slope. The surficial geology maps produced as a result of this effort may help to efficiently identify areas containing gravel needed for infrastructure to support petroleum resource development, while minimizing the potential disturbance to the land surface and fragile ecosystems.

Onshore and offshore mineral- and energy-operations leases managed by Interior's MMS and BLM generate revenues that are collected and disbursed to the general fund and the States, as well as to the

### Royalty in Kind Generates Solid, Measurable Results

In FY 2004, sales of royalty oil and gas through the Minerals Management Service's Royalty-in-Kind (RIK) program generated more than \$18 million in additional revenue for the U.S. Treasury.

When there is economic advantage through increased revenues, greater administrative efficiency, and/or security needs of the Nation, MMS collects royalties in kind rather than in value (cash).

During FY 2005, MMS began implementing the Five-Year RIK Business Plan for FY 2005-2009, which targets a cumulative RIK incremental net revenue enhancement of \$50 million over 5 years. Final RIK incremental revenue data for FY 2005 will be available in April 2006.

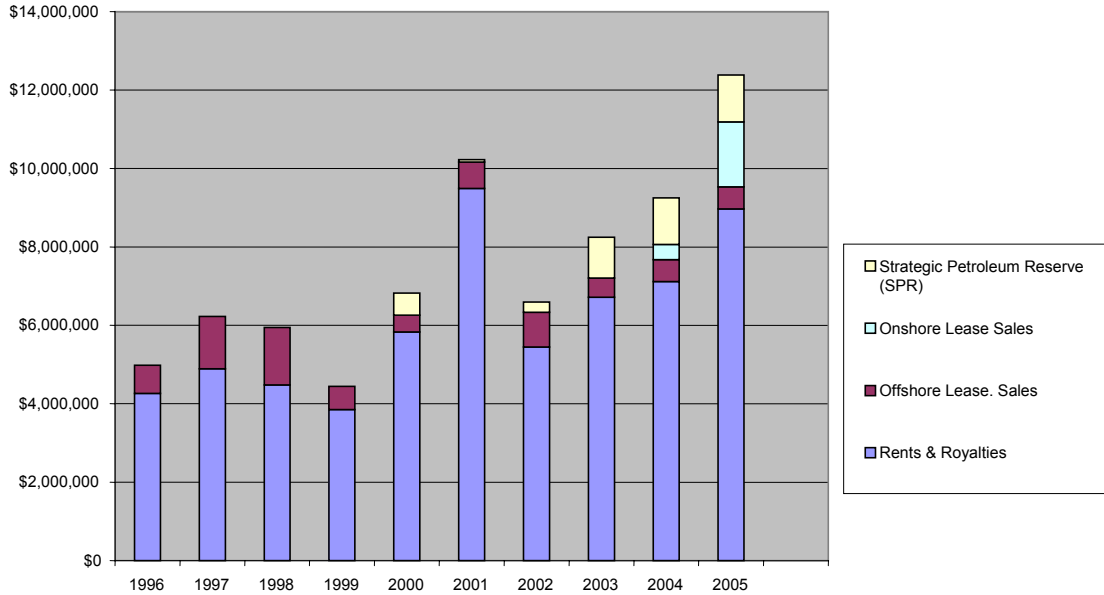


### Did You Know ...

The first Federal offshore oil and gas lease sale was held on October 13, 1954—over 50 years ago. At that first sale, the Federal Government leased 90 of the available 199 tracts, with a total bonus paid to the U.S. Treasury of \$116.3 million. Twenty-six of those tracts leased 50 years ago remain active today. To date, these have produced about 507.7 million barrels of oil and 1.9 billion cubic feet of natural gas.

FIGURE 1-12

Revenues for 1996-2005  
(in thousands)



**Note: SPR revenues represent value of oil taken in-kind for delivery to SPR rather than actual dollars. Beginning in FY 2005, the Statement of Custodial Activity was revised to present an additional revenue category for onshore lease sale activity. For comparative purposes in the current Statement, FY 2004 was also revised to include this category. This chart reflects those revisions.**

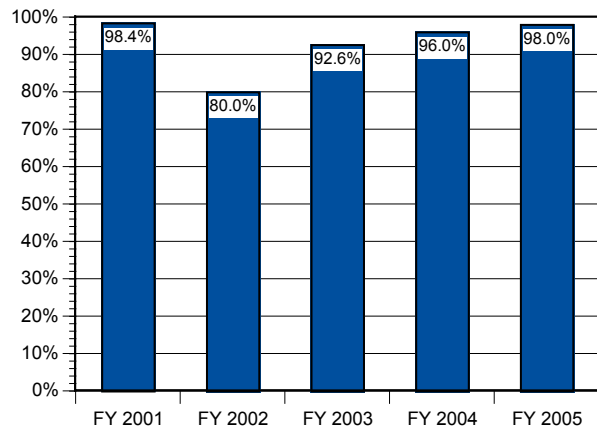
Office of the Special Trustee for American Indians for disbursement to Tribes and individual Indian mineral owners. MMS mineral revenues over the last 10 years are shown in *Figure 1-12*.

In FY 2005, MMS collected more than \$10 billion in mineral revenues. It disbursed these in a timely manner, meeting the performance goals (*Figure 1-13*). In addition, MMS took in kind approximately 26 million barrels of offshore oil, valued at an estimated \$1.2 billion, for delivery to the Department of Energy for the Strategic Petroleum Reserve. About 65 percent of all MMS mineral revenues were from offshore leases and 35 percent from onshore leases. BLM collected an additional \$66 million from onshore energy leases.

In FY 2005, MMS reported that the royalties received for mineral leases were 98% of predicted revenues (Ref #54), based on market indicators for the 2002 production year. In FY 2004, royalties received for its mineral leases were 96% of predicted revenues for the 2001 production year.

FIGURE 1-13

Percent of MMS Revenues  
Disbursed in a Timely Manner





The BLM manages over 300,000 leases and mining claims. Applications for permit to drill (APD) have nearly doubled in recent years, complicating efforts to reduce the number of pending permits awaiting processing by BLM. In FY 2005, BLM reported 2,461 (Ref #57) pending applications (against a target of 2,040) in backlog status for fluid energy minerals such as oil and gas, and 35 (Ref #58) (against a target of 25) for solid energy minerals such as coal. In FY 2004, it reported 2,182 pending cases for fluid energy minerals and 45 for solid energy minerals.

The BLM exceeded the number of APDs planned to be processed by over 200 APDs in FY 2005. However, the BLM was not able to attain its FY 2005 performance targets because the actual number of APDs received (8,351) exceeded the estimated number to be received (7,000) by over 1,000. Recent funding increases, including an additional estimated \$19 million for APD processing and related activities provided by Section 365 of the Energy Policy Act of 2005, and management improvements instituted by the bureau will significantly increase its capacity to process applications for permits and leases in FY 2006. This will address the number of pending applications, improve timeliness and responsiveness, and overall, better keep up with industry demand in seven pilot offices.

The BLM has established quality assurance teams to review field office procedures related to applications for permits to drill. It is evaluating ways that may improve its permitting process, including streamlining the National Environmental Policy Act (NEPA) process with broader use of categorical exclusions, making permitting available on-line if possible, and shifting resources to field offices where they will have the greatest impact. With its oil and gas base funding, the new mineral rental revenue provided to pilot offices by the Energy Policy Act, and the efficiencies gained from management improvements, the BLM plans to process over 10,000 APD's in FY 2006, an increase of 2,500 over the 7,700 APD's processed in FY 2005.

Processing additional APDs to expand access to Federal lands for oil and gas development provides several significant potential benefits for the Nation. For example, processing an additional 3,000 APDs in 5 years could result in the following benefits over a 15-year period: increased production equivalent to

### A Big Horse with a Little Footprint



On February 26, 2005, Interior Secretary Norton joined BP Oil officials in dedicating the world's largest and most advanced semi-submersible oil platform. Known as Thunder Horse, the giant structure will tap into a huge reserve of oil and gas deep under the Federal Outer Continental Shelf (OCS) in the Gulf of Mexico. It features more than 100 technological firsts, including a new generation of engineering solutions to handle the unique challenges of tapping into an ultra-deep, high temperature, and high pressure reservoir. The energy used by the platform itself will be produced from natural gas from the field below. To maximize its efficiency, the platform will capture waste heat through heat recovery units. The energy then will be used in the production process.

The Thunder Horse platform, which has a main deck that measures 120 yards by 150 yards, is about 50% larger than the next largest floating semi-submersible rig in the world. Its cutting edge technology will enable it to process 250,000 barrels of oil and 200 million cubic feet of natural gas per day—enough energy to provide for the daily needs of about 6.5 million American homes!

"With increasing amounts of our oil imported from abroad, these technologies are vitally important to our Nation's future energy security," said Secretary Norton. "It is amazing that so large a structure as Thunder Horse will have such a tiny environmental footprint, leaving almost no trace of itself in either the sea or the sky."

approximately 1, 670 billion cubic feet of natural gas; additions to reserves equivalent to approximately 2,900 billion cubic feet of natural gas; and a net present value of approximately \$4.7 billion in revenues.

## Maintaining Healthy Forests

In pursuing healthy forests, overstocked forest stands across large contiguous areas can lead to ecological and habitat issues by supporting increased insect and disease activity. Poorly managed forest areas are also prone to catastrophic wildland fire conditions that can have a devastating effect on wildlife through the loss of habitat, as well as posing human threats by placing local communities at risk. Forest management programs led by the BLM and BIA help restore forest health and support the President's Healthy Forests Initiative. The BLM is accelerating its progress toward reducing the backlog of forest and woodland acres in need of restoration work. It is expanding its use of stewardship contracting authority to achieve greater productivity and cost-efficiency in forest management programs. In FY 2005, the BLM reported that 100% of permitted forest acres (Ref #73) were maintained at appropriate land conditions and water quality standards.

The BLM and BIA also oversee the harvesting of timber on public and Indian trust lands. In FY 2005, the BLM offered 257 million metric board feet (MMBF) of timber for sale on Interior lands, exceeding its target of 223 MMBF (Ref #71). In FY 2004, BLM offered 188 MMBF of timber (*Figure 1-14*). The BIA offered 627 MMBF on Indian lands, against a target of 585 MMBF (Ref #144).

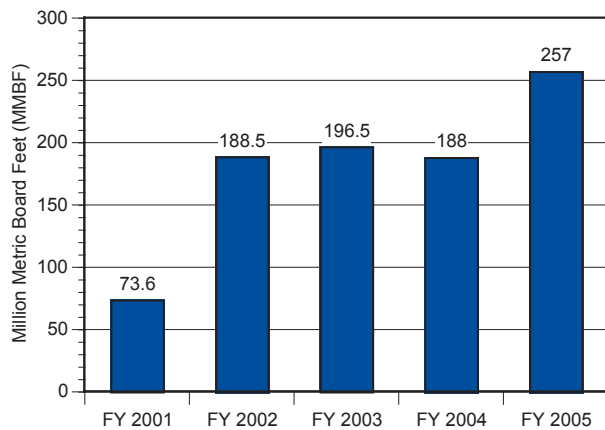
### Less Fuel for the Fire



Interior's Bureau of Land Management (BLM) is working in partnership with local ranchers and the Paiute Indian Tribe to implement a fuels reduction program in the Castle Rock area of Vale, Oregon. Castle Rock contains one of the few remaining stands of old growth Ponderosa pine and Douglas fir left in an area dominated by rangeland habitats. Dense stand conditions, as well as the presence of large amounts of deadwood, have reduced the vigor of the forested area, dramatically increased its susceptibility to disease and insect infestation, and significantly raised the risk of fire. The BLM is implementing a plan to treat the stand over the next 3 years using a combination of understory thinning, hand-piling and prescribed fire. Already, 200 acres of pine have received an initial fuels reduction treatment. These fuels reduction activities should significantly reduce the existing fire hazard and improve forest health.

FIGURE 1-14

Volume of Timber Offered for Sale by BLM



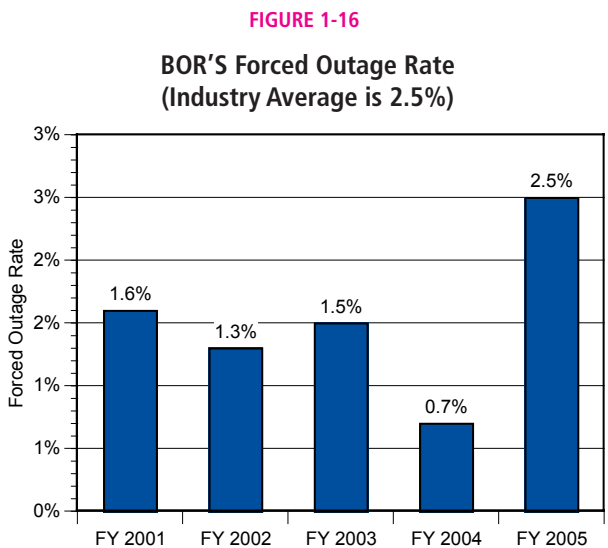
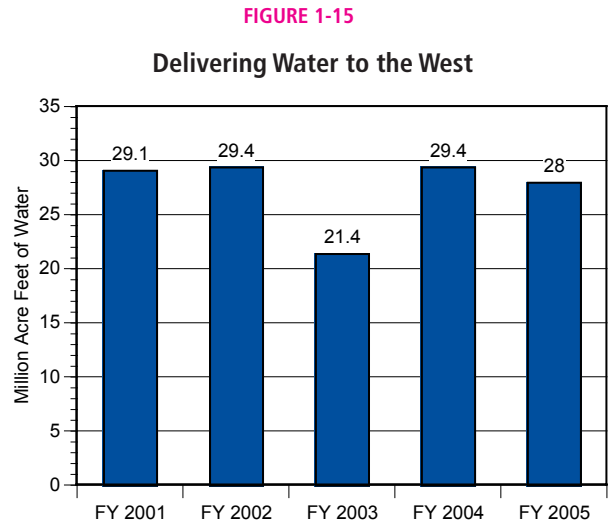
## Providing Water and Water Power

Interior plays a critical role in providing water to the Nation's western States. The Department's BOR manages 472 dams and 348 reservoirs that provide water to over 31 million people and irrigate 10 million acres of farmland, contributing to the production of 25% of the Nation's fruits and nuts and 60% of our vegetables. This water also is used to generate power.

Ongoing droughts and burgeoning Western populations have made the BOR's job of delivering water throughout the western States more challenging in recent years. Despite these challenges, BOR is finding ways to improve water delivery systems through better water management strategies and operations. For instance, through its *Water 2025* Challenge Grants, BOR is funding a variety of projects to make more efficient use of existing water supplies through water conservation and marketing. Projects funded in FY 2005 represent a combined investment of more than \$29 million in water improvements, including non-Federal cost-share contributions of more than \$18 million. For example, the Elephant Butte Irrigation District in New Mexico will save up to 8,000 acre-feet of water a year by installing 100 flow control meters to better manage and monitor water deliveries to farms. To put this into context, one acre-foot supplies enough water for a family of four for one year. Six of the grants were awarded to western States. Idaho, Kansas, Texas, Arizona, Montana, and New Mexico received about \$1 million in grants for projects to manage water resources more efficiently.

In FY 2005, BOR delivered an estimated 28 million acre-feet (MAF) of water to customers, meeting the target (*Figure 1-15*) (Ref #75). Reclamation met water delivery goals by entering into 67 agreements, partnerships, and management options exceeding its FY 2005 target of 54 (Ref #81). BOR was able to increase the amount of water available for use in FY 2005 by completing major phases of rural water distribution projects, water reuse and recycling, and aquifer groundwater investigations.

BOR is among the lowest-cost hydropower producers. In FY 2005, it estimated that it was in the top 25% of lowest cost producers, when comparing the cost per megawatt of installed capacity (*Figure 1-16*) (Ref #84). On the average, BOR generates about 42 million



kilowatt-hours of hydroelectricity, enough to meet the annual needs of 9 million people.

BOR operates and maintains reliable, safe, and secure power facilities. In FY 2005, 98% of BOR's hydropower facilities were in fair to good condition as measured by the Facilities Reliability Rating (FRR), against a target of 94.6% (Ref #87). It has an outstanding record of reliable power delivery, with a forced outage rate far better than the industry average of 2.5% (Ref #85). Forced outage refers to the number of hours that hydropower facilities are out of service per 8,760 total operating hours in the year, weighted for plant size and capacity.

Despite its record, BOR must continue to strive to improve its performance and optimize hydroelectric power generation. It must contend with external circumstances, such as the ongoing 5-year drought, that significantly impact hydropower production and affect rates that customers pay for power. For example, as of July 2005, Lake Powell was 115 feet below full surface elevation of 3,700 feet. Because of the lower lake level, Glen Canyon Powerplant's generation capacity was reduced by 25%.

BOR is making appropriate adjustments to account for external drivers such as weather to ensure it provides peak performance. It also conducts frequent assessments of operation and maintenance effectiveness at all 58 hydroelectric powerplants and major pumping plants. Recommendations to correct deficiencies or improve local programs are tracked to successful completion.

FIGURE 1-17

How We Measure Up: Performance on Key Resource Use Goals

Performance Goal (Total Number of Reported Results)	Average Performance Rating and Number of Reported Results				
	Target Not Met	Below Target	On Target	Above Target	Target Exceeded
<b>End Outcome Goal – Manage or Influence Resource Use to Enhance Public Benefit, Promote Responsible Use, and Ensure Optimal Value: Energy</b>					
Number of onshore acres available for energy resource exploration/development consistent with applicable management plans or permitting requirements <i>1 Result</i>					
Implement National Energy Policy by holding 17 offshore sales consistent with the Secretary's 5-Year Program <i>1 Result</i>					
Royalties received for mineral leases are 98% of predicted revenues, based on market indicators in the production year <i>1 Result</i>					
Number of pending cases of permits and lease applications that are in backlog status for fluid energy minerals (APD's) [BLM] <i>1 Result</i>					
Number of pending cases of permits and lease applications that are in backlog status for solid energy minerals (LBA's) <i>1 Result</i>					
Number of targeted basins with oil and gas resource assessments available to support management decisions <i>1 Result</i>					
<b>End Outcome Goal – Manage or Influence Resource Use to Enhance Public Benefit, Promote Responsible Use and Ensure Optimal Value: Non-Energy Minerals</b>					
Number of acres available for non-energy mineral resource exploration and development consistent with applicable management plans <i>1 Result</i>					
Average square miles of the United States with non-energy mineral information available to support management decisions <i>1 Result</i>					
<b>End Outcome Goal – Manage or Influence Resource Use to Enhance Public Benefit, Promote Responsible Use, and Ensure Optimal Value: Forest Products</b>					
Volume of timber offered for sale <i>1 Result</i>					
Percent of permitted acres maintained at appropriate land conditions and water quality standards <i>1 Result</i>					
<b>End Outcome Goal – Deliver Water, Consistent with Applicable State and Federal Law, in an Environmentally Responsible and Cost-Efficient Manner</b>					
Acre-feet of water delivered consistent with applicable substantive and procedural requirements of Federal and State water law <i>1 Result</i>					
Number of agreements, partnerships and management options exercised resulting in improved water supply <i>1 Result</i>					
<b>End Outcome Goal – General Hydropower, Consistent with Applicable State and Federal Law, in an Environmentally Responsible and Cost-Efficient Manner</b>					
Percentile of lowest cost hydropower producers, comparing cost per megawatt of installed capacity <i>1 Result</i>					

FIGURE 1-17

How We Measure Up: Performance on Key Resource Use Goals

Performance Goal (Total Number of Reported Results)	Average Performance Rating and Number of Reported Results				
	Target Not Met	Below Target	On Target	Above Target	Target Exceeded
Percent of time in forced outage equal to or better (lower) than the industry average <i>1 Result</i>					
Hydropower facilities are in fair to good condition as measured by the Facilities Reliability Rating <i>1 Result</i>					

KEY

Range	95% - 105% of Target
▼	DOI FY05 Aggregate Actual compared to FY05 Target
▼	DOI FY04 Aggregate Actual compared to FY04 Target (Relative position of Bureau results identified by number)

# Mission Area 3: Recreation— Provide Recreation Opportunities for America

- End Outcome 1 Provide for a Quality Recreation Experience, Including Access to and Enjoyment of Natural and Cultural Resources on DOI-Managed and Partnered Lands and Waters
- End Outcome 2 Provide for and Receive Fair Value in Recreation

“Recreation” is defined as a means “to refresh strength and spirits after toil.” Every year, more than 500 million people from all over the world renew their spirits on lands and waters managed by the Department of the Interior. Interior maintains and manages thousands of recreation areas, including 388 units within the National Park Service, 545 National Wildlife Refuges, 308 BOR areas, and more than 3,300 public land recreation sites administered by the BLM.

In FY 2005, we met 80% of our performance targets for our Recreation Mission Area (*Figure 1-6*). We had preliminary data for 7% and no data for 13% of our remaining targets for this area. This compares with 56% of targets met, 19% of unmet targets, and 25% of targets for which we had no preliminary data or no reports in FY 2004.

Performance fell short of, or exceeded targets within the Recreation Mission Area because of the following factors:

- More attention has been placed on improving our recreation facilities. Data collection and assessment methodology conducted in FY 2005 resulted in a better than expected number of verified performance reports regarding the number of facilities in proper condition. Additionally, more attention has been given to improving the facility status itself (from poor to fair to good).

## Did You Know ...

America's first National Park was Yellowstone, established in 1872, 44 years prior to the establishment of the National Park Service!

President Theodore Roosevelt established America's first National Wildlife Refuge, Pelican Island, off the coast of Florida, in 1903. Roosevelt also helped establish 52 other refuges.

Lake Powell is one of the most scenic and popular recreation lakes in the world. In 1963, it began filling after the Bureau of Reclamation built the Glen Canyon Dam. It took 17 years for the lake to completely fill up!

TABLE 1-6

Mission Area 3: Recreation Performance and Resource Scorecard					
End Outcome Goal	Number of Measures Met (including estimates)	Number of Unmet Measures (including estimates)	Number of Measures Containing Preliminary Data	Number of Measures Containing No Reports	Costs (in thousands)
Goal #1: Provide for a Quality Recreation Experience, Including Access and Enjoyment of Natural and Cultural Resources on DOI-Managed and Partnered Lands and Waters	9	0	0	2	\$1,712,290
Goal #2: Provide for and Receive Fair Value in Recreation	3	0	1	0	\$135,244
Total	12	0	1	2	\$1,847,534
Percentage (Total of 15 Measures)	80%	0	7%	13%	

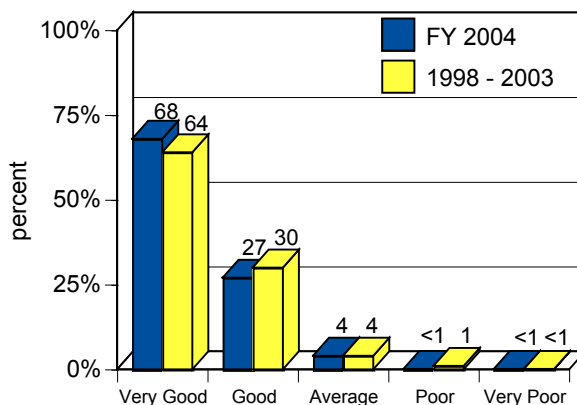
- Our success related to increased numbers of on-line transactions and use of interagency passes can be attributed to the fact that the public is becoming more familiar with these tools, as well as our own efforts to make the tools more user-friendly.
- We continue to experience difficulties reporting to some of our measures because of our inability to develop concise and consistent data recording methods. We are working to address these problems in FY 2006.

### Measuring the Quality of Visitor Services

One of Interior’s goals is to improve visitor services at national parks, refuges, and other public lands in response to growing visitation and use (Figure 1-18). Interior’s NPS has conducted over 140 in-depth visitor studies in units of the National Park System through its Visitor Services Project (VSP). The studies provide park managers with accurate information about visitors—who they are, what they do, and their needs and opinions (Figures 1-19 and 1-20). Park managers use this information to improve visitor services, protect resources, and manage parks more efficiently. The Visitor Services Project produces an annual report, *Serving the Visitor*, which describes how well the NPS is serving its customers. Copies of that report and survey instruments are available at <http://www.psu.uidaho.edu/vsp.htm>.

FIGURE 1-18

Overall Visitor Satisfaction with Park Facilities



In FY 2005, an estimated 94% of visitors responding to a satisfaction survey reported that they were satisfied with the overall quality of their experience, against a target of 91% (Ref #89). Ninety-five percent indicated that they were satisfied with facilities at National Park units included in the survey. Final results for FY 2005 will not be available until March 2006 because many of these surveys are conducted during the summer season (May-October 2005); the data for FY 2005 are still being tabulated.



FIGURE 1-19

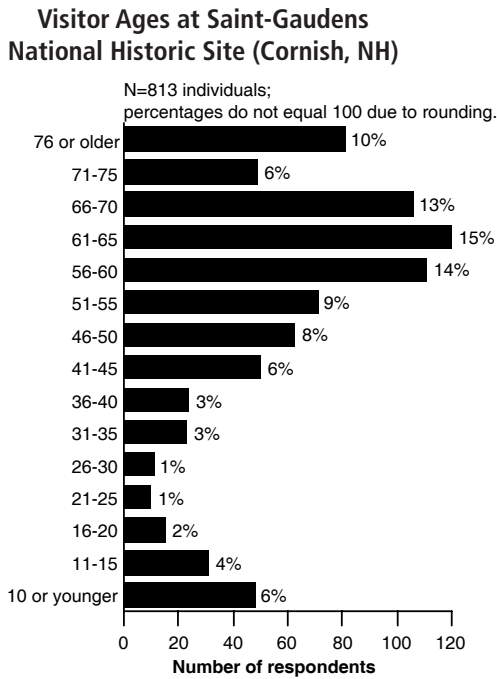
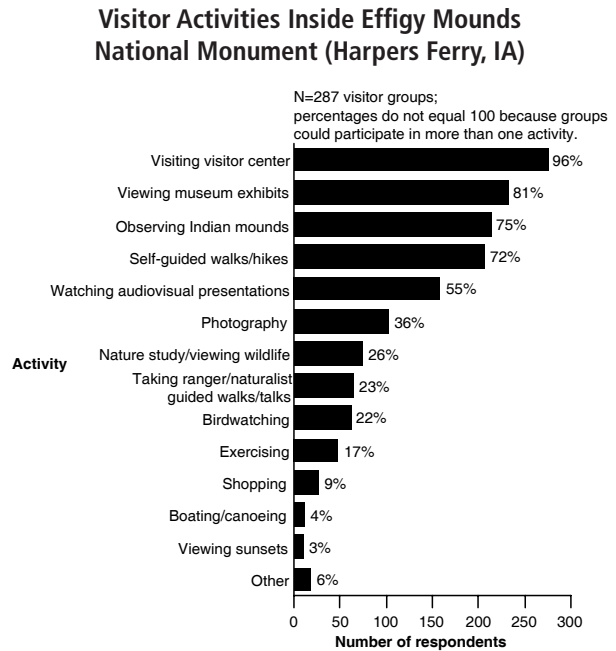


FIGURE 1-20



### Educating the Visitor

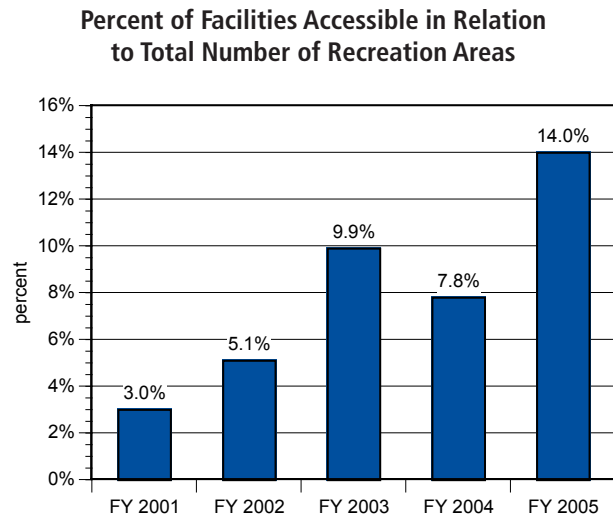
In FY 2005, 169 million visitors, is within 5% of our target of 177 million visitors, participated in educational and interpretive programs designed to provide life-long learning and enhance their experience (Ref #97). This reflects an increase over participation in FY 2004, where 156 million visitors, against a target of 125 million visitors, participated in interpretive programs. The increase in visitors participation in FY 2005 is due mostly to expanded programs at BLM interpretative centers.

### Making Recreational Opportunities More Accessible

Interior has made progress toward enhancing physical and virtual access to recreational opportunities. In FY 2005, we ensured that 14% of our facilities were universally accessible (including access by the disabled) in relation to the total number of recreation areas that we manage (Ref #92), meeting our target for the year (Figure 1-21).

The Web-based, information-rich portal [www.recreation.gov](http://www.recreation.gov) (part of our Recreation One-Stop initiative) continues to provide citizens with a wealth of data about our public lands through a single point. Eventually, Recreation One-Stop will ascend to a new

FIGURE 1-21



level of citizen service by providing a means to make recreation-related reservations using one Federal site and a single on-line “shopping cart.”

Already we have increased our capacity for handling on-line recreation transactions. In FY 2005, we handled 131,671 transactions against a target of 103,500 (Ref #93). This is significant progress over 2004, when we handled only 12,960 transactions, which still

exceeded our performance target for the year. The number of individuals using an interagency pass also jumped from 10,750 users in FY 2004 to an estimated 545,220 individuals in FY 2005, again exceeding our performance target of 497,000 (Ref #95). However, much of the increase in the number of individuals using the interagency pass from FY 2004 to FY 2005 is due to additional bureaus reporting results from FY 2005.

Interior is now transitioning recreation fee operations from the Recreational Fee Demonstration Program to the Federal Lands Recreation Enhancement Act (REA), enacted in December 2004. The Fee Demo program enabled agencies to charge user fees for recreation sites and to retain revenues collected to improve those sites. The REA extends the recreation fee authority for 10 years and makes a number of adjustments to the program. For example, the REA establishes additional parameters to ensure that fees are charged only in appropriate locations and that revenues are appropriately spent on infrastructure and services that directly benefit the public. It also authorizes the creation of a new pass, which will cover entrance and standard amenity fees for the five Interior and Agriculture Department bureaus authorized under the Act. The pass, once established, will replace the existing Golden Eagle, Golden Age, Golden Access, and National Park Pass.

As of September 30, 2005, 711 DOI sites were participating in the Recreational Fee Program, including 209 NPS sites, 390 BLM areas, and 112 FWS refuges. Total revenue collected under the program in FY 2005 was \$164.4 million (*Figure 1-22*), up from \$147 million generated in FY 2004 when 715 DOI sites participated in the program. In FY 2005, only an estimated 18% of recreation fee program receipts were spent on fee collection (Ref #103), less than our target of 20%. The remainder was reinvested to improve visitor services and facilities.

**FIGURE 1-22**  
FY 2005 Recreation Fees  
(in millions)

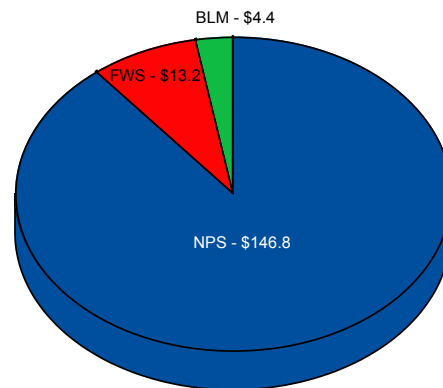


FIGURE 1-23

How We Measure Up: Performance on Key Recreation Goals

Performance Goal (Total Number of Reported Results)	Average Performance Rating and Number of Reported Results				
	Target Not Met	Below Target	On Target	Above Target	Target Exceeded
<b>End Outcome Goal – Provide for a Quality Recreation Experience, Including Access and Enjoyment of Natural and Cultural Resources on DOI Managed and Partnered Lands and Waters</b>					
Satisfaction with quality of experience 3 Results					
Percent of universally accessible facilities in relation to the total number of recreation areas 3 Results					
Number of online recreation transactions supported by DOI 2 Results					
Number of individuals using an interagency pass 2 Results					
Number of visitors served by facilitated programs 3 Results					
<b>End Outcome Goal – Provide For and Receive Fair Value in Recreation</b>					
Percent of recreation fee program receipts spent on fee collection 3 Results					

KEY

Range	95% - 105% of Target
▼	DOI FY05 Aggregate Actual compared to FY05 Target
▽	DOI FY04 Aggregate Actual compared to FY04 Target (Relative position of Bureau results identified by number)

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# Mission Area 4: Serving Communities— Safeguard Lives, Property and Assets, Advance Scientific Knowledge, and Improve the Quality of Life for Communities We Serve

- End Outcome 1 Protect Lives, Resources, and Property
- End Outcome 2 Advance Knowledge Through Scientific Leadership and Inform Decisions Through the Applications of Science
- End Outcome 3 Fulfill Indian Fiduciary Trust Responsibilities
- End Outcome 4 Advance Quality Communities for Tribes and Alaska Natives
- End Outcome 5 Increase Economic Self-Sufficiency of Insular Areas

Interior is responsible for protecting lives, resources, and property; for providing scientific information for better decision-making; and for fulfilling the Nation's trust and other special responsibilities to American Indians, Alaska Natives, and residents of our affiliated island communities. We protect communities from catastrophic wildland fires; safeguard public land visitors from illegal activities; and provide scientific information to reduce risks from earthquakes, landslides, and volcanic eruptions. The Department's USGS also provides scientific assessments on the quality and quantity of the Nation's water resources and conducts multi-purpose natural science research.

In FY 2005, we met 58% of our performance targets for our Serving Communities Mission Area (*Table 1-7*). We did not meet 15% of our targets. This compares with 68% of our targets met and 20% of our targets where we fell short in FY 2004. One fourth of our measures remain preliminary or unreported.

The decline in FY 2005 performance for this mission area is due in part to a higher number of measures with preliminary or no data reported. It is anticipated that once data verification is completed, the percentage of met targets should approach the FY 2004 results level. There is concern for several areas that require further attention including such programs as Indian housing, education and appraisals, a limited aspect of wildland fire, and law enforcement. Contributing factors may include escalating cost of materials and other external factors or data collection efforts.

The need to shift resources to support recovery efforts for Hurricanes Katrina and Rita also created delays in capturing and reporting performance data for several measures.

TABLE 1-7

Mission Area 4: Serving Communities Performance and Resource Scorecard					
End Outcome Goal	Number of Measures Met (including estimates)	Number of Unmet Measures (including estimates)	Number of Measures Containing Preliminary Data	Number of Measures Containing No Reports	Costs (in thousands)
Goal #1: Protect Lives, Resources, and Property	13	6	3	4	\$2,326,237
Goal #2: Advance Knowledge Through Scientific Leadership and Inform Decisions Through the Applications of Science	6	0	0	0	\$965,561
Goal #3: Fulfill Indian Fiduciary Trust Responsibilities	21	3	1	7	\$727,870
Goal #4: Advance Quality Communities for Tribes and Alaska Natives	7	3	5	3	\$2,395,262
Goal #5: Increase Economic Self-Sufficiency of Insular Areas	2	1	0	0	\$444,899
Total	49	13	9	14	\$6,859,829
Percentage (Total of 85 Measures)	58%	15%	11%	16%	

## Safeguarding Communities from Hazards

At Interior, we take seriously our responsibility to protect not only our employees, but also visitors to our lands and the communities we serve. In FY 2005, we reduced the number of serious injuries among our workers, reporting 16 against a target of 25 (Ref #115). We reduced injuries to our firefighters from severe, unplanned and unwanted wildland fires from 414 in FY 2004 to an estimated 110 in FY 2005 (Ref #105). In FY 2005, we reduced the number of serious injuries on lands and waters that we influence or manage from 9,006, to an estimated 7,600 (Ref #117). Our efforts have also reduced safety risks to 1,276,549 people (Ref #113) exposed to safety risks from abandoned mine lands, based on preliminary data.

Interior's law enforcement officers, firefighters, and scientists do their share to contribute to the safety and well-being of the communities we serve. Over the past 5 years, Interior has actively participated in and supported the National Fire Plan (*Table 1-8*).

TABLE 1-8

Wildland Fires and Their Impacts: An 11-Year Snapshot			
Year	Number of Fires	Acres Impacted	Total Suppression Costs for Federal Agencies **
2004	77,534	6,790,692*	\$890,233,000
2003	85,943	4,918,088	1,326,138,000
2002	88,458	6,937,584	1,661,314,000
2001	84,079	3,555,138	917,800,000
2000	122,827	8,422,237	1,362,367,000
1999	93,702	5,661,976	523,468,000
1998	81,403	2,329,709	328,526,000
1997	89,517	3,672,616	256,000,000
1996	115,025	6,701,390	679,167,600
1995	130,019	2,315,730	340,050,000
1994	114,049	4,724,014	\$845,262,000

\* 2004 fires and acres do not include State lands for North Carolina

\*\* Agencies involved include the Department of the Interior's BLM, BIA, FWS, and NPS, and the Department of Agriculture's Forest Service.

## Providing Relief to Hurricane Victims

Interior has assisted in recovery and relief effort for Hurricanes Katrina and Rita in a number of ways. The BIA has been working with six federally-recognized Tribes located in Alabama, Louisiana, and Mississippi, providing water, ice, gas, diesel fuel, and support for meals, along with continued communications and law enforcement assistance.

Interior wildland fire experts worked closely with other Federal, State, and local firefighters and fire managers in applying their Incident Command System (ICS) to provide much of the organization and backbone that supported the overall relief effort. Originally designed to facilitate management of wildfires, ICS is a mission-oriented decision-making structure that has also been applied to a variety of disasters ranging from hurricanes to the Columbia Shuttle recovery, the 9-11 terrorist attack, and more. Fourteen of the 17 most experienced national Incident Management Teams have served assignments in the Gulf Coast since the end of August. Thirty other national and local teams also contributed their expertise. In the month of September alone, more than 5,000 wildland fire-community personnel were mobilized through the National Interagency Fire Center (NIFC) in Boise, Idaho. Many more were deployed through the Southern Area Coordination Center, a regional version of the national center. Just a few examples, among hundreds, illustrate what the fire community is accomplishing:

- One team managed one of the largest air operations staging areas in the storm-affected region. Crews unloaded, refueled, and stored 10 to 12 747 plane-loads of commodities everyday.
- Personnel from one team provided round-the-clock distribution and processing of nearly 4,000 semi-truckloads of Meals-Ready-to-Eat (MRE's), baby food, and other material for the incident.
- Over 600,000 people have received commodities through these teams.
- In New Orleans, 911 calls are routed through a radio repeater at the airport that was set-up by one team – the first assigned to the airport location.
- Fire teams and crews also are operating 17 base camps and three evacuation centers to support relief workers, military personnel, and evacuees. These camps and centers are serving the needs of thousands, with one camp alone serving tens of thousands of meals per day at one point.

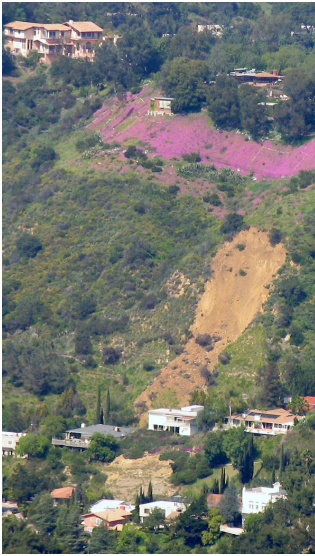
The MMS, which oversees mineral exploration and development on 1.76 billion acres of the Outer Continental Shelf, worked with the Coast Guard to assure safe operation of off-shore emergency production facilities. Its prescribed evacuation efforts proved successful in assuring that pipelines and tanks were sealed to prevent any major leakage when platforms were evacuated. MMS employees have worked tirelessly to assemble and assess data on the status of oil and gas operations in the Gulf. MMS engineers traveled to facilities to assess structural soundness, production equipment, and damage to pipelines. MMS continues to provide oversight to assure that off-shore facilities can safely operate as production is resumed.

NPS and FWS have provided humanitarian response. For example, FWS employees participated in rescuing more than 2,500 people, including two occupants from a helicopter crash on a rooftop, working cooperatively with other agencies. More than 200 FWS employees were mobilized to a full-service base of operations established at Big Branch Marsh National Wildlife Refuge in Lacombe, Louisiana. The FWS provided more than 23,000 meals, including 200 meals each day sent to support staff and patients at the Louisiana Heart Hospital, and processed 100-150 loads of laundry each day. FWS crews cleared more than 300 driveways; 14½ miles of road; four major parking lots, including the Louisiana Heart Hospital, Lake Castle school, and the local Post Office; and 10 miles of fire breaks. They conducted reconnaissance on 65 miles of roadways, including more than 100 streets.

The USGS deployed 22 boats and numerous personnel for search and rescue operations, evacuation, and the delivery of food and water. USGS geographers provided thousands of pinpoint maps used in responding to 911 calls, guiding search and rescue crews to stranded victims of the flood. Employees in Lafayette, Louisiana, replaced or repaired damaged stream gauges throughout the region to restore flood warning capacity; they continue to coordinate with other Federal agencies to provide geospatial information, maps, and satellite images to conduct scientific assessments to help response and recovery operations. USGS crews are sampling and testing water in Jackson, Mississippi, as well as water pumped out of New Orleans and into Lake Pontchartrain. The USGS National Wetlands Research Center continues to make daily aerial photo maps to determine the status of the cities now in the recovery phase. Aerial video, still photography, and laser altimetry surveys will be used for current and future applications to provide critical information for comparisons between pre-storm and post-storm beach conditions. These data will show the nature, magnitude, and spatial variability of coastal changes, such as beach erosion, over-wash deposition, and island breaching, and will serve as a tool to further refine predictive models of coastal impacts from severe storms. Local, State, and Federal agencies will have access to these data for disaster recovery and erosion mitigation.



### Reducing Landslide Hazards through a Partnership with the American Planning Association



Remember the frightening and devastating damage that landslides did to homes in the Hollywood Hills area of California during the 2004-2005 winter storms? To avoid such catastrophes in the future, the USGS has partnered with the American Planning Association (APA) to develop a practical guidebook on how to incorporate landslide hazards into the land-use planning process. As landslides impact more communities throughout the United States, the need to understand landslides and plan for them becomes more important. Local land-use planners have a pivotal role in reducing landslide hazards because they influence how land is used and developed, how buildings and other structures are sited, and where communities build their roads, parks, schools, and other public amenities.

The guidebook, titled "Landslide Hazards Planning," discusses the physical characteristics of landslides, highlights planning and zoning tools that can be utilized to reduce potential damage, and offers numerous case studies of communities that have experienced and recovered from landslides. The APA/USGS partnership has also sponsored training sessions for planners and panel discussions at the APA National Conference. The guidebook serves as a basis for professional training and is being included in undergraduate and graduate courses in planning and emergency management.

Information about how to obtain the guidebook is available at <http://landslides.usgs.gov>. This accomplishment relates to the End Outcome Measure percent of communities using DOI science for hazard mitigation (Ref #111).

The Plan, combined with tools under the President's Healthy Forests Initiative and Healthy Forests Restoration Act, has provided strategies and tactics needed to battle or prevent wildland fires. In FY 2005, thanks to the hard work of our wildland fire program managers and firefighters, Interior limited the number of acres burned by unplanned and unwanted wildland fires to an estimated 5,632,000 acres against a target of 5,135,013, controlling an estimated 95% of unplanned and unwanted wildland fires during initial attack (Ref #119 and 118). While the former is short of our target, our firefighters encountered unforeseen environmental conditions that contributed to some challenges related to acreage burned by wildland fire. Early heavy precipitation contributed to the growth of fine fuels. Fires starting in areas containing fine fuels usually expand quickly to become large grass fires and burn large acreages.

Interior's law enforcement officers work to protect against illegal activities on our lands. In addition to providing for the safety and security of residents and employees, volunteers, and Indian Country citizens and visitors, our law enforcement programs protect natural and cultural resources and facilities in every

State. Interior is in its third year of reforming its law enforcement activities, responding to 25 specific areas of improvement identified by a 2002 Inspector General report and mandated for reform by the Secretary of the Interior. We continue to make strategic investments in our law enforcement and security programs, improve oversight of related budgets, and assure accountability through effective performance goals and measures.

### Using Science for Decision-Making

At the Department of the Interior, science informs our land management decisions, helps us protect employees and visitors to our lands, and helps safeguard the lives of those in the communities that we serve. The USGS is Interior's principal science agency. Founded in 1879, the USGS serves the Nation by providing reliable scientific 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.



In FY 2005, USGS continued its long history of serving communities with accurate and reliable scientific data. It provided temporal and spatial monitoring, research, and assessment/data coverage to meet land use planning and monitoring requirements for 59% of the Nation's surface area (Ref #133).

In FY 2005, 95% percent of partners surveyed, against a target of 90%, reported that the data provided by USGS helped them to achieve their goals (Ref #132). One hundred percent reported satisfaction with the accuracy, reliability, and soundness of the methodology used to generate USGS science information (Ref #130), while 92% of those using USGS data reported improved access to needed scientific information during the year (Ref #131).

One example of the way the USGS works with communities to provide scientific data critical to them is an effort related to mercury in fish. Many Federal, State, and other agencies monitor mercury levels in fish samples to identify streams and lakes susceptible to contamination. These agencies face formidable challenges in interpreting data on mercury concentrations in fish tissue because important spatial and temporal trends in the data are often obscured by variations in fish sample characteristics—different fish species, fish of different sizes, and different parts of fish (whole fish or fish fillet tissue). To help resource managers with this problem, USGS scientists developed a national model of mercury concentrations in fish tissue. The statistical model can be used to analyze monitoring data and to predict mercury concentrations in single fish species, in a specified size of fish, or in a type of fish tissue based on monitoring data. By accounting for differences in sample characteristics, the statistical model can reveal variations in fish-mercury concentrations between sites and over time that otherwise might go unnoticed. Additionally, the model can estimate mercury concentrations in many fish with very different characteristics, thus providing the potential to dramatically lower the number

### Science and the Tsunami

The tsunami that occurred on December 26, 2004, in the Indian Ocean was one of the worst ever recorded in history in terms of lives lost. Scientists at the USGS are trying to understand the mechanics and impact of this tsunami in the hope that disasters such as this one can



be avoided in the future. Their research ranges from the geologic aspects of the event, including the earthquake that generated the tsunami, to hydrologic characteristics, including the transport of sediments during the tsunami run-up. USGS, for example, recently participated in an international team that studied the effects of the tsunami on Sumatra. The team documented wave heights of 20 to 30 m (65 to 100 ft) at the island's northwest end and found evidence suggesting that wave heights may have ranged from 15 to 30 m (50 to 100 ft) along at least a 100-km (60 mi) stretch of the northwest coast. These wave heights are higher than those predicted by computer models made soon after the earthquake that triggered the tsunami. Such wave height measurements will contribute to improved tsunami assessment and forecast products that will help communities mitigate risk.

USGS is working closely with the National Oceanic and Atmospheric Administration (NOAA) on the National Tsunami Hazard Mitigation Program to reduce the impact of tsunamis through warning guidance, hazard assessment, and mitigation techniques. The Program is part of the U.S. plan for improving tsunami detection and warning. Under the new plan, announced by President Bush in January 2005, NOAA will deploy 32 new advanced technology Deep-ocean Assessment and Reporting of Tsunami (DART) buoys by 2007. The USGS will enhance its seismic monitoring and information delivery from the Global Seismic Network, a partnership with the National Science Foundation.

of fish samples needed for analysis (and therefore lowering sampling costs) without decreasing accuracy. The model is available on-line and was developed in cooperation with the National Institute of Environmental Health Sciences, the National Map Program, and the Water Resources Program.

## Fulfilling Our Trust Responsibilities

In 2002, Interior began a meticulous process to re-engineer trust business processes that in 2004 became known as the Fiduciary Trust Model. The Fiduciary Trust Model outlined specific steps the Department would take to improve trust policies, procedures, systems, and internal controls, and to achieve the goals of our Comprehensive Trust Management Plan. While we continue to address challenges, Interior has made progress toward improving trust operations and management. Some noteworthy accomplishments include:

- For the first time, Interior has placed Fiduciary Trust Officers at the local level. These Officers' sole purpose is to address beneficiaries' trust issues.
- A new American Indian Records Repository has been established at the National Archives and Records Administration in Lenexa, Kansas, to house consolidated inactive records of BIA and OST. The repository can store 250,000 boxes of records in a world-class, archival-quality facility.
- Interior is establishing a new National Indian Programs Training Center in Albuquerque, New Mexico. The training center will become a hub for trust training of all Interior Indian fiduciary and trust services, Tribal employees involved in trust reform and self-governance and self-determination programs.
- Between 2002 and 2005, Interior reconciled and distributed more than \$49.3 million of special deposit account monies to their rightful owners.
- Interior has improved information technology systems, spending more than \$100 million, to protect trust data Department-wide.
- Interior has implemented financial lockboxes nationwide to receive trust generated receipts.

In FY 2005, another major step toward trust management improvement was taken when the Department launched the Trust Beneficiary Call Center (TBCC) within the Office of the Special Trustee for American Indians (OST). A nationwide toll-free number (888-678-6836, ext. 0) allows Indian trust beneficiaries to conveniently call for information on their trust accounts.



Interior Secretary Norton and Navajo President Joe Shirley meet with children at the Baca Day School.

During the first 8 months of operation, the TBCC received 37,935 calls and provided a First Line Resolution for 92.13% (34,950) of these calls. First Line Resolution means the call was resolved without referral or escalation. This saves money for the Department since it costs more to escalate an inquiry to another level. It also improves customer service since callers do not have to wait for an answer to their inquiry. So far, the Call Center has saved Interior field staff more than 1,893 hours, enabling them to focus on other trust-related issues.

## Advance Quality Communities for Tribes and Alaska Natives

Interior also promotes Tribal community economic development opportunities, contributing to improvements in the quality of life of 1.5 million Native Americans and Alaska Natives across the Nation that live on or near federally-recognized reservations. Efforts range from supporting education programs to promoting self-governance and self-determination.

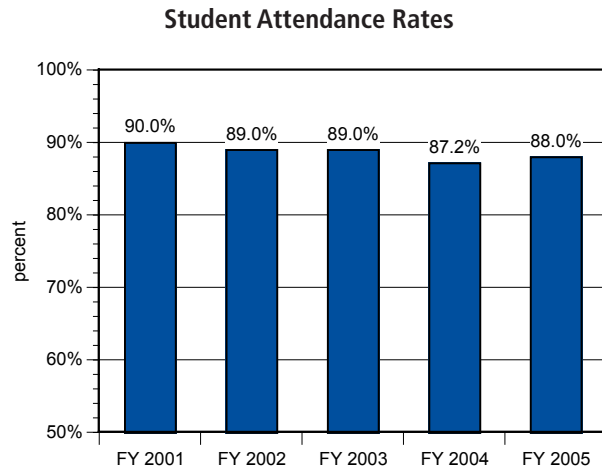
Dramatic economic developmental advances have come to Indian Country over the past 4 years in areas such as energy, minerals, forestry, water, agriculture, range and grazing, and wildlife and recreation. Achieving thriving Tribal economies will create a dynamic synergy of jobs, financial resources, and personal fulfillment. More than ever before, tribes and Tribal members have the opportunity to engage in America's free enterprise system. And stronger Tribal economies would not only strengthen Tribal government, but also contribute to a stronger America.

In FY 2005, Interior continued to help advance the quality of life for Tribal communities. Noteworthy accomplishments include the following:

- Interior made progress toward its goal of achieving parity between the Tribal community and the U.S. rural area national average on high school graduation. Based on preliminary data, we estimate that 82% of eligible BIA students graduated from high school in 2005, meeting our performance target for the year (Ref #168, 178).
- Preliminary data point to a significant rise in teacher proficiencies in select subject areas, including math and language arts. We estimate that 94% of BIA school teachers are proficient in these areas against a target of 76%. This is a projected increase over the 2004 target of 73.5% (Ref #174).
- The Department helped create 1,922 jobs for Native Americans and Alaska Natives, exceeding our target of 1,700, through capital provided by Interior loans (Ref #179).
- Interior is continuing to ensure that facilities are in fair to good condition as measured by the FCI. Our index for BIA schools in FY 2005 was reported at 0.107, which meets our performance target and improves upon the FY 2004 FCI of 0.124 (Ref #173).
- During the last 4 years, Interior has heightened its commitment to the education of American Indian children and adults. Priority attention is being given to repairing and replacing BIA elementary and secondary schools. Between 2001 and 2005, BIA made progress toward replacing 34 schools on the Education Facilities Construction Priority Ranking List. Nine of these schools are now completed and operating. BIA completed three more schools in 2005.

Despite these successes, challenges remain. For example, our education systems continue to require vigilance and care. Our teacher retention rate slipped slightly from 91% in 2004 to 89% (based on preliminary data) in FY 2005 (Ref #175). Likewise, student attendance rates are still slightly below our targets, at 88% for the year, based on preliminary data, against our goal of 89% (*Figure 1-24*) (Ref #176).

FIGURE 1-24



In FY 2005, Interior also progressed toward its goals of increasing economic self-sufficiency of insular areas. Our ratio of Federal revenue to total revenue in insular areas was 0.25, meeting our performance target for the year (Ref #186). Our ratio of private sector jobs to total employment was .77 against a target of .71 (Ref #188). This ratio improved primarily due to a decline in government budgets and employment in freely associated states. We fell short of a goal to improve financial management practices by reducing the total average months late for all insular general fund financial statements, reporting 8 months against a target of 7 (Ref #187).

FIGURE 1-25

How We Measure Up: Performance on Key Serving Communities Goals







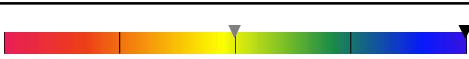




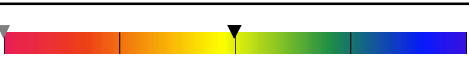
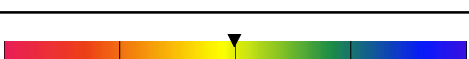
Performance Goal (Total Number of Reported Results)	Average Performance Rating and Number of Reported Results				
	Target Not Met	Below Target	On Target	Above Target	Target Exceeded
<b>End Outcome Goal – Protect Lives, Resources and Property</b>					
Firefighter injuries from severe, unplanned and unwanted wildland fire are reduced 1 Result					
Reduced number of serious injuries on DOI managed or influenced lands and waters 1 Result					
Percent of unplanned and unwanted wildland fires controlled during initial attack 1 Result					
Number of acres burned by unplanned and unwanted wildland fires 1 Result					
<b>End Outcome Goal – Advance Knowledge Through Scientific Leadership and Inform Decisions Through the Applications of Science</b>					
Soundness of methodology, accuracy, and reliability of Science (program evaluation, peer review) 1 Result					
Improve stakeholder access to needed Science information 1 Result					
Stakeholders reporting that information helped achieve goal 1 Result					
Percent of surface area with temporal and spatial monitoring, research, and assessment/data coverage to meet land use planning and monitoring requirements 1 Result					
<b>End Outcome Goal – Fulfill Indian Fiduciary Trust Responsibilities</b>					
Indian natural resource trust assets management – volume of timber offered for sale 1 Result					
Indian natural resource trust assets management – percent of collections in DOI inventory in good condition 1 Result					
<b>End Outcome Goal – Advance Quality Communities for Tribes and Alaska Natives</b>					
Achieve parity between the Tribal community and U.S. rural area national average on high school graduation 1 Result					
Achieve parity between the Tribal community and U.S. national average on rural unemployment rates and per capita income 1 Result					
Facilities are in fair to good condition as measured by the Facilities Condition Index 1 Result					

FIGURE 1-25

How We Measure Up: Performance on Key Serving Communities Goals

Performance Goal (Total Number of Reported Results)	Average Performance Rating and Number of Reported Results				
	Target Not Met	Below Target	On Target	Above Target	Target Exceeded
Number of jobs created through capital provided by DOI loans <i>1 Result</i>					
<b>End Outcome Goal – Increase Economic Self-Sufficiency of Insular Areas</b>					
Ratio of Federal revenue to total revenues in insular areas <i>1 Result</i>					
Total average months late for all insular general fund financial statements <i>1 Result</i>					
Ratio of private sector jobs to total employment <i>1 Result</i>					

KEY

Range	95% - 105% of Target
▼	DOI FY05 Aggregate Actual compared to FY05 Target
▼	DOI FY04 Aggregate Actual compared to FY04 Target (Relative position of Bureau results identified by number)

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# Strategic Goal: Management Excellence— Manage the Department to be Highly Skilled, Accountable, Modern, Function- ally Integrated, Citizen-Centered, and Result-Oriented

- End Outcome 1 Workforce has Job-Related Knowledge and Skills Necessary to Accomplish Organizational Goals
- End Outcome 2 Accountability
- End Outcome 3 Modernization
- End Outcome 4 Integration
- End Outcome 5 Customer Value

Management excellence lies at the heart of serving the public well. President Bush has challenged all of us in the Federal service to deliver the best value we can for the American people. Our Management Excellence Strategic Goal helps us focus on ways we can overcome the many complex challenges facing us by taking new approaches to workforce planning; improving financial and budget management tools; using more objective and comprehensive approaches to facility and asset management; improving information technology (IT) to enhance efficiency and consistency; and actively encouraging managers and employees to identify better ways to achieve desired results.

In FY 2005, we met 73% of our performance targets for our Management Excellence Area. We did not meet 19% of our targets. This compares with 57% of targets met and 20% of targets where we fell short in FY 2004 (see *Table 1-9* for more detail).

We fell short of, or exceeded our performance in this area during the year because of the following factors:

- The ongoing *Cobell vs. Norton* court case continues to complicate our ability to provide some customers with the information they need in a timely manner.
- Despite the court case, we made significant improvements in our IT certification and accreditation (C&A) levels and in our IT security overall.
- We continue to address a number of material weaknesses.
- We have made progress toward implementing our new Financial and Business Management System (FBMS). In April 2005, we launched the financial assistance module for grant and cooperative agreement programs at MMS, OSM, and selected FWS programs. We severed our relationship with the system integrator for FBMS in September 2005 and are planning to award a new contract in FY 2006.

TABLE 1-9





Strategic Goal: Management Excellence Performance and Resource Scorecard				
End Outcome Goal	Number of Measures Met (including estimates)	Number of Unmet Measures (including estimates)	Number of Measures Containing Preliminary Data	Number of Measures Containing No Reports
Goal #1: Workforce has Job-Related Knowledge and Skills Necessary to Accomplish Organizational Goals	6	1	0	0
Goal #2: Accountability	3	1	0	0
Goal #3: Modernization	8	2	0	0
Goal #4: Integration	2	1	1	0
Goal #5: Customer Value	0	0	1	0
Total	19	5	2	0
Percentage (Total of 26 Measures)	73%	19%	8%	0%

\* Management Excellence costs are part of Mission Area goal costs.

### Maintaining a Skilled Workforce

In FY 2002, Interior completed its first Strategic Human Capital Management Plan. Now in the third year of implementing that plan, we are steadily closing gaps in critical occupational areas such as fire management, law enforcement, and Indian trust management (Table 1-10). In FY 2005, we successfully deployed a five-level performance evaluation system for all employees so that we can make refined distinctions in performance not possible with a pass-fail system. We are using new human resources technologies such as the Fire Integrated Recruitment and Employment System (FIRES), which has automated most of our wildland fire-related recruitment processes, saving our bureaus time and money. Our Occupational Health and Safety Program has implemented an on-line system that employees can file to use Workers' Compensation claims, enabling claims to be processed and benefits provided more quickly. We have realigned our workforce to achieve consistent management structures, improve decision-making, and take advantage of modern technologies. For example, the USGS is currently realigning its mapping workforce to refocus its efforts on mapping analysis and standards-setting rather than on making maps. Savings from this realignment will allow USGS to redirect millions of dollars to value-added mapping activities.

TABLE 1-10

Making the Grade: Interior's Human Capital Scorecard			
September 30, 2005		September 30, 2004	
Status	Progress	Status	Progress
			

### Ensuring Accountability

Interior holds managers and employees accountable for performance results using clear measures that link budgets to program performance and sound financial management.

We begin with our GPRA Strategic Plan, which embodies our strategic direction for the next 5 years. Each quarter, we review and report progress toward meeting our measured targets. This gives us an opportunity to make any mid-course adjustments before the end of the performance year. Our Strategic Plan is a "living" document. In August 2005, we began revising and refining several of our GPRA measures, collaborating with our bureaus and offices to ensure that we are measuring the right things and that the results will not only be meaningful, but can also be used to effect programmatic change and improvement. Our revised Strategic Plan will be published in September 2006.



We have linked specific GPRA and Management Excellence Strategic Plan goals and measures to the performance of our Senior Executive Service (SES) and employees, thus making the connection between executive performance and organizational results. In FY 2005, an estimated 90% of SES executives and their employees with program management or administrative responsibilities had performance agreements in place containing GPRA, PMA, and Citizen-Centered Governance elements (Ref #190).

Activity-Based Cost Management (ABC/M) is another way that we enhance accountability. In FY 2005, 89% of our bureaus and offices were collecting ABC/M data in compliance with Departmental guidelines (Ref #211). As a result, many of our bureaus and offices are now reaping the benefits by using these data to more accurately gauge and measure performance across their organizations and to identify low-cost performers. Bureaus and offices are beginning to document an appropriate level of costs relative to administrative requirements. They can also use performance-based information to improve their allocation of funding among units

The Department is still grappling with some challenges in fully implementing ABC/M. Our FY 2005 performance result is down from FY 2004. Systematic sampling of data collected in the ABC/M system reveals that there are some data validation and verification issues within some of our bureaus. During FY 2005, we worked exhaustively to assure that bureau activities are reflected consistently in Departmental level activities, which will improve data validity. In addition, some units in remote areas continue to collect labor cost information using surveys rather than directly entering these data into ABC/M-related applications. These challenges are currently being resolved by the Department.

FY 2004 marked the first time ever that the audit of Interior's Performance and Accountability Report was completed 45 days after the end of the fiscal year—a huge improvement from the 5 months it took us just 5 years ago (Figure 1-26). We repeated that performance in FY 2005 thanks to the outstanding efforts

TABLE 1-11

Making the Grade: Interior's E-government and Budget and Performance Integration Scorecards				
	September 30, 2005		September 30, 2004	
	Status	Progress	Status	Progress
E-Government	●	●	●	●
Budget and Performance Integration	●	●	●	●

FIGURE 1-26

Number of Days to Complete PAR After September 30

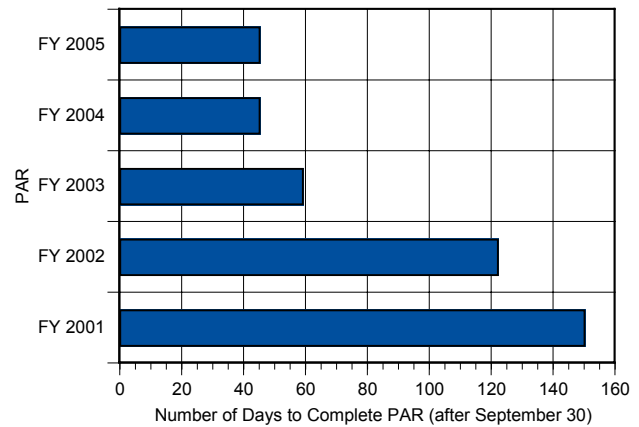
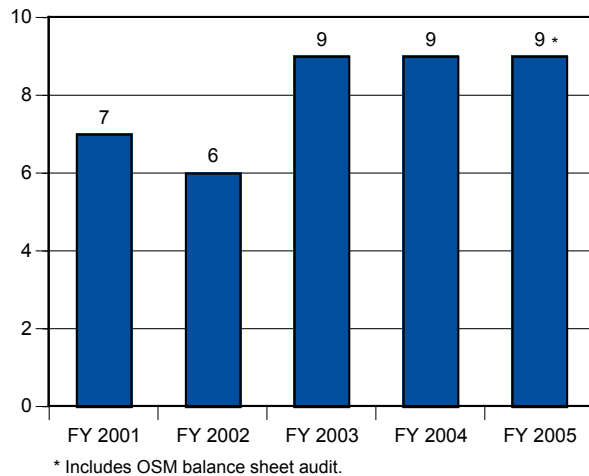


FIGURE 1-27

Interior's Unqualified Audit Opinions (Department and Bureaus)



of our financial and strategic planning workforce. In FY 2005, we once again obtained an unqualified audit opinion, continuing a record established 9 years ago, for our consolidated financial statements (Figure 1-27) (Ref #196, 197).

Still another tool used to improve our accountability is competitive sourcing (Table 1-12). Competitive sourcing is not an outsourcing agenda. Rather, competitive reviews provide a disciplined, periodic way to review and compare our current operations with alternatives so we can achieve the best value for the services we provide. From FY 2001 to the present, DOI has studied 3,200 full-time equivalents with a projected \$5.4 million annual cost savings for the next 4 years. In all cases, Interior has given its bureaus ability to retain cost savings to meet increasing demands related to their programs. During FY 2005, DOI announced studies of another 1,000 FTEs. Four studies of 198 FTEs were completed during FY 2005 with an estimated cost savings of \$382,000 annually over the next 5 years (Ref #212).

### Integrating and Modernizing Our Business Practices

The foundation of our integration and modernization efforts is architecture. At Interior, we like to call what we're doing "Architecture in Action." Our Enterprise Architecture (EA) Program has far exceeded the target maturity level. Of the 25 agencies assessed in July 2005, Interior was awarded the highest maturity score (4.06 out of 5) in the government for its EA program. In FY 2005, Interior's Executive IT Investment Review Board approved three of the four modernization blueprints developed in 2004. These blueprints are roadmaps for change and help identify gaps in our IT portfolio that could potentially hamper the successful achievement of mission-related goals and objectives.

The blueprints also highlight system redundancies and identify opportunities for data sharing. We have been able to save money by making large-volume IT purchases and by adopting Department-wide systems, instead of maintaining redundant systems. We have completed a Department-wide Intranet. By the end of 2006, all of Interior's bureaus and offices will have transitioned to managed services and be operating on the Enterprise Services Network (ESN). This will provide access to the Internet and the Department-wide intranet and will be supported by a fully operational technical support center. In addition to providing better services for many Interior bureaus and offices, the system will provide a uniformly secure environ-

TABLE 1-12

Making the Grade: Interior's Competitive Sourcing and Financial Performance Scorecards				
	September 30, 2005		September 30, 2004	
	Status	Progress	Status	Progress
Competitive Sourcing				
Financial Performance				

ment, standardized and efficient 24 hour/7 day operations, and improved technical support. ESN will also facilitate efforts to consolidate directory services, web hosting, messaging, data warehousing, and other applications and systems.

Many of these efforts contributed to our ability to respond swiftly to Hurricanes Katrina and Rita relief efforts. For example, in cooperation with many Federal and non-Federal partners, Interior launched Geographic Information Systems for the Gulf, which provided near-real-time maps, aerial photos, and data to assist emergency personnel and provide information to the Nation. This information was critical to first-responders and is also being used by scientists conducting modeling to prepare for future incidents.

Interior is committed to a sound Capital Planning and Investment Control (CPIC) framework based on best practices outlined by GAO and OMB. In FY 2005, 100% (Ref #206) of our IT investment expenditures were reviewed or approved through our CPIC process. We issued key investment management documents, such as the CPIC Guide, version 2.0, and Departmental System Development Lifecycle guidance. Interior also met its goal of reaching an overall 2.0 maturity level for IT investment management.

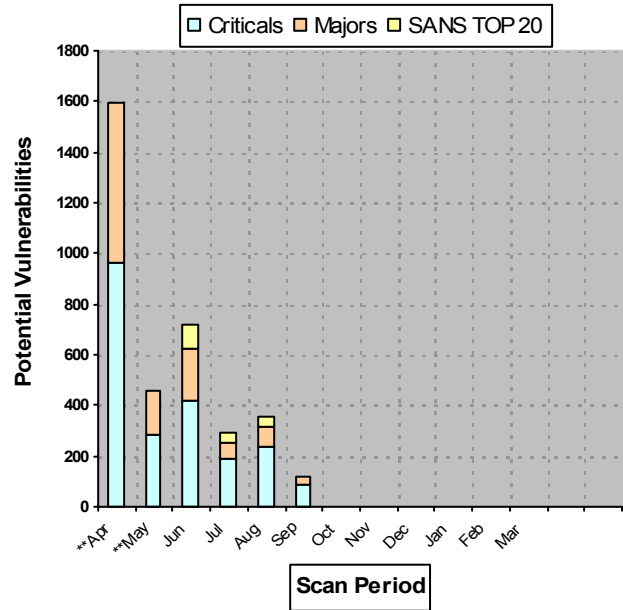
Interior made significant progress in improving its overall security posture in FY 2005, in spite of the extraordinary burden placed on us by the ongoing *Cobell vs. Norton* litigation. We produced over 4.5 million pages of documentation, and testified throughout a 59-day evidentiary hearing. The significant demands on us to respond to the court impacted the annual Financial Information Security Management Act (FISMA) evaluation, causing unanticipated delays and limitations.

The following highlights show IT security achievements in FY 2005:

- Over 98% of our systems were certified and accredited compared to 2002, when *none* of our systems were certified and accredited, demonstrating considerable progress in securing our IT systems so that our service to the public will not be interrupted by security breaches.
- The Department is maintaining a continuous monitoring program as part of the Certification and Accreditation (C&A) processes (*Figure 1-28*). This includes:
  - independent third-party review of C&A packages;
  - routine automated vulnerability scanning and remediation of identified weaknesses; and
  - internal and external penetration testing of networks and major applications.
- Interior initiated state-of-the-art penetration testing, independently conducted by the OIG, for our bureaus and offices. The enhanced monitoring program provided critical information needed to prioritize further improvements to our operational security posture.
- We entered into an agreement with USALearning.gov to deliver a standardized curriculum for individuals with significant IT security roles.
- Interior’s CIO conducted an independent IT security assessment to evaluate DOI against the myriad of security policies and guidance. We achieved a 3.63 maturity level out of 5 from this assessment.

Additional challenges remain, including the need to balance resources so that the timing of key enterprise initiatives can be scheduled to realize sufficient savings each year to fund further implementation. As Interior continues to mature in the management of IT assets, integration of the various initiatives becomes ever more important, particularly for enterprise-wide efforts. IT is a rapidly evolving area, requiring significant effort to stay current with new technologies, emerging threats, and new policies or guidance from oversight bodies. Some examples of our challenges include:

**FIGURE 1-28**  
IT Security Vulnerability Scans  
Conducted in FY 2005



- Implementing the new Internet Protocol version 6 represents a significant workload, one that will require new technical skills for DOI employees to meet mandated deadlines.
- Completion of planned Enterprise Services Network, enterprise messaging and Active Directory initiatives will require continued a commitment of resources.
- Implementation of Homeland Security Presidential Directive 12 is expected to further enhance security, but it will require implementation of an Active Directory and a significant commitment of resources.
- The ongoing *Cobell vs. Norton* litigation continues to hamper our ability to provide access to Interior Internet services for many key customers, while redirecting significant resources away from needed security and other improvements.
- Hurricanes Katrina and Rita relief efforts highlighted the need for additional interoperable telecommunication abilities. Interior intends to conduct an assessment to find opportunities for sharing resources with other Federal agencies as well as with State, Tribal, and local governments.

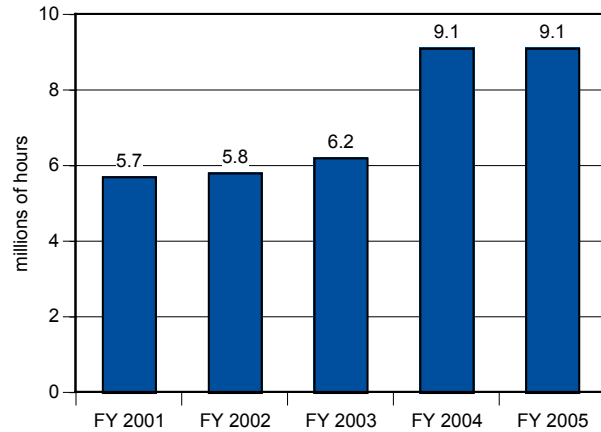
Another key to improving our administrative practices and processes and maintaining management excellence is to move from outdated systems. Our emerging Financial and Business Management System (FBMS) will enable us to streamline our business processes and to standardize data elements and reporting requirements. FBMS will create a single system that includes functional areas for: (1) Financial Assistance; (2) Core Financials; (3) Budget; (4) Acquisition; (5) Property (personal, real, and fleet); (6) Travel; and (7) Enterprise Management Information. In April 2005, Interior took a step toward seeing FBMS become a reality when it successfully launched the financial assistance functionality of the FBMS. As part of the management oversight of the project, Interior decided to sever its business relationship with its FBMS contractor in September 2005. Efforts are continuing to keep the project moving toward its final deployment.

### Assuring Customer Value

At Interior, we are using information technology to improve citizen service. One example is the new Geospatial One-Stop portal, [www.geodata.gov](http://www.geodata.gov), launched in July 2005. This fast, efficient, and now personalizable online tool improves access to nearly 100,000 Federal, State, and local government geospatial data sets. Featuring a new Google search appliance, [geodata.gov](http://geodata.gov) makes it easier for users with a wider variety of technical backgrounds to access the data needed to improve their productivity in areas as varied as transportation planning, social services, regional planning, emergency response, and environmental protection. The portal will also boost opportunities for cost-sharing partnerships through its upgraded “marketplace” features.

We also provide customer value by leveraging resources and fostering partnerships to help us accomplish our mission. One valuable resource is our volunteer partners. In FY 2005, volunteers contributed an estimated 9.1 million hours of their time to the Department, meeting our performance goals for the year by working with the NPS, FWS, BLM, USGS, and BOR (Ref #195). Individuals of all ages and levels of experience contribute valuable time to help us fulfill our recreation and conservation mission while promoting healthy lifestyles and outdoor recreational opportunities.

**FIGURE 1-29**  
**A History of Volunteers**  
**(Volunteers Hours Contributed to DOI)**



### Looking to the Future—Our Challenges

Interior has made tangible improvement in key mission and business areas, including facilities management, financial management, and information technology. But we still have lots of work to do and plenty of challenges.

In an FY 2005 report, the OIG identified eight management challenges facing the Department. These include:

- Financial Management
- Information Technology
- Health, Safety, and Emergency Management
- Maintenance of Facilities
- Responsibility to Indians and Insular Affairs
- Resource Protection and Restoration
- Revenue Collections
- Procurement, Contracts, and Grants

These issues are considered top challenges because they are important to the Department’s mission, involve large expenditures, require significant management improvements, or involve significant fiduciary responsibilities. For additional details concerning the

top management challenges, please see “Compliance with Legal and Regulatory Requirements,” *Table 1-25*.








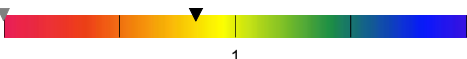
We also must continue to correct remaining financial management weaknesses. ABC/M and FBMS will help, but for now, seven material weaknesses have been identified that require our attention. For additional details concerning the financial management weaknesses, see “Compliance with Legal and Regulatory Requirements,” *Table 1-23*.

Meeting our challenges requires new thinking and new ways of doing business. In a world of competing interests and constrained budgets, we cannot simply maintain the status quo. We have to find ways to work smarter, using new tools and technologies, within the confines of limited funding resources.

We are taking some innovative approaches to meeting the challenges that face us today and into the future. Some of these represent best practices of other agencies or the private sector. These innovative approaches are helping us save money, improve citizen service, and recruit and retain the best workers. But more importantly, they ensure that we can continue to protect America’s public lands and resources, furnish recreational opportunities, foster sound use of land, mineral, energy, and water resources, use science to inform decision-making, and serve communities in the 21st century and beyond.

FIGURE 1-30

How We Measure Up: Performance on Key Management Excellence Goals

Performance Goal (Total Number of Reported Results)	Average Performance Rating and Number of Reported Results				
	Target Not Met	Below Target	On Target	Above Target	Target Exceeded
<b>End Outcome Goal – Workforce Has Job-Related Knowledge and Skills Necessary to Accomplish Organizational Goals</b>					
Human Capital Plan Implementation: Performance-Based Management- Percent of SES executives and direct reports with program management or administrative responsibilities that have performance agreements containing GPRA, President's Management Agenda and Citizen-Centered Governance performance-based elements					
Volunteers: Number of volunteer hours per year supporting DOI mission activities					
<b>End Outcome Goal - Accountability</b>					
Obtain unqualified audit for DOI's eight bureaus, the Departmental offices <i>1 Result</i>					
Obtain unqualified audit for DOI's consolidated financial statements <i>1 Result</i>					
Corrective actions: Percent of audited financial statements and Federal Managers Financial Integrity Act (FMFIA) material weaknesses that are corrected on schedule					
<b>End Outcome Goal - Modernization</b>					
Percent of IT investment expenditures reviewed/approved through the CPIC process <i>1 Result</i>					
<b>End Outcome Goal - Integration</b>					
Cost management: percent of bureaus and offices fully implementing accurate, activity-based cost accounting systems in compliance with Departmental guidelines <i>1 Result</i>					
Number of commercial-type FTE involved in competitive sourcing studies completed during the fiscal year <i>1 Result</i>					

KEY

Range	95% - 105% of Target
▼	DOI FY05 Aggregate Actual compared to FY05 Target
▽	DOI FY04 Aggregate Actual compared to FY04 Target (Relative position of Bureau results identified by number)

# Compliance With Legal and Regulatory Requirements

This section of the report provides the required 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);
- Improper Payments Information Act (IPIA);
- Federal Information Security Management Act (FISMA); and
- Other key legal and regulatory requirements including:
  - Prompt Payment Act
  - Debt Collection Improvement Act
  - Biennial review of user fees

In addition, this section includes summaries of the Department's financial management improvement initiatives with respect to:

- Audited financial statement results;
- Financial management systems;
- Financial management human capital;
- Financial data stewardship; and
- Major management challenges facing Interior.

## **Federal Managers' Financial Integrity Act**

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," OMB Circular A-127, "Financial Systems," and OMB Circular A-130, "Management of Federal Information Resources."

#### Annual Assurance Statement

The FMFIA requires agencies to provide a statement of assurance annually regarding the effectiveness of their management, administrative, and accounting controls, and their financial systems. Interior's FY 2005 Annual Assurance Statement is provided in *Figure 1-31*. The basis for the assurance statement conclusions is discussed in the following sections and is depicted in the chart in *Figure 1-32*.

#### Management Control Assessments

Interior conducted an annual assessment of the effectiveness of its management, administrative, and accounting systems controls in accordance with FMFIA and OMB guidelines. The conclusions in the Secretary's Annual Assurance Statement are based on the results of 166 management control reviews of programs and administrative functions conducted by bureaus and offices (68%), 38 OIG internal program audits (16%), 29 GAO program audits (12%), and the 10 financial statement audits (4%) conducted by the independent public accounting firm, KPMG LLP, under the auspices

FIGURE 1-31

### FISCAL YEAR 2005 ANNUAL ASSURANCE STATEMENT

*During FY 2005, the Department conducted the annual assessment of its systems of management, accounting, and administrative controls in accordance with the requirements and guidelines prescribed by the Federal Managers' Financial Integrity Act (FMFIA) and Office of Management and Budget (OMB) Circular A-123, "Management Accountability and Control." Based on the results of this assessment, with the exception of the four 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.*

*The Department received an unqualified audit opinion from the independent audit of its FY 2005 financial statements. The audit did indicate that the Department achieved substantial compliance with the Federal Financial Management Improvement Act (FFMIA) component for Federal financial management systems requirements. However, the results of the audit indicated that several Department entities were not in substantial compliance with one or both of the other two components of the FFMIA based on OMB guidance and the component requirements of the FFMIA. As a result, the Department does not substantially comply with the FFMIA components for applicable Federal accounting standards and the U.S. Government Standard General Ledger. The Department has implemented a remediation plan to resolve the reported deficiencies and expects to complete corrective actions in FY 2006.*

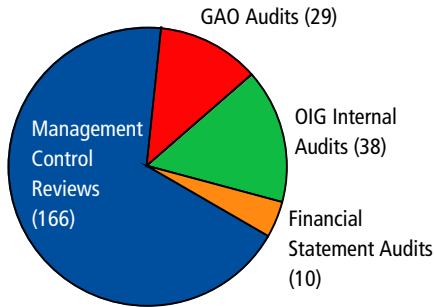


**Secretary of the Interior**



FIGURE 1-32

Basis for FY 2005 Assurance Statement



of the Chief Financial Officers (CFO) Act of 1990 and the Government Management Reform Act (GMRA) of 1994. As in prior years, management control reviews performed by the Department and its bureaus provided the majority of the support (68%) for the Annual Assurance Statement. In addition, many of Interior's management control reviews and related accountability and integrity program activities focused on areas identified as major management challenges and on components of the President's Management

Agenda. Figure 1-33 presents a crosswalk of those activities.

Material Weaknesses and Accounting System Non-Conformances

Prior to FY 2005 and since the inception of the FMFIA in 1982, Interior identified and reported 173 material weaknesses and 65 accounting system non-conformances. Prior to FY 2005, Interior had corrected 169 of these material weaknesses (98%) and all of the accounting system non-conformances. During FY 2005, DOI had four material weaknesses pending correction carried forward from the previous year and one new material weakness was identified. One material weakness was corrected.

The Department's progress in correcting material weaknesses and accounting system non-conformances is presented in Tables 1-13 and 1-14. These tables present the number of new material weaknesses and accounting system non-conformances reported and corrected by fiscal year-end and the number pending at year-end. Table 1-15 presents the four mate-

FIGURE 1-33

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

Management Accountability and Integrity Program Activities in FY 2005 Related to Interior's Major Management Challenges and the President's Management Agenda	Interior's Top Management Challenges							President's Management Agenda						
	Financial Management	Information Technology	Health, Safety, and Emergency Management	Maintenance of Facilities	Responsibilities to Indian and Insular Affairs	Resource Protection and Restoration	Revenue Collections	Procurement, Contracts, and Grants	Competitive Sourcing	Strategic Management of Human Capital	Expanded Electronic Government	Improved Financial Management	Budget and Performance Integration	Federal Real Property Asset Management
Management Control Reviews/Management Studies and Initiatives	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Office of Inspector General Audits														
- Program Audits Completed	✓	✓	✓	✓	✓		✓	✓				✓	✓	
- Financial Statement Audits Completed	✓			✓	✓						✓			
U.S. Government Accountability Office Audits Completed	✓		✓	✓	✓	✓	✓				✓		✓	
Federal Managers' Financial Integrity Act Material Weaknesses														
- Corrected or Downgraded During FY 2005	✓				✓	✓					✓			
- Pending and Carried Forward to FY 2006	✓	✓	✓		✓		✓				✓			

TABLE 1-13

Number of Material Weaknesses Reported and Corrected or Downgraded			
Reporting Period	Reported	Corrected or Downgraded	Pending at Year End
Prior Years	170	153	17
FY 2002	2	8	11
FY 2003	0	1	10
FY 2004	1	7	4
FY 2005	1	1	4
Total	174	170	4

rial weaknesses that were pending correction at the beginning of FY 2005, including those designated as “mission critical weaknesses,” the status (correction or downgrade) of these weaknesses, and the material weakness identified in FY 2005. Interior will carry only four bureau-level material weaknesses into FY 2006 to correct. *This is the first year the Department has no material weaknesses at the Departmental level.*

#### Government Performance Results Act (GPRA) Goal for Timely Correction of Material Weaknesses

Interior is committed to the timely correction of material weaknesses in order to improve integrity and accountability in its programs, organizations, and functions. To ensure that the material weaknesses identified and reported in the FMFIA program are corrected in a timely manner, the Department established a GPRA performance measure. The Department’s performance goal for FY 2005 was to complete 100% of the material weaknesses targeted for completion in FY 2005.

The Department was scheduled to correct one of the four FMFIA material weaknesses carried forward from FY 2004, BIA’s Indian Detention Facilities. Although correction of that weakness was not completed as planned, another pending FMFIA material weakness, Maintenance Management Capability, was substantially completed and downgraded a year early (*Table 1-15*). As a result, the Department was able to meet its performance goal in FY 2005 for correcting or downgrading material weaknesses.

#### Mission Critical Material Weaknesses

OMB Circular A-123, “Management Accountability and Control,” requires that each agency identify

TABLE 1-14

Number of Material Non-Conformances Reported and Corrected or Downgraded			
Reporting Period	Reported	Corrected or Downgraded	Pending at Year End
Prior Years	65	64	1
FY 2002	0	0	1
FY 2003	0	0	1
FY 2004	0	1	0
FY 2005	0	0	0
Total	65	65	0

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 1-34*. Interior recognizes the importance of correcting mission critical weaknesses in a timely manner. The Department and senior program management officials continuously monitor corrective action progress for all mission critical weaknesses.

#### Interior’s Implementation of OMB’s Revised Circular A-123 Appendix A

The Office of Management and Budget issued a revised Circular A-123, “Management’s Responsibility for Internal Control,” that strengthens internal control requirements over financial reporting in Federal agencies. The revised circular, which became effective October 1, 2005, provides updated internal control standards, as well as new requirements, for conducting management’s assessment of the effectiveness of internal controls over financial reporting. To implement the new financial reporting requirement and ensure compliance with the circular, the Department has performed the following tasks to date:

- Expanded the existing DOI Internal Control and Audit Follow-up Council to include the Department’s Chief Information Officer and Procurement Executive as encouraged by the circular, and established a Senior Assessment Team.
- Provided training on the requirements of the new Circular at a DOI-wide conference.

**TABLE 1-15**  
**Pending FMFIA Material Weaknesses as of September 30, 2005**

Bureau	Date First Reported	Description	Corrective Actions	FY 2005 Progress	FY 2004 PAR Target Date	Status
OST BIA OS/OHTA	FY 1991	<p>Indian Trust Assets: The OST's conversion to a commercial trust fund accounting system and the implementation of enhanced OST management controls ensure that all collected trust funds are properly accounted for. 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.</p>	<p><b>Mission Critical Material Weaknesses</b></p> <p>Departmental trust policies, procedures, systems and internal control will continue to be improved and training provided to achieve the goals of the Comprehensive Trust Management Plan.</p>	<p>Improvements and corrective actions to date have resulted in systems, processes, procedures and internal controls that ensure cash receipts are received, accounted for, and distributed in a timely and effective manner. Major improvement and corrective action milestones include: hired six Regional Trust Administrators and over 48 Fiduciary Trust Officers as primary points of contact for trust beneficiaries and to supervise field accountants; completed work on enhancements to produce performance statements that identify the source of income and list real property assets owned by each account holder; implemented financial lookboxes nationwide to receive trust-generated receipts and designed to enable distribution of funds within 24 hours of receipts at pilot agencies; implemented a toll-free Trust Beneficiary Call Center to answer trust-related beneficiary inquiries; and, the most recent audited financial statement opinion that did not include any material weaknesses that adversely affected the audit opinion.</p> <p>While improvements in systems, procedures, and controls have been implemented, there has been no determination that the trust fund balances need to be adjusted. OST acknowledges that the accuracy of balances in the trust fund accounts has been challenged, and the Court has directed OHTA to conduct an historical accounting. OST also acknowledges that the outcome of the historical accounting may lead to a future direction from the Court or Congress to adjust those balances. However, in the absence of material evidence to the contrary, OST currently asserts that the beginning balances in the trust fund accounts are fairly portrayed.</p>	FY 2007	Delayed. A targeted correction date of FY 2008 has been assigned.

TABLE 1-15

Pending FMFIA Material Weaknesses as of September 30, 2005						
Bureau	Date First Reported	Description	Corrective Actions	FY 2005 Progress	FY 2004 PAR Target Date	Status
NPS/BIA	FY 2000	Inadequate Wireless Telecommunications: Effective radio communications is 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, AND does not comply with Department management Directives.	The Department will develop and implement a plan to meet employee and public safety objectives, and restore the program to 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.	Interior's CIO has reviewed bureau NPS/BIA Capital Investment and Implementation Plans to verify that operations requirements would be met and funding priorities were adequate to meet the mandated land mobile radio transition.  BIA has hired an executive level manager to lead program; performed site surveys to determine equipment needs; purchased and consolidated radio equipment; and, established a secured system sharing agreement with the State of South Dakota.  NPS has reviewed and analyzed individual park radio conversion plans to ensure conformity with its narrowband conversion timelines identified in the Master Implementation Plan. NPS has also participated in DOI consolidated buys.	FY 2005	Delayed. A targeted correction date of FY 2010 has been assigned by BIA. A targeted correction of FY 2009 has been assigned by NPS.
USGS NPS FWS	FY 1999	Inadequate Department-wide Maintenance Management Capability: Interior lacks consistent, reliable, and complete information to plan for budget, and account for resources dedicated to maintenance activities.	USGS - Identify and implement a comprehensive maintenance management system with an appropriate linkage to the accounting.  NPS and FWS - conduct comprehensive condition assessments; make determinations to repair, replace, or relocate facilities; repair, replace, and relocate facilities to "good condition"; and reduce deferred maintenance to establish goals (5 percent or less of replacement cost).	Interior adopted MAXIMO as the core management enterprise software system to manage its facilities inventories, condition assessments, work management, and reporting requirements. Interior established the Facilities Condition Index as a standard performance measure for bureau management programs. This enables Interior to effectively determine at what pace its facilities condition is improving and how effectively the bureaus are using their maintenance funding. Interior has also developed a 5-year Deferred Maintenance Plan and Capital Improvement Plan based on condition assessment data compiled to date and other estimates. The phased comprehensive condition assessment is underway in all bureaus. Three of four bureaus have completed 100% implementation of the Facilities Maintenance Management System. This area of the weakness will be downgraded to the bureau level for USGS. The weakness will be downgraded to the bureau level for NPS and FWS for completion of their condition assessment.	FY 2006	Downgraded

**TABLE 1-15** Pending FMFIA Material Weaknesses as of September 30, 2005

Bureau	Date First Reported	Description	Corrective Actions	FY 2005 Progress	FY 2004 PAR Target Date	Status
BIA	FY 2004	Indian Detention Facilities: Serious safety, security, and maintenance deficiencies exist at the majority of BIA detention centers. These deficiencies are a hazard to inmates, staff, and the public.	<p>BIA will immediately commence the implementation of corrective actions that will improve the security, safety, management, and operating efficiency of detention facilities. These actions include:</p> <ul style="list-style-type: none"> <li>• The Deputy Assistant Secretary for Law Enforcement will become actively engaged in overseeing the detention program;</li> <li>• The Department's Office of Law Enforcement will conduct frequent scheduled and unscheduled compliance inspections;</li> <li>• Clear "serious incident" reporting and follow-up protocols will be established and implemented;</li> <li>• Facility staffing models will be developed, and shortages related to officer safety should be immediately identified and corrected;</li> <li>• Recruiting standards and guidelines for detention officers will be developed and adhered to;</li> <li>• A system for identifying and prioritizing facilities repairs impacting inmate and officer safety will be implemented;</li> <li>• Internal controls and other improvements for budgeting, cost tracking and reporting purposes will be developed and implemented;</li> <li>• Strategic plans for jail replacement and renovation based on comprehensive condition assessments will be developed;</li> <li>• Training standards and models for detention offices will be developed and compliance/certification reviews will be conducted; and,</li> <li>• Regular regional meetings of detention administrators will be held to identify best practices and address and resolve emerging issues.</li> </ul>	BIA completed restructuring of the Office of Law Enforcement; issued the Indian Country Detention Strategic Planning summary; obtained funding to hire detention manager and additional staff; developed a policy prioritizing repairs to detention facilities; and developed training standards for detention officers.	FY 2005	Delayed. A targeted correction date of FY 2007 has been assigned by BIA.

TABLE 1-15

Pending FMFIA Material Weaknesses as of September 30, 2005						
Bureau	Date First Reported	Description	Corrective Actions	FY 2005 Progress	FY 2004 PAR Target Date	Status
BOR DO	FY 2005	Controls Over Implementing New Accounting Policies and Procedures: Interior had not fully developed accounting policies and procedures to change its processes for recognizing the transfer of funds between Federal entities and had not fully developed posting models by September 30, 2005.	During FY 2005, Interior had developed some accounting policies and procedures. Interior will further develop the policies and procedures and implement them once approved.	Interior applied significant resources and effort, including coordinating with the U.S. Treasury and OMB to implement OMB's guidance in a relatively short time period.	N/A	Ongoing

- Developed an implementation plan that identifies milestones, responsible organizations, and target completion dates; submitted plan to OMB in August 2005.
- Revised the Departmental Handbook on Internal Control and Audit Follow-up to reflect the revised Circular A-123's new financial reporting requirements.
- Defined a methodology and determined the materiality level for each of the Department's financial statements.
- Identified DOI's significant financial reports and business processes.
- Hired a contractor to assist the Senior Assessment Team in carrying out its responsibilities such as documenting and assessing significant financial reporting processes and related internal controls, and developing a detailed assessment plan. A draft detailed assessment plan was completed September 30, 2005.

We believe this new OMB financial reporting requirement will help instill a culture of accountability in our Departmental managers that will support efforts to strengthen program and accounting internal controls, as well as improving the quality and reliability of the DOI's financial information. Additionally, Interior's policymakers and program managers continuously seek ways to achieve our missions, meet program goals and measures, and enhance operational processes, and implement new technological developments.

## Federal Financial Management Improvement Act

The Federal Financial Management Improvement Act builds upon and complements the CFO Act, the GPRA, and the GMRA. The FFMIA requires that Federal agencies substantially comply with applicable Federal accounting standards, the government-wide Standard General Ledger (SGL), and Federal financial management system requirements that support

FIGURE 1-34

**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.

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 Independent Auditor's Report and in the Internal Control and Compliance Report. 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.

The FY 2005 bureau financial statement audit reports identified reportable conditions concerning applicable Federal accounting standards and the SGL at the transaction level. With the exception of those reportable conditions, based on corrective actions taken to improve internal controls, the Department determined that substantial compliance with Section 4 of the FMFIA and the Federal Financial Management Improvement Act was achieved. However, the financial statement auditors, KPMG, reported the Department did not substantially comply with Federal accounting standards and the SGL at the transaction level components of the FFMIA. Accordingly, the inclusion of the bureaus reported as noncompliant continues in *Table 1-22* to further improve our compliance with the requirements of FFMIA. The highlights of this effort in FY 2006 follow this section.

#### Highlights of FFMIA Improvement Plan

The extraordinary burden placed on Interior by the ongoing *Cobell vs. Norton* litigation to produce over 4 ½ million pages of documentation, testifying throughout a 59-day evidentiary hearing, and responding to the court, impacted a number of information technology (IT) security initiatives to include many of the previously planned improvements outlined below.

**Information Technology Security.** Under the leadership of the Office of the Chief Information Officer, the Department will continue the substantial progress achieved at both the Department and bureau levels during FY 2005. Updated and improved policy guidance reflecting current National Institute of Standards and Technology (NIST) standards and FISMA evaluation requirements will be completed and provided to bureaus and offices for implementation. Bureau compliance will be aggressively monitored. The Departmental Manual will be updated by the third quarter of FY 2006 with updates to the IT Security Handbook, Certification and Accreditation (C&A) standards, and Plan of Action and Milestones (POA&M) standards being completed early in the second quarter of FY 2006. The Department recognizes that additional improvements in these areas are needed to raise all aspects of the IT security program to targeted performance levels.

**Separation of Duties.** The Department will complete and issue updated policy guidance in this area by the

end of the first quarter in FY 2006. The Department will also continue to work with those bureaus with reportable conditions or other weaknesses in this area to review and restructure employee roles and responsibilities to achieve a higher degree of separation of duties in information technology system-related operations where it is cost-effective.

**Access Controls.** The Department has taken actions to mitigate the weakness in the National Business Center identified during the OIG's FY 2005 access control testing. Additional actions and tools will be considered to further secure any remaining network vulnerabilities or weaknesses and improve access controls.

**Change Controls.** The Department's IT Security Plan seeks to assure that appropriate policies, procedures, and operational controls are developed and implemented to prevent unauthorized system, program, or application modifications. Policy guidance in this area will be updated and forwarded to the bureaus for implementation by the end of the third quarter in FY 2006.

**Service Continuity.** Although 94% of Interior systems have tested Contingency Plans, as noted in the FY 2005 FISMA evaluation, Interior will continue to aggressively monitor all systems to ensure that updated plans are in place and tested to minimize the risk of loss from unplanned interruptions, and to protect data should disruptions occur.

**IT Security Training.** Updated IT security training policy, incorporating requirements for role-based training for individuals with significant IT security roles and responsibilities, will be completed and distributed to the bureaus for implementation by the end of the second quarter of FY 2006. This policy will include current training requirements for both Interior employees and contractors. Compliance with training policy will continue to be aggressively monitored during FY 2006.

#### 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 ac-



countability 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. In FY 2005, Interior monitored a substantial amount of new Single Audit, OIG, and GAO audits, including 292 Single Audits, 26 OIG audits, and 19 GAO audits. Audit follow-up actions include analyzing audit reports referred; advising grantors of audit findings; 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.

TABLE 1-16

FY 2005 GPRA Performance Goal for Implementation of OIG and GAO Audit Recommendations			
Bureau/Office	Number of Recommendations Meeting GPRA Goal Criteria	Number of Recommendations Implemented Within Planned One Year Target	Percentage Implemented
BIA	32	29	91%
NPS	49	34	69%
FWS	8	8	100%
BLM	36	36	100%
MMS	9	9	100%
OSM	4	4	100%
BOR	17	19	112%
USGS	9	9	100%
OS (Dept)	73	63	86%
PIA (Dept)	0	N/A	N/A
OST (Dept)	6	0	0%
<b>TOTAL</b>	<b>243</b>	<b>211</b>	<b>87%</b>

#### GPRA Goal for Timely Implementation of Audit Recommendations

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 has continuously raised the performance goal for timely implementation of audit recommendations for consecutive fiscal years. For FY 2005, the performance goal was 85%, which was higher than its FY 2004 goal of 80%.

Interior exceeded its GPRA performance goal with a composite implementation rate of 87% (*Table 1-16*). The primary reason for Interior's success in achieving the GPRA performance goal for the third consecutive year was the aggressive progress monitoring plan implemented at the direction of the Assistant Secretary – Policy, Management and Budget. Quarterly management control and monthly audit follow-up program and financial statement progress scorecards were prepared by each bureau and office to ensure audit recommendation implementation commitments were being met, and that immediate senior management attention was directed to slippage when

it occurred. Interior will employ the same aggressive progress monitoring plans in FY 2006 to ensure the continued achievement of this GPRA performance goal.

#### 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 forwarded to and screened by the Federal Single Audit Clearinghouse. Those Single Audit reports, with findings and recommendations requiring audit follow-up, are forwarded to the Department for distribution to the appropriate bureaus for audit follow-up, resolution, and tracking. Each bureau is responsible for meeting with grantees and negotiating a resolution to 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.

### Collecting and Offsetting Disallowed Costs in Single Audits

As shown in *Table 1-17*, Interior closed 17 of 50 (34%) audits in tracking during FY 2005. There was a substantial decrease in the number of audits referred for tracking with disallowed costs (12 audits with \$3.1 million in disallowed costs). The \$3.9 million in disallowed costs recovered represented about 23% of total disallowed costs in tracking during the year. Of the 33 audits in tracking at the end of the year, 25 (76%) had management decision dates greater than 1 year old, with most attributable to BIA. As in previous years, the Department plans to continue its aggressive monitoring and follow-up activities during FY 2006 to close the number of audit reports with disallowed costs.

### Internal Audits

Internal audits are OIG-conducted audits of Interior's programs, organizations, and financial and administrative operations. During FY 2005, 59 audits were being tracked (42 audits carried over from FY 2004 and 17 new audits were referred for tracking during FY 2005), and 39 (66%) of those audits were closed. A total of 496 recommendations from OIG internal audit reports were in tracking during the year, of which 295 were completed or closed during FY 2005. For the 20 audits pending at the end of FY 2005, 201 recommendations await final implementation action.

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 1-18*, 2 audits with \$38.2 million in FBU dollars were carried over from FY 2004 for tracking during FY 2005.

TABLE 1-17

FY 2005 Summary of Actions Taken on Contract, Grant, and Single Audits with Disallowed Costs				Number of Reports	Disallowed Costs
(A) Opening balance as of October 1, 2004, restated				38	\$13,275,890
(B) FY 2005 Audits				12	\$3,149,975
(C) Amounts reinstated				-	\$425,577
Total tracked during FY 2005				50	\$16,851,442
(D) Final actions taken during FY 2005				(17)	(\$4,284,673)
	Collected	15*	(\$3,159,537)		
	Written Off	1*	(\$873)		
	Offset	1*	(\$698,686)		
	Reinstated	0*	(\$425,577)		
	Referred to Treasury for Collection Action	0	0		
(E) Ending balance as of September 30, 2005				33	\$12,566,769
	Mgmt Dec < 1 yr old	8	\$3,054,444		
	Mgmt Dec > 1 yr old	25	\$9,512,325		
	Mgmt decision under formal appeal	0	0		

Note - Data on opening balances for number of reports and disallowed costs as of October 1, 2004, was restated to present information only on reports with sustained costs.

\* During FY 2005, final actions taken for some of the 17 reports with disallowed costs were cross-cutting—instances occurred where amounts were collected, offset, reinstated, and/or waived for the same report.

TABLE 1-18

FY 2005 Summary of Actions Taken with Funds to be Put to Better Use (FBU)				Number of Reports	FBU Dollars
(A) Reports on hand at beginning of report period				2	\$38,219,271
(B) New reports received during report period				0	0
Total reports in tracking				2	\$38,219,271
(C) Reports closed during report period				0	0
(D) Reports in progress at end of report period				2	\$38,219,271
	Mgmt Dec < 1 yr old	0	0		
	Mgmt Dec > 1 yr old	2	\$38,219,271		
	Mgmt Dec under formal appeal	0	0		

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

### GAO 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 29 GAO reports with 86 recommendations were carried over from FY 2004. During FY 2005, GAO issued a total of 19 new reports with 27 recommendations. The Department was successful in closing 26 of the 48 (54%) reports in tracking during FY 2005, along with 44 of the reports' 113 (39%) recommendations (*Table 1-19*).

### Audited Financial Statement Results

As required by the GMRA, Interior prepares consolidated financial statements. Beginning in FY 2001, these financial statements have been audited by KPMG LLP, an independent public accounting 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 2005 and FY 2004 financial statement audit process are summarized in *Table 1-20*. As shown in the table, Interior again achieved unqualified audit opinions for each bureau and the Department's consolidated financial statements.

In only a few instances, exceptions on internal controls or accounting standards were noted as material weaknesses or reportable conditions, or instances where noncompliance with laws and regulations other than compliance with FFMA occurred.

#### Resolution of Internal Control Weaknesses and Noncompliance Issues Reported in FY 2004 Audited Financial Statements

*Tables 1-21 and 1-22* summarize the status of material weaknesses and noncompliance issues reported in the FY 2004 audited financial statements. The Department has established an internal goal of completing corrective actions for material weaknesses and noncompliance issues by the end of the following fiscal year, unless the magnitude of the corrective action plans involves a multiyear effort.

While the Department made progress in correcting material weaknesses reported in the FY 2004 audits, delays in completing corrective actions in some bureaus and several multiyear corrective action plans precluded the achievement of the internal goal in FY 2005. In summary, 9 of the 15 (60%) total material weaknesses reported in FY 2004 financial statements were corrected or downgraded to reportable conditions during FY 2005. The increase in the correction percentage over the prior year was directly attributable to the Department's aggressive approach to substantially correct material weaknesses.

The Department made progress in correcting non-compliance issues reported in the FY 2004 audits. In summary, 5 of the 19 (26%) (based on completed issues to date and current correction dates) noncompliance issues reported in FY 2004 financial statements were corrected or downgraded during FY 2005. The Department has taken steps to continue its aggressive monitoring of remedial actions during FY 2006 in order to substantially correct all of the material weaknesses and noncompliance issues reported in FY 2005 by June 30, 2006.

*Tables 1-23 and 1-24* present summaries of each of the material weaknesses and noncompliance issues reported in the Department's consolidated and the bureaus' FY 2005 financial statement audit opinions. A total of 12 material weaknesses were reported, with 6 being carried over from FY 2004. Only one Departmental weakness was carried over. A total of 16 noncompliance issues were reported, with 14 carried over from FY 2004. Three Department-level weakness noncompliance issues were carried over.

### Major Management Challenges Confronting Interior

The OIG and the GAO annually advise Congress on what they consider to be the major management challenges facing the Department. *Table 1-25* presents a summary of the major management challenges identified by the OIG and GAO and actions taken to address these challenges to date.

TABLE 1-19

Summary of Actions Taken in FY 2005 on Reports Issued by the GAO					
				Number of Recommendations	Number of Reports
In tracking as of October 1, 2004				86	29
Issued during FY 2005				27	19
Subtotal				113	48
Closed during FY 2005				(44)	(26)
In tracking as of September 30, 2005				69	22
Code	Status of final reports in tracking	No. of Recommendations	No. of Reports		
D1	Mgmt decisions < 1 yr old	8	4		
D2	Mgmt decisions > 1 yr old	61	18		
D3	Mgmt decisions under formal appeal	0	0		

Note - Data on GAO at the beginning of FY 2005 was restated to exclude data on 10 recommendations and four reports actually closed during FY 2004.

TABLE 1-20

Summary of FY 2005 and FY 2004 Financial Statement Audits											
	Unqualified Opinion on Financial Statements		Material Weakness in Report on Internal Controls		Substantial Compliance with Laws and Regulations (Non-FFMIA)		Substantial Compliance with Laws and Regulations (FFMIA)		Substantial Component Compliance with Laws and Regulations (FFMIA) Systems, Accounting, and SGL		
	FY 2005	FY 2004	FY 2005	FY 2004	FY 2005	FY 2004	FY 2005	FY 2004	FY 2005 Systems	FY 2005 Accounting	FY 2005 SGL
Dept	Yes	Yes	Yes	Yes	No (1,2,3,4)	No (1,2,3)	No	No	Yes	No	No
FWS	Yes	Yes	No	Yes	Yes	Yes	Yes	No	Yes	No	Yes
USGS	Yes	Yes	No	No	Yes	Yes	Yes	No	Yes	Yes	Yes
BIA	Yes	Yes	Yes	Yes	No (1,3,4)	No (1,3)	No	No	Yes	No	No
BLM	Yes	Yes	No	Yes	Yes	Yes	Yes	No	Yes	No	Yes
MMS	Yes	Yes	No	Yes	No (1)	No (1,2)	Yes	No	Yes	Yes	Yes
NPS	Yes	Yes	No	No	Yes	No (3)	No	No	Yes	No	Yes
BOR	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	No	Yes
OSM	Yes (a)	Yes	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
DO	Yes	Yes	Yes	Yes	No (3)	No (2,3)	No	No	Yes	No	Yes

(a) Balance sheet audit only.  
(1) Debt Collection Improvement Act

(2) Prompt Payment Act  
(3) Single Audit Act

(4) OMB Circular A-25

TABLE 1-21

FY 2004 Audited Financial Statements Status of Material Weakness Corrective Actions (as of September 30, 2005)				
Bureau	Material Weakness Description	Corrective Action	Original Target Date	Corrective Action Status
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.	9/30/05	Downgraded
DEPT	Process for Year-End Closing	Implement procedures to ensure transactions are promptly and accurately recorded to minimize year-end and post certification adjustments. Ensure supervisors review and approve all journal entries.	9/30/05	Corrected
DEPT	Controls Over Trust Funds	Implement and revise controls and procedures to ensure Indian Trust Funds' activity and balances are properly and timely recorded, and controls and plans are in place to resolve the other deficiencies noted.	9/30/05	Delayed
DEPT	Controls Over Property, Plant, and Equipment	Complete land inventory and reconciliation and implement controls and procedures to ensure transactions are promptly and accurately recorded.	9/30/05	Downgraded
BLM	Accounting for Mineral Leases	Implement procedures to ensure mineral lease transactions are promptly and accurately recorded to minimize year-end and post certification adjustments. Ensure supervisors review and approve all journal entries.	9/30/05	Downgraded
BOR	Controls Over Land Inventory	Develop a complete and accurate inventory system that identifies by project all land and land rights, and reconcile system balances to the general ledger.	9/30/05	Corrected
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	Delayed
DO	Budgetary Transactions	Improve controls to ensure that budgetary transactions are promptly recorded, properly classified and accounted in order to prepare timely and reliable financial reports.	9/30/05	Downgraded
DO	Accruals	Test and finalize the accrual methodology for interim financial reporting to reduce year-end accrual effort and reconcile accrual calculations to the general ledger.	9/30/05	Downgraded
MMS	Controls Over Year-End Closing Process	Implement procedures to ensure transactions are promptly and accurately recorded to minimize year-end and post certification adjustments. Ensure supervisors review and approve all journal entries.	6/30/05	Corrected

TABLE 1-21

FY 2004 Audited Financial Statements Status of Material Weakness Corrective Actions (as of September 30, 2005)				
Bureau	Material Weakness Description	Corrective Action	Original Target Date	Corrective Action Status
BIA	Controls Over Processing Trust Transactions	Improve fiduciary controls over the processing of Trust transactions including segregation of duties, probate backlogs, and appraisal compacts.	9/30/05	Delayed
BIA	Controls Over Fund Balance with Treasury	Improve controls and procedures to ensure timely transaction entry and reconciliations, and supervisors review and approve adjusting entries.	9/30/05	Corrected
BIA	Controls Over Property, Plant, and Equipment	Develop and implement policies and procedures to ensure that property, plant, and equipment accounts are stated in accordance with Federal accounting standards. Address construction grants, inventory observations, construction in progress, depreciation expense, and fixed asset subsidiary ledger.	9/30/05	Delayed
OST	Reliance on Processing of Trust Transactions at BIA	Work collaboratively with BIA to correct weaknesses in the following areas so that OST may fulfill its fiduciary responsibility to the trust fund beneficiaries: trust fund systems, segregation of duties, accounts receivable, probate backlog, untimely deposits, supervised and restricted accounts, and appraisal compacts.	9/30/05	Delayed
OST	Resolution of Financial Reporting Issues from Prior Years	Continue to work to resolve matters in the following areas as soon as practical: Investments - Lack of Reliable Balance Available for Investing (Individual Indian Monies - IIM), Trust Fund Balances (Tribal and IIM), Cash (Tribal), Special Deposit Accounts - Inconsistent Practices (IIM), and Trust Fund Balances (IIM).	9/30/05	Delayed

TABLE 1-22

FY 2004 Audited Financial Statements Noncompliance with Laws and Regulations (as of September 30, 2005)				
Bureau	Noncompliance Description	Corrective Action	Target Date	Status
DEPT	Debt Collection Improvement Act of 1996	Establish a process to ensure eligible bureau receivables are referred to the U.S. Department of Treasury in a timely manner.	9/30/05	Delayed
DEPT	Federal Financial Management Improvement Act	Improve controls to comply with Federal financial management system requirements, accounting standards, and the SGL at the transaction level.	12/31/05	Delayed
DEPT	Single Audit Act Amendments	Improve grantee monitoring processes to ensure compliance with the reporting requirements of the Single Audit Act Amendments.	9/30/05	Delayed
DEPT	Prompt Payment Act of 1982	Train and monitor employees to ensure that the acceptance dates per the invoice and receiving report are correctly transferred to the payment voucher and correctly entered into the FFS.	9/30/05	Corrected
BIA	Federal Financial Management Improvement Act	Develop and implement appropriate controls to ensure full compliance with Federal financial management systems, accounting standards, and the SGL at the transaction level.	9/30/05	Delayed
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.	9/30/05	Delayed
BIA	Single Audit Act Amendments	Improve grantee monitoring processes to ensure compliance with the reporting requirements of the Single Audit Act Amendments.	9/30/05	Delayed
BLM	Federal Financial Management Improvement Act	Develop and implement appropriate controls to ensure full compliance with Federal financial management systems and accounting standards.	9/30/05	Delayed
BOR	Federal Financial Management Improvement Act	Develop and implement appropriate controls to ensure full compliance with Federal financial management systems and accounting standards.	9/30/05	Delayed
DO	Federal Financial Management Improvement Act	Develop and implement appropriate controls to ensure full compliance with Federal financial management systems and accounting standards.	9/30/05	Delayed
DO	Single Audit Act Amendments	Improve grantee monitoring processes to ensure compliance with the reporting requirements of the Single Audit Act Amendments.	9/30/05	Delayed
DO	Prompt Payment Act of 1982	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.	9/30/05	Corrected
FWS	Federal Financial Management Improvement Act	Develop and implement appropriate controls to ensure full compliance with Federal financial management systems and accounting standards.	9/30/05	Delayed
MMS	Federal Financial Management Improvement Act	Develop and implement appropriate controls to ensure full compliance with Federal financial management systems.	6/30/05	Corrected
MMS	Prompt Payment Act of 1982	Ensure payment data from voucher into FFS in order to properly calculate and pay prompt pay interest due.	6/30/05	Corrected
MMS	Debt Collection Improvement Act of 1996	Establish, implement, and monitor policies and procedures addressing debt collection issues to ensure full compliance with the Debt Collection Improvement Act.	6/30/05	Delayed
NPS	Federal Financial Management Improvement Act	Develop and implement appropriate controls to ensure full compliance with Federal financial management systems and accounting standards.	9/30/05	Delayed
NPS	Single Audit Act Amendments	Develop controls to ensure grantees complete, report on, and implement timely corrective actions for single audits.	9/30/05	Delayed
USGS	Federal Financial Management Improvement Act	Develop and implement appropriate controls to ensure full compliance with Federal financial management systems.	9/30/05	Corrected

TABLE 1-23

FY 2005 Audited Financial Statements Material Weakness Corrective Action Plan (as of September 30, 2005)				
Bureau	Material Weakness Description	Corrective Action	Original Target Date	New Weakness or Carryover from FY 2004
DEPT	Controls Over Trust Funds	Implement and revise controls and procedures to ensure Indian Trust Funds' activity and balances are properly and timely recorded, and controls and plans are in place to resolve the other deficiencies noted.	9/30/05	Carryover
DEPT	Controls Over Implementing New Accounting Policies and Procedures	Improve policies and procedures related to recording assets and liabilities in accordance with OMB guidance.	9/30/06	New
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 Obligations	Improve controls to ensure that budgetary transactions are promptly recorded, properly classified and accounted in order to prepare timely and reliable financial reports.	9/30/06	New
DO	Controls Over Leases	Implement procedures to ensure transactions are accurately recorded.	9/30/06	New
DO	Controls Over Implementing New Accounting Policies and Procedures	Improve policies and procedures related to recording assets and liabilities in accordance with OMB guidance.	9/30/06	New
BIA	Controls Over Processing Trust Transactions	Improve fiduciary controls over the processing of Trust transactions including segregation of duties, probate backlogs, and appraisal compacts.	9/30/05	Carryover
BIA	Controls Over Property, Plant, and Equipment	Develop and implement policies and procedures to ensure that property, plant, and equipment accounts are stated in accordance with Federal accounting standards. Address construction grants, inventory observations, construction in progress, depreciation expense, and fixed asset subsidiary ledger.	9/30/05	Carryover
BIA	Controls Over Revenue	Implement and revise controls and procedures over the revenue process to ensure that transactions are promptly recorded for timely and reliable financial reporting.	9/30/06	New
BOR	Controls Over Implementing New Accounting Policies and Procedures	Improve policies and procedures related to recording assets and liabilities in accordance with OMB guidance.	9/30/06	New
OST	Reliance on Processing of Trust Transactions at BIA	Work collaboratively with BIA to correct weaknesses in the following areas so that OST may fulfill its fiduciary responsibility to the trust fund beneficiaries: trust fund systems, segregation of duties, accounts receivable, probate backlog, untimely deposits, supervised and restricted accounts, and appraisal compacts.	9/30/05	Carryover
OST	Resolution of Financial Reporting Issues from Prior Years	Continue to work to resolve matters in the following areas as soon as practical: Investments - Lack of Reliable Balance Available for Investing (Individual Indian Monies - IIM), Trust Fund Balances (Tribal and IIM), Cash (Tribal), Special Deposit Accounts - Inconsistent Practices (IIM), and Trust Fund Balances (IIM).	9/30/05	Carryover



TABLE 1-24

FY 2005 Audited Financial Statements Noncompliance with Laws and Regulations				
Bureau	Noncompliance Description	Corrective Action	Target Date	New or Carryover from FY 2004
DEPT	Federal Financial Management Improvement Act	Improve controls to comply with Federal accounting standards and the SGL at the transaction level.	12/31/05	Carryover
DEPT	Debt Collection Improvement Act	Establish a process to ensure bureau receivables are referred to the U.S. Department of the Treasury in a timely manner.	9/30/05	Carryover
DEPT	Single Audit Act	Improve grantee monitoring processes to ensure compliance with the reporting requirements of the Single Audit Act Amendments.	9/30/05	Carryover
DEPT	OMB Circular No. A-25, "User Charges"	Implement policies and procedures to ensure compliance with the requirements of OMB Circular No. A-25.	9/30/06	New
BIA	Federal Financial Management Improvement Act	Develop and implement appropriate controls to ensure full compliance with Federal accounting standards and the SGL at the transaction level.	9/30/05	Carryover
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.	9/30/05	Carryover
BIA	Single Audit Act Amendments	Improve grantee monitoring processes to ensure compliance with the reporting requirements of the Single Audit Act Amendments.	9/30/05	Carryover
BIA	OMB Circular No. A-25, "User Charges"	Implement policies and procedures to comply with OMB Circular No. A-25 and properly charge Federal entities for reimbursable administration costs.	9/30/06	New
BLM	Federal Financial Management Improvement Act	Develop and implement appropriate controls to ensure full compliance with Federal accounting standards.	9/30/05	Carryover
BOR	Federal Financial Management Improvement Act	Develop and implement appropriate controls to ensure full compliance with Federal accounting standards.	9/30/05	Carryover
DO	Federal Financial Management Improvement Act	Develop and implement appropriate controls to ensure full compliance with Federal accounting standards.	9/30/05	Carryover
DO (OIA)	Single Audit Act Amendments	Improve grantee monitoring processes to ensure compliance with the reporting requirements of the Single Audit Act Amendments.	9/30/05	Carryover
FWS	Federal Financial Management Improvement Act	Develop and implement appropriate controls to ensure full compliance with Federal accounting standards.	9/30/05	Carryover
MMS	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.	9/30/05	Carryover
NPS	Single Audit Act	Develop controls to ensure grantees complete, report on, and implement timely corrective actions for single audits.	9/30/05	Carryover
NPS	Federal Financial Management Improvement Act	Improve controls to comply with the Federal accounting standards and the SGL at the transaction level.	9/30/05	Carryover

TABLE 1-25

Summary of Major Management Challenges Facing Interior				
Major Management Challenge	Description	New or Carryover from FY 2004	Interior Actions to Date	Status at end of FY 2005
Financial Management	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.	Carryover	<p>DOI has a diverse and decentralized operating environment that is very challenging. In addressing the internal control issues associated with this environment, the Secretary provides strong support and active leadership that embodies sound financial management. As a result of her efforts to actively engage executives throughout the organization, DOI has made significant progress in improving internal controls in FY 2005, as evidenced by the reduction in Departmental-level audited financial statement material weaknesses from 4 to 1, correction of 3 of 4 noncompliance issues, and the elimination of Departmental-level FMFIA weaknesses. Internal control systems include the underlying information technology systems as well as manual processes and procedures, all of which are subjected to rigorous control reviews and reporting. DOI will continue its aggressive management control and audit follow-up program, and align it with Revised OMB Circular A-123. In addition, DOI is implementing an integrated enterprise system for finance and business management, which will further enhance the control environment.</p> <p>DOI began implementing the Financial and Business Management System (FBMS), the enterprise system, 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. On September 29, 2005, DOI severed its relationship with the system integration contractor. The vision and goals of the project remain the same. Although DOI is currently revising the implementation timelines and related schedules for the project, the vision and goals of the project remain the same.</p>	Ongoing
Information Technology	Since the enactment of FISMA in 2002, the DOI IT Security Program has seen increased management awareness, involvement, focus, and funding. However, after a thorough evaluation to assess compliance with FISMA, the OIG determined that there was a need for continued improvement in the DOI IT security program and compliance with FISMA's requirements.	Carryover	<p>Interior made significant progress in improving its overall security posture in FY 2005, in spite of the extraordinary burden placed on Interior by the ongoing Cobell vs. Norton litigation. In the Cobell case, Interior produced over 4 ½ million pages of documentation, and testified throughout a 59 day evidentiary hearing. The significant demands placed on Interior to respond to the court impacted a number of IT security initiatives.</p> <p>In spite of these challenges, the following progress demonstrates Interior's commitment and attention towards continuous improvement of Interior's IT security program by:</p> <ul style="list-style-type: none"> <li>• Completing management control reviews (MCRs) for IT systems and IT security programs: Bureaus and offices completed MCRs for 163 of 166 major applications and general support systems.</li> <li>• Implementing the DOI-wide Enterprise Services Network (ESN) that provides a more secure computing and networking environment by providing multiple layers of firewalls, intrusion detection and prevention systems, and "24x7" security monitoring for connected bureaus' connection to the Internet, consolidating 13 networks into a single Departmental network, and performing proactive vulnerability discovery and management on a continuous basis.</li> <li>• Enhancing the DOI Vulnerability Scanning Program by testing of over 5,000 Internet-accessible systems and network devices against 7,400 types of known vulnerabilities, including the SANS Top 20 list of vulnerabilities.</li> <li>• Performing internal and external penetration testing of networks and major applications.</li> </ul>	Ongoing

TABLE 1-25

Summary of Major Management Challenges Facing Interior				
Major Management Challenge	Description	New or Carryover from FY 2004	Interior Actions to Date	Status at end of FY 2005
			<ul style="list-style-type: none"> <li>• Implementing Active Directory and the use of group policy for consistent implementation and enforcement of Microsoft- based security configurations.</li> <li>• Significantly improving content and usability of the DOI end-user IT security training and awareness program and achieving over a 98% completion rate of all employees and contractors requiring annual awareness training.</li> <li>• Entered into an agreement with USALearning.gov to deliver standardized curriculum for Role-based training to individuals with significant IT security roles and responsibilities and achieving over a 66% completion rate.</li> <li>• Improving the Plan of Action and Milestones process implementing changes recommended by the OIG.</li> <li>• Completing independent third-party reviews of C&amp;A packages to continuously improve them.</li> <li>• Completing its E-Authentication risk assessments.</li> <li>• Received the highest rating from OMB among 25 EA programs reviewed for DOI's EA that incorporates a security standards profile, and aligned to the Technical Reference Model.</li> <li>• Completed an independent IT security program assessment to evaluate Interior's level of compliance against Federal laws, regulations, policies, standards and guidelines ranging from the Federal Information Security Management Act (FISMA), to OMB, to NIST, among others. Interior achieved a 3.6 maturity level out of 5 from this assessment.</li> <li>• Initiated plans to update IT security policies, C&amp;A standards, and further enhance the POA&amp;M process standards to remain current with new emerging and constantly evolving security standards frequently being issued by NIST.</li> <li>• Implementing a significant number of corrective actions based on weaknesses identified by IG audits, penetration test, and monthly internal/external vulnerability scans further reducing risks to Interior's IT security programs and systems.</li> </ul> <p>IT security has been, and will continue to be, one of Interior's highest priorities, as evidenced by the major improvements made throughout the DOI during FY 2005. This progress builds on accomplishments of the past. The percentage of IT systems certified and accredited increased from 83% for FY 2004 to over 98% in FY 2005. With better accountability and standardization, DOI, and ultimately the taxpayers, avoided \$17 million in C&amp;A costs. Interior continues to benefit from the OIG's efforts to continuously raise the bar for evaluating the IT security program, based on DOI's increasing maturity, by identifying opportunities to further strengthen and enhance its overall security posture.</p> <p>The OCIO enlisted the support of, and provided \$1.1 million in funding to, the OIG to perform penetrations tests to augment the Department's compliance and continuous monitoring efforts. The enhanced monitoring program provided critical information needed to prioritize further improvements to Interior's operational security posture.</p> <p>Although Interior recognizes that the C&amp;A process is not perfect, particularly in light of the many new or revised standards published by the National Institute of Standards and Technology (NIST) within the past year, some of which are still in draft, Interior recognizes that adequate security involves managing risks by striking a balance between implementing security controls commensurate with the sensitivity of IT systems and associated information and the operational necessity for those systems that enable effective and efficient delivery of services supporting Interior's mission.</p>	

TABLE 1-25

Summary of Major Management Challenges Facing Interior				
Major Management Challenge	Description	New or Carryover from FY 2004	Interior Actions to Date	Status at end of FY 2005
Health, Safety, and Emergency Management	Annually, DOI has over 275 million visits to national parks, 69 million visits to recreational sites provided by BLM, and 39 million visits to 545 national wildlife refuges. In addition, there are 90 million visitor days of use at 308 BOR recreation sites. DOI must protect these visitors, hundreds of thousands of employees and volunteers, thousands of facilities, and millions of acres of property from both internal and external threats. DOI continues to be slow to change its mission and priorities to reflect its new security responsibilities and commitment. Specifically, enhancements are needed in DOI's radio communications, DOI's hazardous material program, and security surrounding national icons and BOR dams.	Carryover	<p>In summary, DOI actions on areas of concerns and actions have been focused on the following areas:</p> <ul style="list-style-type: none"> <li>• Radio Communications. In FY 2005, the Department was granted waivers from NTIA to continue wide-band operation in support of mission-critical operations such as fire, law enforcement and emergency services. The Department initiated development of plans to maximize radio system sharing and minimize supporting infrastructure requirements; and initiated an enterprise contracting option to maximize the use of wireless commercial services. BIA completed an assessment of 155 radio communication sites, to be used to guide future investments and corrective actions. BLM reduced the number of unsafe radio towers from 57 in FY 2003 to 17 at the end of FY 2005, which are scheduled for repair or replacement in FY 2006 and FY 2007. NPS made significant investments in upgrading radio facilities in FY 2005.</li> <li>• NPS's Structural Fire Program. A comprehensive structural fire program has been substantially implemented.</li> <li>• NPS's Hazardous Material Program. A comprehensive corrective action plan on the safety of the public, employees, concessionaires, and park resources was completed that ensures compliance with applicable laws, regulations, Executive Orders, and policies.</li> <li>• Security Surrounding National Icons. DOI has taken actions to put in place a security professional and improve security at national icons.</li> <li>• DOI Law Enforcement. Each bureau now has senior-level law enforcement managers in place and an internal affairs office to address integrity-related issues. A Department-wide policy to provide guidance on internal affairs was also issued.</li> </ul>	Ongoing
Maintenance of Facilities	<p>DOI owns, builds, purchases, and contracts services for assets such as visitor centers, schools, office buildings, telecommunication facilities, roads, bridges, dams, irrigation systems, and reservoirs. These assets include some deteriorating facilities that lack adequate funding for repair and maintenance.</p> <p>In FY 2004, this effort was still a challenge for the Department. For example, in the FY 2004 Annual Report on Performance and Accountability, the Department reported that exact estimates of deferred maintenance are difficult to determine due to the variety of assets entrusted to the Department. The FY 2004 estimates for DOI's deferred maintenance were between \$8.9 billion and \$15.3 billion. The lack of concrete data makes it difficult to ascertain if the deferred maintenance backlog has even been reduced. The Department also stated that bureau estimates of deferred maintenance were based on data from a variety of systems, procedures, and data sources; therefore the reliability of these sources as a basis for deferred maintenance estimates is variable.</p>	Carryover	<p>DOI has taken aggressive action to develop a life cycle management approach to its facilities. In FY 2005, the first Department-wide Asset Management Plan was developed to address facilities and other assets. In addition, DOI revised its performance measures and is in the process of updating and revising its inventory data.</p> <p>At the end of FY 2005, 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 2005, the bureaus have been calculating CIs. It is estimated that 25% of constructed assets in the FRPP have a CI value by the end of FY 2005.</p> <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 data base for the issuance of the FY 2006 report.</p> <p>BIA completed an assessment of 155 radio communication sites. Specific problems, overall condition, and recommendations for improvements of these sites were included in the assessment. BIA's facilities capital investment plan will use this assessment as a guide to direct investments to correct the serious issues identified. The Department negotiated an agreement with the State of South Dakota to provide Interior's access to State radio systems, allowing BIA to abandon 21 unsafe radio facilities. Although BLM has not yet completed correctives actions for identified safety issues identified in FY 2001 – FY 2003 radio facility site assessments, BLM reduced the number of unsafe radio towers from 57 in FY 2003 to 17 by the end of FY 2005. BLM has scheduled the remaining unsafe towers to be replaced during FY 2006 and FY 2007. During FY 2006, the Department will review an OIG report regarding health and safety issues related to telecommunication infrastructure.</p>	Ongoing

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Summary of Major Management Challenges Facing Interior				
Major Management Challenge	Description	New or Carryover from FY 2004	Interior Actions to Date	Status at end of FY 2005
			<p>As a part of the FBMS implementation, the Department will standardize its software, asset data, and business practices. Currently, there are more than 25 instances of MAXIMO being operated as the Facility Maintenance Management System (FMMS). In addition, BIA Education continues to use their own version of FMMS. With the FBMS implementation, the Department will have a much more reliable source of information relating to its assets and their condition.</p> <p>Although considerable action has been taken on maintenance of facilities, these additional actions will provide management with additional tools to prioritize and address deferred maintenance and asset management.</p>	
Responsibilities to Indians and Insular Areas	<p>DOI needs to address persistent management problems in programs for Indians and island communities. DOI is responsible for administering the Federal Government's trust responsibilities to Indian tribes and individual Indians, and it provides more than \$750 million annually for basic tribal services, such as social services, tribal courts, and natural resource management. Over the years, GAO and OIG have reported on DOI's poor management of Indian trust funds and programs. Despite DOI's efforts, inadequate accounting and information systems and internal controls, as well as other weaknesses, prevent DOI from ensuring that trust and program funds are properly managed. The single audit is the mechanism to ensure financial compliance with funding agreements; however, during FY 2005, 86 tribes were delinquent in submitting their audit reports.</p> <p>We continue to be concerned about Indian schools that remain in poor condition (70 out of 184 schools), but those numbers have been steadily declining as replacement schools are built and other schools are renovated.</p> <p>DOI also has various responsibilities to seven island communities—four U.S. territories and three sovereign island nations. The Insular Area governments have serious long-standing financial and program management deficiencies.</p>	Carryover	<p>Interior has improved its collection of Indian trust funds and has placed a high priority on further improvements. In the historical accounting for Individual Indian Monies (IIM), the work done as of today represents over 55% of individual account balances and has not identified any significant differences or errors in accounts. Based on the results of this work and other activities, Interior is in a position to draw conclusions with a high degree of confidence about the overall accuracy of the transactions in the Land-Based IIM accounts covering the 1985-2000 period. Additionally, current BIA program funds have been subjected to financial audits and have received clean audit opinions for the last 5 years. Based on these results and other control reviews conducted, noted improvements have been achieved in developing, implementing and improving Departmental trust policies, procedures, systems, and internal controls and achieving the goals of the Comprehensive Trust Management Plan.</p> <p>Records Management. An updated work plan with strategies, tasks, time lines and resource requirements was developed by the Office of Trust Records. Significant progress has been achieved in implementing the work plan and many of the previously identified deficiencies have been resolved. The completion of the work plan will result in an active and comprehensive records management program for BIA and OST.</p> <p>Single Audits. BIA has made tremendous improvements in responding to single audit report findings. The bureau had 85 responses delinquent at the end of the fiscal year which is a 47% decrease from the prior year. BIA has issued warning and sanction letters to entities that have not filed single audits timely. BIA also has provided audit resolution training and revised its Indian Affairs Manual to provide policies and procedures to be followed for resolution and closure of single audit reports.</p> <p>Education. A strong focus was placed on school management and monitoring to ensure student proficiency improvements and that BIA schools were making "Adequate Yearly Progress" in accordance with "No Child Left Behind" legislation. A comprehensive strategic operating plan and major improvement plan was developed and submitted to the U.S. Department of Education for review. The immediate benefit of the plan is streamlining the functions to address P.L. 100-2097 grant control and the chain of command throughout the program will be evident.</p> <p>Indian Country Detention Facilities. The U.S. Department of Justice has partially funded the construction of nine 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.</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>	Ongoing

TABLE 1-25

Summary of Major Management Challenges Facing Interior				
Major Management Challenge	Description	New or Carryover from FY 2004	Interior Actions to Date	Status at end of FY 2005
Resource Protection and Restoration	<p>DOI resource managers face the challenge of balancing the competing interests for use of the Nation's natural resources. DOI manages 507 million acres, or about one-fifth, of the land area of the United States and 700 million acres of subsurface minerals. Federal lands account for 30 to 35 percent of energy produced in the United States. DOI has jurisdiction over an additional 1.76 billion acres of the Outer Continental Shelf. In addition, DOI protects thousands of wetlands, aquatic parcels and native plant and animal species, including more than 1,260 with special status under the Endangered Species Act.</p> <p>DOI has made progress in addressing the Nation's wildland fire threats by increasing funding committed to addressing wildland fire problems, improving data and research on wildland fire problems and developing fire management plans that identify actions for addressing wildland fire threats at the local level. However, a recent GAO report, Wildland Fire Management, Timely Identification of Long-Term Options and Funding Needs is Critical, (GAO-05-923T, July 14, 2005) states that despite producing numerous planning and strategy documents, DOI, in conjunction with the Forest Service, has "yet to develop a cohesive strategy that explicitly identifies the long-term options and related funding needed to reduce the excess vegetation that fuels fires in national forests and rangelands."</p> <p>In addition, DOI has improved its planning for the South Florida ecosystem restoration by refining the strategic plan and developing a land acquisition plan. However, DOI, through its South Florida Ecosystem Restoration Task Force, has not yet completed action to develop a conflict resolution process and a science plan.</p>	Carryover	<p>DOI has made progress in addressing the Nation's wildland fire threats by increasing funding committed to addressing wildland fire problems, improving data and research on wildland fire problems and developing fire management plans that identify actions for addressing wildland fire threats at the local level.</p> <p>Interior and the Forest Service are developing the LANDFIRE vegetative imaging and mapping technology which provides geospatial data on fuel loadings, vegetation type and structure and other variables at a 30 meter resolution. This, along with the National Wildland Fire Management Policy, the National Fire Plan, the 10-year Comprehensive Strategy Implementation Plan, and the Healthy Forests Initiative are designed to improve wildland fire management. In response to a 2005 GAO report on wildland fire management issues, Interior and the Department of Agriculture produced and delivered a Cohesive Strategy to OMB in September 2005.</p> <p>For the South Florida ecosystem restoration efforts, Interior has worked with State and Federal partners to: (i) establish the legal framework, including a binding agreement between the State and Federal Government and Federal regulations and technical guidance for ecosystem restoration projects over the next four decades; (ii) set up an independent scientific review panel, established by the National Academy of Sciences, to provide agencies and the Congress with information to ensure successful adaptive management of the project so that ecosystem restoration goals are realized; (iii) undertaken efforts to remove invasive exotics on park and refuge lands and recover endangered species; and (iv) develop and implement a science plan for DOI science programs to identify the gaps in scientific information needs and a strategy to fill those gaps within existing funding levels to ensure that science supports the needs of the land managing agencies. Further, Interior has worked with its State partners to implement on-the-ground restoration work for two early-start projects, including the Prairie Canal backfill project within Southern Golden Gates estates that will benefit more natural flows of water to Ten Thousand Islands NWR and Everglades National Park.</p> <p>The South Florida Ecosystem Restoration Task Force, chaired by Interior, continues to host quarterly meetings to discuss and coordinate State and Federal efforts to restore the Everglades. The Task Force is charged by law with consulting on a variety of requirements for the Comprehensive Everglades Restoration Plan, including project specific designs and the development of interim goals and interim targets to measure the success of implementing the Plan. In the last year, the Task Force established an intergovernmental group to coordinate scientific research and is preparing a report to Congress on how science coordination may be improved. To ensure improved water deliveries for Everglades National Park and to reduce conflict among stakeholders, the Task Force established an advisory body to provide input to the Task Force on the development of a combined structural and operational plan for the Modified Water Deliveries and C-111 Projects. The Task Force provides a valuable forum for the restoration partners to engage in collaborative decision-making and to reduce and avoid conflicts among State and Federal programs. Lastly, in the last year, the Task Force submitted its integrated Biennial Report and Strategic Plan to the Congress, as required by law.</p> <p>Interior is coordinating with the National Invasive Species Council to conduct programs to assist in the research, early detection, rapid response, and control of invasive species.</p>	Ongoing

TABLE 1-25

Summary of Major Management Challenges Facing Interior				
Major Management Challenge	Description	New or Carryover from FY 2004	Interior Actions to Date	Status at end of FY 2005
Revenue Collections	<p>DOI revenue collected in FY 2004 was about \$11.4 billion and includes revenue from energy, minerals, grazing, timber, lands sales, and other revenue producing activities. The highest revenue collector in DOI is by far the MMS. For FY 2005, MMS estimated that they will collect over \$12 billion in mineral revenues alone, representing a \$2.8 billion increase in collections from FY 2004. The revenues are collected from companies with onshore and offshore Federal leases. Since 1982, the MMS Minerals Revenue Management (MRM) Program has collected and distributed about \$139 billion to Federal, State, and Indian accounts. The MMS also conducts a comprehensive compliance effort to ensure that royalty payments from lessees are on time and accurate.</p> <p>Because of the amount of revenues collected by MMS can have a significant potential for underpayments, the OIG believes that revenue collections should continue as one of the top management challenges for DOI.</p>	Carryover	<p>Based on controls in place and the results of reviews completed in MMS's MRM Program, Interior believes that the potential risks have been mitigated and does not consider the risk of underpayment as significant.</p> <p>MMS has implemented comprehensive systems and other program enhancements to address OIG audit concerns. MRM continually implements 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. Program managers take reasonable and necessary precautions to protect the revenue stream through MRM-wide strategic plans, organizational specific business plans, risk initiatives, internal control enhancements, comprehensive compliance policies, rulemakings, and continued movement toward a robust royalty-in-kind (RIK) program.</p> <p>Of FY 2004's \$9.2 billion of identified reported royalties, approximately \$3.6 billion, or one-third of the royalty stream, came directly from the RIK program. MRM engaged an outside contractor to identify business activity risks and implement risk management processes within the RIK framework to assess the effectiveness of existing internal control and to ensure their proper level and location.</p> <p>The remaining \$5.6 billion is subject to a comprehensive compliance strategy. Compliance and audit initiatives have specific goals that must be achieved in order to meet mandated legislation and mission objectives as stated in GPRA. MRM conducts strategy audits to achieve its compliance goals and has an internal control program to assure substantial compliance with Generally Accepted Government Auditing Standards. MRM recently received an unqualified opinion from its external peer review, conducted by an outside CPA firm. Peer Reviews are required every 3 years for audit programs.</p> <p>For any detected underpayments, MMS pursues collection by issuing orders to pay. The resulting collections are subject to late payment interest representing the time value of money associated with the underpayment, thereby assuring that the government is made whole. MMS also has substantial statutory penalty authority further minimizing the risk of underpayments.</p>	Ongoing
Procurement, Contracts, and Grants	DOI spends substantial resources each year in contracting for goods and services and in providing Federal assistance to States and Indian organizations. Procurement has historically been an area subject to fraud and waste government-wide, and managing procurement activities is a continuing challenge requiring constant attention.	Carryover	<p>DOI developed and implemented comprehensive plans to address identified deficiencies. To improve internal control over the issuance and administration of orders by the NBC for franchised services provided to Department of Defense military operations, DOI merged its franchise organizations and transferred the GovWorks organization to the NBC. To ensure compliance with Federal Acquisition Regulations, DOI assigned a Senior Procurement Policy Advisor to participate with the franchise organizations in the development of consistent policies and practices. The first of three policy development meetings is scheduled for November 2005. Also, DOI anticipates assigning additional resources to provide dedicated policy development and oversight to continuously address weaknesses.</p> <p>To address deficiencies in grants management, the Office of Acquisition and Property Management participated in Government wide initiatives related to Grants.gov, Grants Line of Business, and P. L. 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 are 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>	Ongoing

## Improper Payments Information Act of 2002

The Improper Payments Information Act (IPIA) of 2002 (P.L. 107-300) requires Federal agencies to carry out a cost-effective program for identifying payment errors and recovering any amounts overpaid. An improper (or erroneous) payment includes any payment that should not have been made, or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirement. Incorrect amounts include overpayments; underpayments (including inappropriate denials of payment or service); any payment made to an ineligible recipient or for an ineligible service; duplicate payments; payments for services not received; and payments that do not account for credit for applicable discounts.

To implement the IPIA, OMB requires agencies to review all programs (meeting OMB's definition of "program") to determine the risk susceptibility of making improper payments and to perform more in-depth assessments for those programs meeting OMB's criteria for "significant erroneous payments." The threshold for significant erroneous payments is erroneous payments exceeding both 2.5% of program payments and \$10 million annually. For all programs meeting the criteria, agencies are required to quantify the amount of erroneous payments using a statistically valid method with a 90% confidence level.

### Summary of Risks Assessments and Payment Audits Performed during FY 2005

Based on a series of internal control review techniques, Interior determined that none of its programs is risk-susceptible for making significant improper payments at or above the threshold levels set by OMB. These reviews were conducted in addition to audits under the Single Audit Act Amendments of 1996, the CFO Act of 1990, GAO reviews, and reviews by Interior's Inspector General. Different techniques were used to arrive at this determination: (1) risk assessments of internal controls related to payments for all programs; and (2) pre-payment and post-payment audits and recoveries. Each of the two techniques is summarized in the sections that follow.

TABLE 1-26

FY 2005 Outlays by Major Program Area	
Department Bureaus and Offices (Major Programs Listed in Parenthesis)	FY 2005 Outlays (millions)
<b>Indian Affairs</b> (Office of Self-Governance and Self-Determination, Law Enforcement and Security, Indian School Equalization, New School Construction, Facilities Improvement and Repair, Indian Reservation Roads, Contract Support Funds)	\$1,471
<b>Land Management</b> ( Management of Land & Resources, Fire Management, and Oregon and California Grant Lands)	1,702
<b>Reclamation</b> (Water and Related Resources)	1,027
<b>Fish and Wildlife</b> (Resource Management, Federal Aid in Wildlife Restoration, Cooperative Endangered Species Fund, and Federal Aid in Sport Fisheries)	1,770
<b>Geological Survey</b> (Survey, Investigations, and Research)	897
<b>Minerals Management</b> (Mineral Leasing, Royalty and Off-shore Management, Interior Franchise Fund)	2,897
<b>National Parks</b> (Operation of NPS, Construction & Maintenance, Land Acquisition and State Assistance, Recreation Fee Permanent Appropriations, and Other Permanent Appropriations)	2,581
<b>Surface Mining</b> (Abandoned Mine Reclamation)	120
<b>Departmental Management</b> (Payment in Lieu of Taxes)	226
<b>Insular Affairs</b> (Compact of Free Association and Payments to US Territories)	326
Total	\$13,017

**1. Risk Assessments.** Interior's Management Control Guidance for FY 2005 required managers to conduct risk assessments of all programs with outlays in excess of \$100 million to determine if any were risk-susceptible for making significant improper payments. In all, 28 major programs were assessed with annual payments totaling \$13 billion. The assessments were used to establish risk profiles for these programs. The results of these reviews concluded that none of these programs poses a high-risk of making significant improper payments based on OMB's criteria.

Table 1-26 presents a summary listing of Interior program outlays reviewed by bureau. Although not required, the table is provided to disclose the Department's FY 2005 outlays and cite the major programs where risk assessments were performed.

### 2. Pre- and Post-Payment Audits and Recoveries.

**A. Prepayment Audit of Government Bills of Lading (GBLs).** Interior has been conducting prepayment audits of its freight bills via GBL for a number of years. This effort is required by the Travel and Transportation Reform Act of 1998. We are continuing that effort and have worked with our bureaus to



reasonably assure that all freight bills receive pre-payment audits. During FY 2005, prepayment audit contractors identified \$114,033 in savings in the 4,786 government bills of lading reviewed; this amounts to approximately .7% in savings to the government.

The Department coordinated the hiring of an independent recovery audit contractor in May 2003 to be used by all bureaus to conduct a vendor statement review, disbursement audit, and contract compliance audit to ensure compliance with the Improper Payments Improvement Act. The review included payments from Fiscal Years 2002 - 2004. Due to limited recovery data availability for the Federal Government, a benchmark for the DOI recovery levels against other Federal agencies is not available. However, the recovery audit process in the private sector generally identifies and recovers in the range of .05% to .1% of the audit base. The audit base for DOI was \$4.79 billion; actual monies identified and recovered were \$.47 million through June 30, 2005. The contractor noted that the lower recoveries were related to the strength of DOI's disbursement and contract compliance control environment.

*B. Single Audit Act.* Under the provisions of the Single Audit Act, grantees' financial operations, management control structures, and level of compliance with applicable laws and regulations must be audited periodically. All Single Audit reports are submitted to the Federal Single Audit Clearinghouse, U.S. Bureau of the Census. Interior provides 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. Those Single Audit reports, with findings and recommendations, are forwarded to the Office of Financial Management for Audit Follow-up actions. Each bureau is responsible for meeting with grantees and negotiating a resolution of the deficiencies identified in the audit reports, as well as determining the acceptability of any expenditure of Federal funds questioned by the auditors. Interior recovered \$3,858,223 in disallowed costs in FY 2005 identified via prior audits under the Single Audit Act.

TABLE 1-27

Erroneous Payments					
	FY 2005 Actual	FY 2005 Plan	FY 2006 Plan	FY 2007 Plan	FY 2008 Plan
Federal Assistance - Percent of Audit Disallowances	23%	5%	4%	3%	3%
Federal Assistance - Percent of Disallowances Returned to Government	90%	70%	75%	80%	80%

*Interior Plans for FY 2006 – FY 2008.* Annual performance goals are to maintain adequate controls over payment processes to ensure that erroneous payments are minimized. *Table 1-27* displays future plans and current year performance on measures to maintain a focus on recovery efforts. The Department will continue using contractor assistance to perform prepayment audits of bills of lading and will proceed with postpayment audits (recovery audits) initiated in FY 2004.

In addition to the measures listed in *Table 1-27*, Interior will complete the following tasks in FY 2006 to ensure compliance with the IPIA:

*First Quarter*

- Issue management control guidance for FY 2006 requiring bureaus to conduct annual risk assessments of all programs.
- Continue to perform recovery audits.

*Second Quarter*

- Continue to perform recovery audits.

*Third Quarter*

- Complete bureau risk assessments.
- Continue to perform recovery audits.

*Fourth Quarter*

- Review and analyze bureau risk assessment reports to determine if any corrective action plans are necessary, and if so, have the appropriate bureaus provide the plans.

- Continue to perform recovery audits.
- Prepare data to fulfill the reporting requirements of the Improper Payments Improvement Act and OMB for inclusion in Interior's Performance and Accountability Report for FY 2006.

## Federal Information Security Management Act

The Federal Information Security Management Act (FISMA) provides a framework and relevant agency roles in ensuring the effectiveness of security controls with regard to information resources that support Federal operations and assets. The law gives latitude for OMB and the Department of Commerce through the National Institute of Standards and Technology (NIST) to identify minimum standards for operating information systems within the Federal Government.

During FY 2005, Interior's key areas of emphasis for further improving and strengthening the IT security program focused on:

- Conducting independent third-party reviews of Certification and Accreditation (C&A) packages, and updating C&A documentation to improve quality;
  - Developing new and revised IT security policies;
  - Developing new and revised security configuration standards in the form of Security Technical Implementation Guides (STIGs);
  - Revising C&A standards and guidelines;
  - Improving the Plan of Action and Milestones (POA&M) process implementing the changes recommended by the IG;
  - Implementing continuous monitoring programs based on more frequent and robust automated vulnerability scanning of systems and network resources to detect and correct potential new vulnerabilities and weaknesses; and,
  - Performing internal and external penetration testing of networks and major applications.
- Interior made significant progress in improving and strengthening its overall security posture during FY 2005, in spite of the extraordinary burden on the Chief Information Officer's (CIO's) office, the OIG and other Department staff associated with the ongoing *Cobell vs. Norton* litigation. The highlights are:
- Interior initiated state-of-the-art penetration testing, independently conducted by the OIG, for all bureaus and offices. The enhanced monitoring program provided critical information to help identify potential vulnerabilities and how to better prioritize further improvements to our operational security posture.
  - Interior was successful in thwarting 677 incidents, detecting and preventing over 660 million potential attacks or probes, and cleaning and deleting over 4 million viruses. This contrasts with fewer than 70 successful incidents. None of the successful incidents resulted in any known compromise of sensitive data.
  - Interior continued integrating its IT security program with enterprise architecture, capital planning and consolidated operations. Enterprise Architecture (EA) is a means of capital asset control in which DOI has made substantial progress. Clear security architecture enables system owners to build and change systems in accordance with pre-approved patterns. The benefits of EA include operational consistency, cost-effective licensing, and ease of security control maintenance/validation.
  - OMB rated Interior's EA the highest maturity score (4.06 out of 5.0) among the 25 EA programs reviewed. The DOI EA was noted as incorporating a security standards profile, and aligned to the Technical Reference Model.
  - The DOI CIO contracted an independent IT security assessment to evaluate DOI against the myriad of security policies and guidance. The assessment concluded that DOI achieved a 3.63 maturity level on a 5-point scale.
  - Substantial progress towards a single Departmental Enterprise Services Network (ESN) was achieved. The ESN architecture includes robust network perimeter security controls and enables Interior

to manage perimeter controls more consistently, effectively, and cost-efficiently. Ten bureau networks were consolidated and the three remaining bureau networks are targeted for consolidation in early FY 2006. This enhanced network perimeter architecture significantly reduces network attack vectors and enables security resources to focus on further enhancing perimeter security controls and monitoring for potential intrusions in a more cost-effective manner.

- The Department entered into an agreement with USALearning.gov to deliver a standardized curriculum for individuals with significant IT security roles.

Interior measures the progress of implementing required security controls using five levels of effectiveness as follows:

- Level 1 – control objective documented in a security policy.
- Level 2 – security controls documented as procedures.
- Level 3 – procedures have been implemented.
- Level 4 – procedures and security controls are tested and reviewed.
- Level 5 – procedures and security controls are fully integrated into a comprehensive program.

Consistent with results from independent reviews of Interior's IT security program, the policies, processes, and procedures implemented by Interior have resulted in Interior achieving a Level 3.63 maturity when measured against the assessment criteria.

Specific milestones achieved or initiated in FY 2005 include:

- **Control Objectives Documented in Security Policy**

Interior has been updating the Departmental Manual (DM 375 19), IT Security Program Plan, IT Security Handbook, and OCIO Directives relating to IT security policy to reflect new emerging policy requirements and to address new threats due to

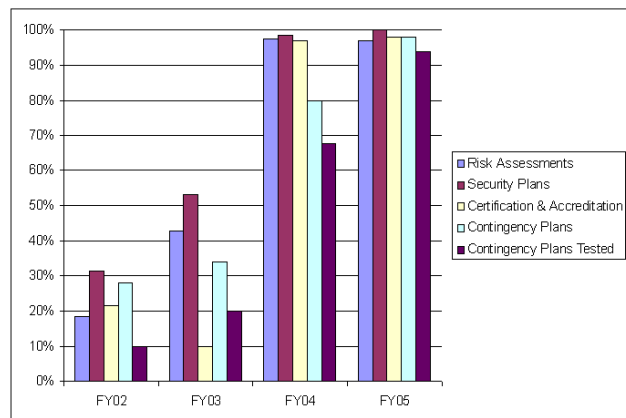
evolving challenges introduced by new technologies.

- **Security Controls Documented as Procedures**

*Certification and Accreditation (C&A).* Interior has been updating C&A process guides to address rapidly evolving requirements based on new NIST standards. A Department-wide Blanket Purchase Agreement with 10 qualified vendors is being maintained for C&A implementation and ongoing maintenance and \$12 million in funding was distributed to bureaus to provide for C&A activities resulting in 98% of systems maintaining full Authority to Operate (ATO) certification and accreditation status by September 2005. This includes all operational financial systems.

Senior management commitment towards ensuring FISMA compliance and continuous improvement with regard to assessing risk, demonstrating commensurate controls, and documenting agency official approval of operations is demonstrated by Interior's C&A performance metrics (*Figure 1-35*).

**FIGURE 1-35**  
**Certification and Accreditation Activities**



- **Minimum Standards for Security Configurations.**

Interior maintains an inventory of approved STIGS for critical IT security components, such as operating systems, router configuration, database hardening, etc., and has created/revised STIGS reflecting the current "best-practices" such as securing wireless technologies and managing inventories of wireless enabled devices.

- **Implemented Procedures**

*Plans of Action & Milestones (POA&M).* The POA&M is the OMB-required, authoritative format for tracking identified weaknesses in IT security programs and systems. Designated Approving Authorities (DAAs), CIOs, and System Owners must review POA&Ms and determine reasonable remediation milestones, schedules, resources, and priorities within their system release plans. DOI implemented a policy for maintaining POA&M entries and has developed POA&M management standards to further strengthen this process.

*IT Security Awareness, Education, and Training.* Ninety-eight percent of DOI employees and contractors with access to DOI IT systems (82,848 out of 84,159) completed annual IT security awareness training. Interior also deployed an IT security role-based training capability for use by all bureaus. Sixty-six percent of DOI employees and contractors (1,736 out of 2,611) with significant IT security responsibilities received specialized training.

*Incident Response.* Policy is established within the Departmental Manual (DM) 375.19. In FY 2005, Interior continued outsourcing of agency incident response handling to ensure timely reporting of potential incidents to the Department of Homeland Security (DHS) US Computer Emergency Readiness Team (US-CERT). DOI-CIRC routinely tracks and reports potential incidents to US-CERT. Interior was successful in thwarting 677 incidents, detecting or preventing 668,467,544 potential attacks or probes, and cleaning/deleting 4,128,571 viruses in contrast to only 68 incidents that were not prevented (*Table 1-28*). None of the successful incidents resulted in any known compromise of sensitive data.

- **Procedures and Security Control Testing and Review**

In addition to C&A Security Test & Evaluations, Interior followed NIST guidance in conducting security self-assessment reviews (NIST SP 800-26) for all systems. Independent technical testing was commissioned via monthly scanning of perimeter network Internet-accessible systems against the SANS Top 20 vulnerability list. In September 2003,

TABLE 1-28

FISMA Statistics		
Type of Incident	Number Blocked	Number Successful *
Intrusion	7	2
DoS/DDOS	4	0
Virus/Malicious Code	159	32
System Misuse	27	7
Social Engineering	36	0
Web Defacement	2	6
Root Compromise	6	2
User Compromise	4	2
Hoax	0	0
Scanning/Probes	187	4
Trojan/Backdoor	2	1
Other (Incidents N/A to above categories)	243	12
Total	677	68

\* No successful incident resulted in any known compromise of sensitive data

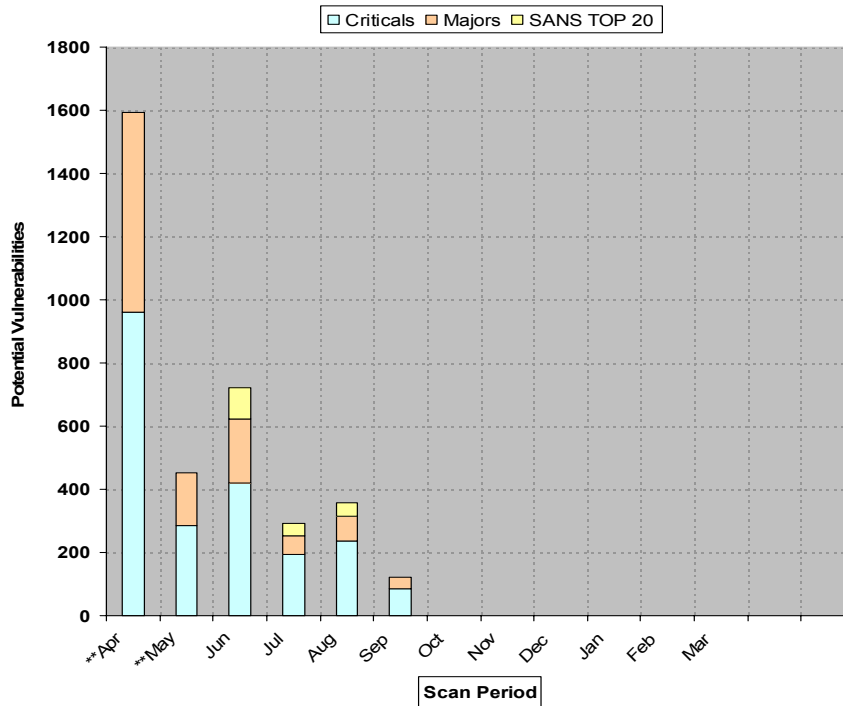
almost 100 hosts had vulnerabilities on the SANS Top 20 list. By March 2004, Interior achieved no related vulnerabilities and has maintained that status to this day. In addition, in FY 2005, Interior initiated more robust automated vulnerability scanning of over 5,000 Internet-accessible systems and network devices against 7,400 types of known vulnerabilities, including the SANS Top 20 vulnerability list. Interior has been aggressively addressing newly identified potential vulnerabilities resulting from the more rigorous monthly scanning efforts (*Figure 1-36*).

Ninety-eight percent of systems have completed contingency plans with 94% completing annual testing requirements.

Independent third-party contractor reviews indicate that existing IT security policies, C&A standards, oversight reviews, and POA&M management processes are effective in improving the overall quality of C&A packages, enhancing the effectiveness of management, operational, and technical security controls, and ensuring senior management attention towards correcting weaknesses identified on the POA&Ms.

FIGURE 1-36

## Potential Vulnerabilities



- ***Security Controls Integrated into a Comprehensive Program***

Interior includes all security program budget costs in appropriate OMB submissions. Furthermore, EA is a means of capital asset control in which DOI has made substantial progress. Clear security architecture will enable system owners to build and change systems in accordance with pre-approved patterns. Benefits of architecture include operational consistency, cost-effective licensing, and ease of security control maintenance/validation. In FY 2005 DOI received the highest score (4.06 out of 5.0) for its EA out of 25 agencies reviewed by OMB.

In FY 2005, Interior made substantial progress towards implementing a single Departmental ESN. The ESN architecture includes robust network perimeter security controls and enables Interior to manage perimeter controls more consistently, effectively, and cost-efficiently. A total of 13 bureau networks are to be consolidated; three remaining bureau networks are targeted for consolidation in early FY 2006. This enhanced network perimeter architecture significantly reduces network attack

vectors and enables security resources to focus on further enhancing perimeter security controls and monitoring for potential intrusions in a more cost-effective manner. Interior systems are also migrating to Interior's Enterprise Directory System (Active Directory) which enables more consistent implementation of security control configurations relating to authentication, access, and authorization.

Interior has integrated IT security costs as part of the Capital Planning and Investment Control (CPIC) process. IT security costs for maintenance of security patches, anti-virus, and other routine maintenance of security controls are included as part of the operational and maintenance (O&M) costs for each system. Costs for implementing planned corrective actions to resolve identified weaknesses within each system are also budgeted for as part of each investment's OMB Exhibit 53 and 300.

As demonstrated, the nearly \$100 million identified for DOI IT security program initiatives in FY 2003 - FY 2005 is both focused on the right objectives

and achieving lasting results. The annual FISMA evaluations of both the OIG and CIO appropriately recognized that IT security at Interior is not perfect, that risks and vulnerabilities still remain, and that improvements need to be made. Nonetheless, Interior believes the policies and processes in place to address those risks are adequate, that improvements have been and will continue to be made in a timely and cost-effective manner, and that DOI substantially complies with FISMA.

### Compliance with Key Legal and Regulatory Requirements

Interior is required to comply with several key 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 2005 independent financial statement audit, Interior was determined to be noncompliant with several legal and regulatory financial requirements in addition to the Federal accounting standards and the U.S. Government SGL components of the FFMIA. As noted earlier in this section, *Table 1-24* presents a summary of the areas of noncompliance reported in the FY 2005 financial statement audit opinions, as well as planned corrective actions and target dates.

#### Prompt Pay, Debt Collection, and Electronic Funds Transfer

The Department is continuing to improve performance under the requirements of the Prompt Payment Act and the Debt Collection Improvement Act. The Prompt Payment Act requires that payments be made within 30 days of receipt of invoice; otherwise, the Federal Government is required to pay interest if more than \$1.

The Department's FY 2005 performance resulted in achieving goals for Prompt Payment (*Figure 1-37*), Debt Collection Improvement Act (*Figure 1-38*), and payments made by Electronic Funds Transfer (*Figure 1-39*).

FIGURE 1-37

#### Prompt Payment

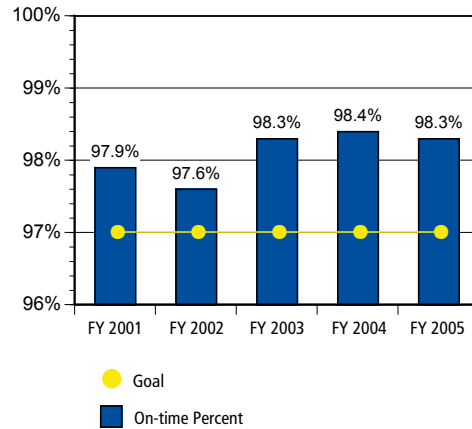


FIGURE 1-38

#### Debt Referral

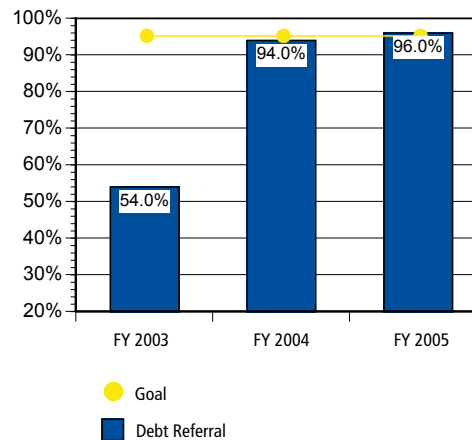
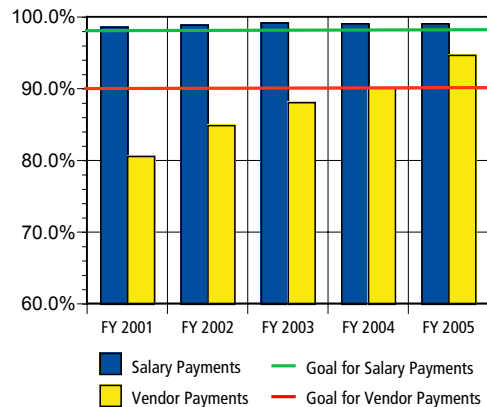


FIGURE 1-39

#### Electronic Funds Transfer



## Financial Management Improvement Initiatives

The Department has several ongoing initiatives that address the President's Management Agenda goal to improve financial performance. These initiatives are discussed in the sections that follow.

### Financial Management Systems

The Department shares the view of the government-wide CFO Council that a key to improved financial and program management is improved financial management systems. Enhanced financial management systems provide for and strengthen decision-making capabilities and enable Interior program and financial managers to more effectively achieve the Department's missions. The Department recognizes the importance of its financial management systems as a part of its capital assets portfolio and uses sound IT investment management principles to plan and monitor these systems. Interior's goal is to achieve and maintain the objective stated in OMB Circular A-127 for each agency to establish a single, integrated financial management system. In pursuing this goal, the Department will follow the information technology investment management practices and principles identified in the Clinger-Cohen Act of 1996.

### Financial Management Systems Improvement Strategy

The Department's goal is to continue to improve its financial transaction processing and to enhance its financial management systems support through an effective partnership among its program, information system, and financial managers.

The Department relies on a unified set of financial management systems planned for and managed together that operate in an integrated fashion to collectively support program and financial managers. These systems are managed at various levels within the Department. Some of these systems are managed on a Departmental level, others are maintained at a bureau or local level, and some are government-wide systems the Department relies on. Collectively, they represent the Department's financial management systems architecture.

As part of its financial management systems improvement strategy, the Department views the movement toward a single, integrated financial system as encom-

passing four interrelated elements: (1) migrating to and enhancing standard Department-wide systems; (2) improving or replacing financial and mixed systems to take advantage of new technological capabilities (e.g., Internet browser and smart card technology); (3) effectively interfacing or integrating financial management systems through electronic transfer of data and establishing standardized financial data classifications for movement of data to support finance and program managers; and (4) following sound investment principles in selecting and evaluating its financial management systems and recognizing those systems as part of the Department's portfolio of capital assets.

The Department's current financial management system improvement efforts involve three major thrusts:

- **Financial and Business Management System.** Define, carefully plan, and implement a new generation of financial management systems to take advantage of new technology and processing opportunities.
- **Critical Programmatic/Financial Management Systems.** Continue to improve critical bureau-based programmatic/financial management programs: Minerals Revenue Management and Indian Trust Funds.
- **Improvement of the IT Infrastructure Supporting Financial Systems.** Continue to improve the IT infrastructure that is critical to maintaining quality financial management systems. One of the major IT infrastructure efforts is the Interior Information Architecture Program.

### Financial and Business Management System

The Department of the Interior is in the process of implementing the Financial and Business Management System (FBMS), which will provide Interior with standard business practices supported by a single, integrated finance and administrative system for all bureaus. FBMS is an integrated suite of software applications that will help Interior to manage a variety of business functions, including core financials, acquisition, budget formulation, personal property and fleet management, real property, travel, financial assistance, and enterprise management information.

The financial systems and tools in place today do not meet the needs of the employees who report on key information, make decisions based on that information, and apply the limited resources that they have to serve each bureau's mission. In many areas, redundant administrative tasks take away time that could be better spent on mission-focused activities.

The FBMS applies a comprehensive approach to improving the current business functions in its core systems by replacing the current computer systems with state-of-the-art software. The combination of business practices and new computer system functionality will enable the bureaus to improve service to their customers and to operate more efficiently. Benefits gained from implementing this suite of applications will include the ability to access and share real-time, accurate business information; support effective business decisions for mission delivery; issue accurate financial reports and analysis of managerial data; support timely decision-making in the field; free-up more time for mission-focused activities; focus on value-added analysis rather than data gathering; and eliminate redundant administrative tasks and multiple login screens.

Interior has adopted a multi-year, phased approach to implementing the FBMS in its bureaus/offices. The implementation of this enterprise system solution will enable the incremental retirement of at least five major administrative systems, as many as 40 bureau-specific systems, and hundreds of cuff records now used by individual managers to track their programs as individual bureaus implement the new software/solutions.

#### FY 2005 Accomplishments

- Implemented the FBMS financial assistance module in MMS, OSM, and selected FWS programs.
- Selected Interior's National Business Center as the FBMS hosting provider.
- Established the training and production environments for FBMS and completed system Certification and Accreditation for the financial assistance deployment.

- Updated the FBMS Departmental blueprint, which will govern the operation and configuration of the FBMS modules.
- Began configuration of the FBMS core systems and key Departmental interfaces and completed initial testing of the core system configurations.

#### FY 2006 Planned Activities

- Award a contract for FBMS implementation.
- Accomplish the necessary activities to ensure successful FY 2007 FBMS implementation. Activities include, but are not limited to the following:
  - Complete all system configuration, business process procedures, and test scripts for core financials, acquisition, property, permanent change of station, and enterprise information management.
  - Complete the development and testing of conversion and interface programs, including e-travel and other external interfaces.
  - Conduct integration testing.
  - Conduct user acceptance testing.
  - Conduct user training.
- Finalize the FBMS cutover plan for core financials, acquisition, and property.

#### Critical Programmatic/Financial Management Systems

The Department has two critical categories of programmatic/financial management systems that process financial data: the Minerals Revenue Management System and the American Indian Trust Funds Systems.

#### MMS's Minerals Revenue Management System

The Minerals Revenue Management (MRM) program is responsible for ensuring that all mineral revenues from Federal and Indian lands are efficiently, effectively, and accurately collected, accounted for, verified, and disbursed to recipients in a timely manner. These revenues average more than \$8 billion annually. To ensure revenues are properly collected and disbursed, MMS utilizes a broad range of financial services and pursues a comprehensive compliance strategy that in-



cludes an automated compliance verification program to validate the accuracy and timeliness of revenues paid. MRM also administers a robust Royalty-In-Kind (RIK) program, which utilizes an asset management approach to ensure the receipt of optimal value for mineral resources.

#### FY 2005 Accomplishments

- MRM developed its Strategic Business Planning Initiative (Initiative), which will be the platform for charting the course and direction of future MRM business through the year 2012. The new Initiative will focus on identifying and implementing best-value services with high quality and integrity. Key outcomes include an MRM program-wide strategic plan and business plans that emphasize market-based regulatory guidance, valuation certainty, and improved business processes and systems with effective performance measures and strong internal controls. Importantly, the Initiative will support and fully integrate with, Department and MMS strategic planning guidelines and respond to the Administration's management improvement goals and objectives.
- MMS's Indian outreach team was presented with the Secretary's 4C's Award on February 2, 2005, in Washington, D.C., because of the strong and effective relations it has established with Indian Tribes and individual Indian mineral owners. The Indian outreach team organizes and participates in over 70 outreach sessions in Indian Country and resolves 6,000 Indian inquiries every year, reaching out to approximately 30,000 individual Indian mineral owners.
- In a joint effort with the Department of Energy (DOE), MMS completed filling the Strategic Petroleum Reserve (SPR) to the 700-million-barrel capacity level in 2005, thus fulfilling the Presidential directive. In filling the SPR, two specific dates were notable: July 31, 2005, which was the last day of routine royalty oil deliveries to the Department of Energy (DOE), and August 31, 2005, which was the last day of oil deliveries by DOE's contractors into the SPR. As of August 1, 2005, MMS had completely converted SPR contracts to outright sales agreements for the remaining 2 months of their terms.
- MMS completed an analysis that examined the performance of the RIK program during FY 2004, the first full year the program was in an operational status following 6 years of pilot testing. Among the highlights of the report were that RIK sales of oil and gas generated a revenue gain that was \$17.2 million more than what would have been received if MMS had taken the royalties in value, or as cash payments. Additionally, administrative costs were from 26% to 36% less than the costs that would have been incurred under a universal royalty in value approach.
- MMS established a RIK internal control and performance/risk monitoring framework to support the RIK operational program and MMS policy oversight functions. A conceptual framework has been developed that can qualitatively monitor and measure the combined impact of the Risk, Reward and Control parameters in relation to the risk drivers of the RIK program. The different exposures in the RIK program can be classified into four main categories of risk: market, operational, credit, and oversight.
- MRM completed the Competitive Sourcing Study of 40 MRM Yellow Book Auditor functions in Denver, Dallas, Houston, Farmington, Oklahoma City, and Tulsa and determined that these activities should be retained in-house. The results of the streamlined cost comparison indicated that the government's adjusted in-house cost estimate was almost \$7 million less than the estimated cost for contract performance over the next 5 years. This determination was made pursuant to the Streamlined Cost Comparison procedures in OMB Circular A-76 (revised).
- During FY 2005, MMS completed implementation of all 39 actions in MMS's Audit Quality Improvement Action Plan, a comprehensive plan to improve MRM's compliance and audit activities and related internal controls.
- MMS completed the initial phase of a Risk Management Initiative. The MMS evaluated internal controls within and across the organization and identified 29 recommendations program-wide. Corrective action for 20 recommendations will be implemented in FY 2006. The remaining nine high-

risk processes have been scheduled for Alternative Management Control Reviews in the next 3 years as part of MMS's 3-year Internal Review Plan.

- MMS published the final Federal Gas Valuation rule on March 10, 2005. This rule, effective June 1, 2005, provided consistency on allowable and non-allowable transportation deductions from gas royalty payments.
- MMS held three public workshops in March 2005 and five consultations in June 2005, with Indian Tribal leaders and individual Indian mineral owners. The sessions provided preliminary comments and discussion opportunities in anticipation of publishing a draft new proposed Indian Oil Valuation Rule by January 2006.

#### FY 2006 Planned Activities

- Implement an effective risk management and performance metrics program to support asset management decision-making for Royalty-In-Value/RIK conversions.
- Expand RIK portfolio through diversification after enhancing internal controls, risk policy framework, and human resource skill sets.
- Continue to implement the MRM Strategic Business Planning Initiative.
- As part of MRM's Risk Management Initiative, MRM will take corrective action for 20 program-wide recommendations.
- Publish a final Indian Oil Rule.
- Publish a proposed Takes vs. Entitlements Rule.
- Publish a proposed rule for Prepayment of Royalties on Marginal Properties.
- Publish a proposed rule on Late-Payment and Overpayment Interest.

#### American Indian Trust Funds Systems

The American Indian Trust Fund Management Reform Act of 1994 (the Act) identified some of the Secretary's core responsibilities for trust fund management 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 ownership and leasing of Indian lands.

In FY 2001, the Department commissioned an independent review that concluded the previous reform results were not satisfactory. Accordingly, the Department developed a more comprehensive and integrated approach—the Comprehensive Trust Management Plan, dated March 28, 2003—that sets forth a strategic framework, including six strategic goals (and various objectives) for the Department to meet in fulfilling its obligations to its fiduciary trust beneficiaries:

- Beneficiary services that are trusted, accurate, and responsive;
- Tribal self-governance and self-determination that increase participation in managing assets;
- Ownership information that is accurate, timely, and reliable;
- Land and natural resources management that maximizes return while meeting beneficiary desires;
- Trust fund assets management that meets fiduciary standards; and
- Administrative services that: (1) enable and empower the organization and workforce to be an effective fiduciary trustee; and (2) provide modern, appropriate systems and tools to manage the fiduciary trust.

The Plan identifies primary business lines: beneficiary trust representation, trust financial management and stewardship, and management of land and natural resources. Strategic goals and specific related objectives fit within these business lines. In addition, the Historical Accounting Plan for IIM Accounts is being implemented.

#### FY 2005 Accomplishments

- Received Secretarial approval of the “To-Be Business Process” re-engineering effort to standardize and streamline trust business processes. This resulted in a project to implement these processes through the Fiduciary Trust Model.
- Completed work on enhancements to the Trust Asset and Accounting Management System (TAAMS) Title module and the Trust Funds Accounting System (TFAS) to produce performance statements that identify the source of income and list real property assets owned by each account holder. Asset statements were implemented at the pilot agencies. Testing continued on the use of this enhancement to distribute trust income.
- Implemented financial lockboxes nationwide to receive trust generated receipts and implemented enhanced lockboxes, designed to enable distribution of funds within 24 hours of receipt, at the pilot agencies.
- Established ProTrac, the new probate case management system, as the source of probate data. The system will enable the Department to track cases within BIA, OHTA, and OST throughout their life-cycle. BIA continued encoding new cases, examining “initial load” cases, and making corrections.
- Designed and implemented a trust portal.
- Established a toll-free Trust Beneficiary Call Center.
- In historical accounting work on IIM accounts to date, digitally imaged and coded over 8 million pages of Indian records for search and retrieval, and fully reconciled 25,800 out of a total of 42,218 judgment and per capita IIM accounts—those based on payments to Tribal members—with December 2000 balances (representing 56% of account balances) and over 17,000 transactions in land-based ac-

counts—those that derive income from sale or use of land assets and resources (10% of the dollars in such accounts); only about one percent of transactions reconciled differed from expectation (dollar total is less than one percent of all dollars reconciled). Since the end of 2000, more than 57,000 judgment and per capita accounts have been added to the population of accounts to be reconciled.

- Historical IIM account work has disclosed: documents and records needed to conduct the historical accounting are accessible and most can be found, reconciliations of transactions show very low rates of differences (mostly of small value and without bias to favor or disfavor IIM account holders), and there is no evidence of fraud or major systematic error in handling the accounts.

#### FY 2006 Planned Activities

- Continue implementation of the Fiduciary Trust Model (FTM). Acquire the best automated systems to support the FTM trust business processes and fulfill beneficiary needs and fiduciary requirements.
- Expand the functionality of the Trust Portal to provide access to additional trust information.
- Utilize the MRM, an MMS program for collecting, accounting for, and distributing mineral revenues from both Federal and Indian mineral leases. BIA maintains individual Indian ownership records, and OST uses this information for disbursement of lease revenues to individual Indian beneficiaries. Incorrect information will be identified so beneficiary accounts can be corrected.
- Evaluate responses from potential vendors for acquisition of a Departmental Land and Resource Management System.
- Implement enhanced lockboxes and expand the Trust Beneficiary Call Center Nationwide.
- Expand the TAAMS/TFAS enhancement to provide complete trust asset data to beneficiaries.

### Improve the IT Infrastructure Supporting Financial Systems

The IT infrastructure is critical to maintaining quality financial management systems. One of the major IT infrastructure efforts is the Interior Enterprise Architecture Program.

#### Interior Enterprise Architecture Program

The Interior Enterprise Architecture (IEA) program has proven that its approach is indeed an “actionable” one. Three of the four modernization blueprints, or roadmaps for change, developed in 2004 were approved by the Investment Review Board (IRB) and are presently in the implementation phase. Collectively, these blueprints identify approximately 100 redundant systems that are targeted for retirement over the next few years, resulting in millions of dollars in cost savings to DOI. Blueprints are helpful for identifying gaps in Interior’s existing IT portfolio that hamper the successful achievement of strategic and programmatic goals and objectives, as well as for pointing out system redundancies and opportunities for data sharing. In order to help business leaders within the DOI conform to the OMB mandate to plan and carry out their own business transformation projects, the IEA extended its architecture methodology to encompass not only steps for the development, but also for the implementation and maintenance of modernization blueprints. This Methodology for Business Transformation (MBT) provides bureau enterprise architects with a structured, logical and integrated way of ensuring that planning efforts have measurable results and that they are in step with Capital Planning and OMB requirements. As a result of these efforts, Interior was awarded the highest maturity score for its enterprise architecture program out of 25 assessed agencies in July 2005.

#### FY 2005 Accomplishments

- Created an encompassing MBT for the development, implementation, and maintenance of modernization blueprints in support of line-of-business, Bureau- and Department-sponsored business transformation efforts for an overall goal of enterprise modernization. Guidance documents that accompany each of the methodology’s steps contain detailed instructions and work document templates (see <http://www.doi.gov/ocio/architecture/mbt/guidance.htm>).
- Moved three IRB-approved modernization blueprints (Wildland Fire Management, Recreation, and Financial Management) to the implementation phase, and set up implementation teams and meetings.
- Held workshops to train Interior enterprise architects and capital planners in the applications of the MBT and the Department’s Enterprise Architecture Repository (DEAR).
- Used MBT to lead and work with the DOI bureaus/offices to begin development of enterprise modernization blueprints for Human Resources, Geospatial Services, Water Management, Minerals Royalty Management, Land Planning, Indian Trust, Education, and Aviation Management.
- Set up an online Business Process Transformation Lab (BPTL) to introduce DOI business leaders to the services of the IEA program. (See [http://www.doi.gov/ocio/architecture/mbt/mbt\\_services.htm](http://www.doi.gov/ocio/architecture/mbt/mbt_services.htm)). These services are offered to help business organizations streamline and enhance the productivity of their activities while improving overall service to the public. The BPTL leverages the MBT.
- Launched Phase IV of DEAR. In Phase IV, a bureau’s IT systems inventory is associated with the data categories in a Federal reference model. Appropriately categorizing data helps identify data sets that may be candidates for sharing, thereby reducing data collection and maintenance burdens while simultaneously optimizing use of the data.
- Created a special DEAR Web site that provides a variety of reports in different formats to support executive decision-making—e.g., Executive Charting, Dynamic Visual Querying, User-Driven Data Entry Tools, Hyperlinked Analytical Reports, and Integrated Data and Business Modeling.
- Provided Outreach Services to:
  - the Environmental Protection Agency
  - the Departments of State, Energy, Defense, Education, and Homeland Security
  - a delegation of the Japanese Ministry of Economy, Trade, and Industry
  - the National Computerization Agency of the Korean Government

- Held workshops to train Interior enterprise architects and capital planners in the applications of the MBT and DEAR.
- Conducted stakeholder interviews to determine focus of IEA Web site update efforts.

#### FY 2006 Planned Activities

- Provide coordination and planning support for DOI E-Gov initiatives.
- Complete development of IRB-approved blueprints and begin implementation efforts.
- Continue the implementation of IRB-approved blueprints.
- Analyze lessons learned and continue to refine the MBT to show alignment with Version 2.0 of the OMB EA Maturity Assessment Criteria.
- Build out and refine DEAR.
- Perform business process re-engineering for the OCIO offices to improve alignment of Security, Capital Planning, Architecture, and other OCIO services.
- Support creation of an enterprise information exchange forum for DOI architects and blueprint teams.
- Update the IEA Web site to provide business owners and other main user groups with easier access to needed information and, where applicable, to frequently used tools.
- Continue outreach and provide training to programs and business owners.
- Develop Enterprise Security Architecture for the DOI Security office.

### Financial Management Human Capital

The Department of the Interior's financial management community is facing a number of critical human capital issues. The decade of the 1990s brought significant legislation to the Federal community. The legislative requirements of the CFO Act, GPRA, and GMRA increased the demands on financial management personnel. Then came the requirements of the President's Management Agenda and, more recently, OMB's revised Circular A-123. The next 5 years (2006-2010) bring the potential for a major loss of financial management leadership and expertise as the Baby Boomers reach retirement age. At the same time, Interior is engaged in a Department-wide effort to implement a fully integrated FBMS.

It is imperative that Interior have adequate numbers of qualified financial management personnel. These individuals must have the competencies required to successfully transition to and implement the FBMS, as well as the ability to lead a world-class finance organization in the future.

The financial management workforce plan was completed and published at the end of 2004. Interior's CFO Council approved the Plan's major recommendations, established a Workforce Steering Committee in early 2005, and is responsible for implementing these recommendations in support of the Department's financial management transformation plan. The four major recommendations include:

- A strategic focus on new employee recruitment;
- Retention of employees who have or can develop needed competencies;
- Career paths to develop employees at all levels of experience with "workforce of the future" skills; and
- Training and professional development opportunities for both technical/analytical skills and business/organization skills to enhance competencies and develop employees who are flexible and versatile.

### Increasing the Availability and Diversity of Qualified Accounting, Financial Analysis, Financial Systems, and Other Financial Personnel

A critical component of Interior's Program is enhancing the Department's ability to meet its need for qualified accounting, financial systems, financial analysis, and other personnel to fill anticipated vacancies from projected retirements and other attrition factors. In 2002, the Department established the Financial Management Career Intern Program (FMCIP) to recruit and train entry-level professionals in accounting and financial analysis for the Department and the bureaus. In FY 2005, the Department renamed the FMCIP program to the R. Schuyler Leshner Financial Management Career Intern Program.

Both the financial management transformation plan and the workforce plan stress the need for strategic recruitment and retention, with particular emphasis on using programs such as career intern programs. The two plans also recommend making better use of existing recruitment and retention authorities and incentives.

#### FY 2005 Accomplishments

- Hired six new interns as the 2005 Class of FMCIP.
- Continued the 2004 Class as a second year of training and development began.
- Graduated the 2003 FMCIP Class with 11 members. The 2003 class is the second graduating class of the Department's new 2-year developmental program for accountants and financial analysts.
- Expanded efforts to recruit for the FMCIP at various multi-school and diversity career fairs on the East Coast, in the Midwest, and Southwest, and in Colorado.
- Adopted a financial management workforce action plan to implement the major recommendations of the FY 2004 workforce report.
- Established a Workforce Steering Committee to oversee the action plan implementation effort with subgroups working in each of the three identified areas: recruitment, retention, and competency development through a broad careers program.

#### FY 2006 Planned Actions

- Implement a Department-wide, cross-bureau financial management recruitment strategy, providing tools for managers and supervisors.
- Implement a Department-wide, cross-bureau financial management retention strategy, providing tools for managers and supervisors.
- Develop competency models based on identified workforce needs.

#### Sponsoring Comprehensive Training and Career Development Programs in Financial Management

The other critical component of the Financial Management Human Capital Program is to provide appropriate training and professional development opportunities to financial management personnel so that they are adequately prepared to carry out their growing responsibilities. The FM Workforce Plan noted specific competencies Interior's workforce must develop to support both the implementation of the FBMS and a successful transformation to a world-class finance organization. The plan emphasized the need for a simultaneous focus on competency training and development for both the current transition period and for the future.

Both the financial management transformation plan and the workforce plan highlight plans for a comprehensive Financial Management Careers Program, with career paths defined at multiple levels. The Department has already implemented an entry-level phase of the Financial Management Careers Program with the FMCIP. Initial work has also begun on the design and development of mid-level, senior-level, and executive-level components of this comprehensive careers program; the Department has already benchmarked private and public sector practices. The careers program will integrate the goals of the Department's financial management transformation plan with the recommendations made in the financial management workforce plan.

The Department plans to expand training and career development opportunities to support the career paths identified in the new Careers Program. The Careers Program will be built on the Joint Financial Management Improvement Program published core competencies and the critical competencies identified

in the financial management workforce plan. Some of the critical competencies identified are change management, project management, problem solving, analysis, consulting, coaching, knowledge sharing, and interpersonal skills.

#### FY 2005 Accomplishments

- Sponsored courses in the following subject areas:
  - Working Across Multigenerational Workforces
  - Dollars and Sense
  - Governmental Budget and Accounting Concepts
  - Appropriations Law
  - Standard General Ledger
  - Problem Solving
  - Formal Mentoring
  - Budget Formulation and Execution
  - Effective Briefing and Presentation Skills
  - FASAB Standards
  - Essentials of Analysis
  - CGFM series
  - Process Improvement
  - Leadership Development
- Conducted a survey of the FMCIP interns, supervisors, managers, and Finance Officers with evaluation and analysis in the summer 2005, and recommendations to be implemented in 2006.
- Coordinated on-line training through DOI University.
- Sponsored graduating interns for certification in Financial Management, Accounting and Leadership Development through Management Concepts, Inc.

#### 2006 Planned Actions

- Conduct a Department-wide financial management competency assessment based on critical competencies identified in the workforce plan as being necessary for the workforce of the future.
- Plan and conduct another Department-wide conference for finance, budget, acquisition, performance, and grants management participants.
- Plan and conduct training in support of the new Financial Management Careers Program with particular emphasis on the critically needed competencies identified in the financial management work-

force plan. This includes the Financial Management Career Intern Program.

- Continue to sponsor courses such as those sponsored in FY 2005 and continue to coordinate on-line training through DOI University.

#### Financial Data Stewardship

Financial data stewardship is the process of managing information needed to support program and financial managers, and ensuring that data captured and reported is accurate, accessible, timely, and usable for decision-making and activity monitoring. The objective of data stewardship policy is to synchronize data collection processes, reduce data redundancy, and increase data accessibility, availability, and flexibility in a systematic manner. Effective data stewardship requires that: (1) definitions clearly describe requirements and characteristics of data to be maintained in financial management systems; (2) data be created, recorded, and reported in compliance with definitions; and (3) feedback be provided when data are inadequate to meet user needs for information. Additionally, data assurance must provide attestation to, or comments on, the integrity of the information in the system.

The Office of Financial Management (PFM) provides overall coordination of data stewardship functions for financial data in the Department. The data stewardship function involves two levels of activities: (1) participating in setting government-wide financial data standard; and (2) setting financial data standards in coordination with the bureaus' finance operations.

PFM has dedicated one staff person to focus on data stewardship functions, participate in government-wide financial data standard setting activities, and coordinate with the Standard Accounting Classification Advisory Team (SACAT) on setting standards for financial data for use throughout the Department. The PFM data steward monitors the Department-wide data definition process, monitors data creation and compliance processes, ensures data usage relies on information derived from data consistent with the intended definition, and ensures adjustments are made to data definitions when data are inadequate to meet user needs. In addition, the PFM data steward will participate in the development and implementation of the FBMS. This function also coordinates

Departmental financial data definitions with the two key government-wide financial data standard setting groups—the Financial Management Service’s Standard General Ledger and OMB.

To coordinate the establishment and implementation of financial data standards in the Department, the bureaus and PFM have chartered the SACAT, under the leadership of the Finance Officers’ Partnership, to establish and maintain a common approach among the bureaus for addressing SGL issues that relate to accounting policy and procedures, reporting requirements, internal controls, and SGL maintenance. The PFM data steward is a member of the SACAT.

#### FY 2005 Accomplishments

- Participated in the government process to update OMB guidance for the Form and Content of Agency Financial Statements.
- Coordinated efforts to reconcile intra-DOI financial balances and to reconcile DOI transaction balances with other Federal agencies. Continued to participate in the Intra-governmental Eliminations Taskforce (IGET) to develop strategies and procedures to be applied by all Departments to identify and prepare proper intra-departmental and intra-governmental elimination accounting entries for the government-wide consolidated financial statements.
- Participated in FBMS blueprinting and development to ensure that the data structure is consistent with the government-wide data model.
- Participated in the Standard General Ledger Board and Issue Resolution Committee to ensure that the Department’s position is fairly presented and defended.
- Participated in the SACAT to ensure that the bureaus’ data structure is consistent with the government-wide data model. Reviewed SGL voting ballots with SACAT to determine if proposed changes would meet the Department’s data needs and formed consensus on voting ballots.

#### FY 2006 Planned Activities

- Continue to analyze and enhance the reporting process to support performance reporting under the GPRA and the timely preparation of the Annual Performance and Accountability Report.
- Continue to coordinate and prepare Department responses to draft FASAB, OMB, and Treasury financial reporting guidance.
- Continue to coordinate the reconciliation of intra-DOI financial balances and the reconciliation of DOI transaction balances with other Federal agencies.
- Update intra-Department financial statement preparation guidance.
- Work closely with the FBMS Steering Committee to monitor implementation progress; address and resolve accounting and reporting issues; and ensure appropriate internal controls are planned, implemented, and functioning as intended.



# Analysis of Financial Statements

The Department received, for the ninth consecutive year, an unqualified audit opinion on its financial statements. These financial statements are prepared in accordance with established Federal accounting standards and are audited by the independent accounting firm of KPMG, LLP. It is the Department's goal to improve financial management and to provide accurate and reliable information that is useful for assessing performance and allocating resources.

*Figure 1-38* illustrates a condensed version of the Department's Consolidated Balance Sheet and Statement of Net Cost.

## Overview of Financial Position

### Assets

In FY 2005, the Department's assets totaled \$63,434 million. This is an increase of \$6,488 million over the prior year's assets, which totaled \$56,946 million. Intragovernmental Assets are primarily composed of the Fund Balance with Treasury, Investments in U.S. Treasury Securities, and Loans and Interest Receivable. Intragovernmental Assets and General Property, Plant, and Equipment comprise 94% of the total assets. *Figure 1-39* summarizes the Department's assets as of September 30, 2005.

The increase in assets is primarily due to a change in the accounting principle that established intragovernmental loans receivable for the Western Area Power Administration and the Bonneville Power Administration in a total amount of \$2,344 million. Both entities are components of the Department of Energy. This increased Net Position by the same amount.

Accounts Receivable with the Public also increased significantly due to royalty receivable increases that resulted from BLM onshore solid mineral lease permitting increases and commodity prices and volume production increases.

Investments are largely composed of U.S. Treasury Securities invested on behalf of the Environmental Improvement and Restoration Fund, the Abandoned Mine Land Fund, and the Aquatic Resources Trust Fund, as well as other funds.

FIGURE 1-38

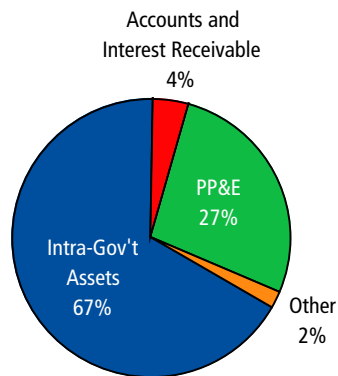
Condensed Balance Sheet  
As of September 30, 2005 and 2004  
(dollars in thousands)

	<u>2005</u>	<u>2004</u>	<u>% Change</u>
<b>Assets</b>			
Intragovernmental Assets	\$ 42,462,958	\$ 37,402,718	14%
General Property, Plant, and Equipment, Net	17,323,778	17,154,211	1%
Accounts and Interest Receivable, Net	2,660,566	1,347,641	97%
Other	986,598	1,041,708	-5%
<b>Total Assets</b>	<u>\$ 63,433,900</u>	<u>\$ 56,946,278</u>	11%
<b>Liabilities</b>			
Intragovernmental Liabilities	\$ 6,877,463	\$ 4,738,939	45%
Accounts Payable	1,087,718	1,024,845	6%
Federal Employee and Veteran Benefits	1,367,705	1,304,355	5%
Contingent Liabilities	631,174	760,482	-17%
Other	2,732,918	2,143,100	28%
Total Liabilities	<u>12,696,978</u>	<u>9,971,721</u>	27%
<b>Net Position</b>			
Unexpended Appropriations	4,179,242	4,080,359	2%
Cumulative Results of Operations	46,557,680	42,894,198	9%
Total Net Position	<u>50,736,922</u>	<u>46,974,557</u>	8%
<b>Total Liabilities and Net Position</b>	<u>\$ 63,433,900</u>	<u>\$ 56,946,278</u>	11%

Condensed Statement of Net Cost  
For the Fiscal Years Ended September 30, 2005 and 2004  
(dollars in thousands)

	<u>2005</u>	<u>2004</u>	<u>% Change</u>
<b>Mission</b>			
Resource Protection	2,298,764	\$ 2,419,125	-5%
Resource Use	2,902,861	2,162,333	34%
Recreation	1,507,425	1,866,592	-19%
Serving Communities	5,833,820	5,857,916	0%
<b>Non-Mission</b>			
Reimbursable Activity and Other Costs	870,156	753,083	16%
<b>Net Cost of Operations</b>	<u>13,413,026</u>	<u>13,059,049</u>	3%
Total Cost	19,750,645	17,793,034	11%
Total Revenue	6,337,619	4,733,985	34%
<b>Net Cost of Operations</b>	<u>\$ 13,413,026</u>	<u>\$ 13,059,049</u>	3%

**FIGURE 1-39**  
**FY 2005 Asset Categories**



General Property, Plant, and Equipment are primarily composed of land, structures, and facilities which are used for general operations, power, wildlife enhancement, and recreation. Most of the Department's structures and facilities are composed of dams, power, and irrigation facilities managed by the Bureau of Reclamation. The remainder consists of buildings and facilities used in the Department's operations (e.g., visitor centers, fish hatcheries, and Bureau of Indian Affairs schools).

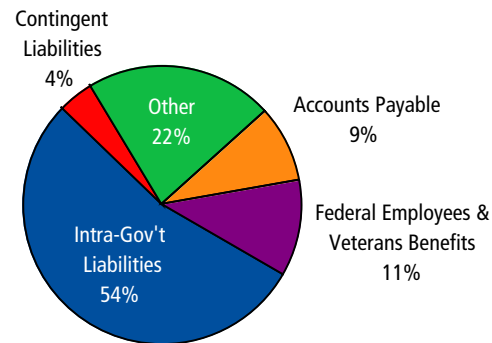
### Liabilities

In FY 2005, the Department's liabilities totaled \$12,697 million. This is an increase of \$2,725 million over the prior year's liabilities, which totaled \$9,972 million. Intragovernmental Liabilities comprises primarily debt to the U.S. Treasury, resources payable to Treasury, and advances and deferred revenue. Intragovernmental Liabilities, Federal Employee and Veteran's Benefits and Accounts Payable with the Public comprise 74% of the total liabilities. *Figure 1-40* summarizes the Department's liabilities as of September 30, 2005.

The increase in Intragovernmental Liabilities is primarily due to a change in the accounting principle that established a \$2,187 million liability for Resources Payable to Treasury. This decreased Net Position by the same amount.

Federal agencies, by law, cannot disburse money unless Congress has appropriated funds. Funded liabilities are expected to be paid from funds currently available to the Department. The Department's unfunded liabilities consist primarily of environmental

**FIGURE 1-40**  
**FY 2005 Liability Categories**



and legal contingent liabilities and unfunded employee compensation costs, which include FECA and annual leave. These liabilities will be paid from funds made available to the Department in future years. The associated expense is recognized in the period in which the liability is established, regardless of budgetary funding considerations.

### Ending Net Position

The Department's Net Position at the end of 2005, disclosed in the Consolidated Balance Sheet and the Consolidated Statement of Changes in Net Position was \$50,737 million, an increase of about \$3,763 million or 8% from the previous year.

The Net Position of the Department consists of two components (1) Unexpended Appropriations of \$4,179 million and (2) Cumulative Results of Operations of \$46,558 million. The growth in Unexpended Appropriations is primarily due to the annual increase in budget authority the Department receives for its missions.

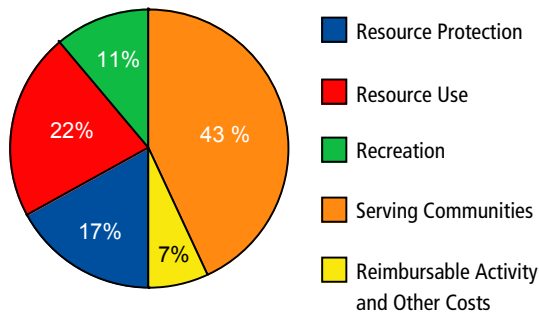
### Results of Operations

The Department's net cost of operations for FY 2005 was \$13,413 million. This is an increase of \$354 million from the previous year's net cost of \$13,059 million. 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 11% of total expenses.

The increase in Total Costs is primarily due to increased royalty collections that are paid to States and increased IFF reimbursable expenses attributed to increased business volume.

FIGURE 1-41

## FY 2005 Net Cost of Operations



The Consolidated Statement of Net Cost is divided into the following five major program segments: Resource Protection; Resource Use; Recreation; Serving Communities; and Management Excellence, Reimbursable Activity and Other. Serving Communities represents 43% of the Department's net cost of operations (*Figure 1-41*).

During August and September 2005, hurricanes caused significant damage to several Interior facilities, parks, and wildlife refuges along the Gulf Coast. The estimated future costs to clean up and repair these sites is approximately \$95 million. Most of these costs represent removal of debris, repairs to permanent land improvements and other stewardship assets.

### Revenues

During FY 2005, the Department earned approximately \$3,166 million in revenues from the public and approximately \$3,172 million in revenue from other Federal entities, for a total of \$6,338 million (*Figure 1-38*). This is an increase of about \$1,604 million from September 30, 2004. In FY 2004, approximately \$2,208 million was earned in revenues from the public and approximately \$2,526 million was earned in revenue from other Federal entities for a total of \$4,734 million. The increase in Total Revenue is primarily due to increased BLM land sales and the associated revenue from the IFF reimbursable expenses.

Interior classifies revenues as either exchange or non-exchange revenue. Exchange revenues are those that derive from transactions in which both the government and the other party receive value, including park and wildlife refuge entrance fees, map sales, and

other products and services that are directly related to Department operations. Revenues collected from other Federal agencies consist of reimbursable activities such as construction, engineering, and other technical services. Most of the revenue received from Federal agencies is generated from Interior Franchise Fund and National Business Center operations that provide shared administrative services. The Department also collects mineral lease revenues on behalf of the Federal Government. These are presented in the Statement of Custodial Activity rather than the Statement of Net Cost.

The Department collects various non-exchange revenues. Examples of non-exchange revenues are taxes, fines and penalties that the Federal Government collects as a result of its sovereign powers rather than as a result of providing goods or services for a fee. Non-exchange revenue increased from \$1,162 in FY 2004 to \$1,277 million for FY 2005.

### Custodial Activity

In accordance with Federal accounting standards, receipts from mineral leasing revenues are presented in the Department's Statement of Custodial Activity since the collections are considered to be revenue of the Federal Government as a whole rather than the Department. Mineral leasing revenues were \$12,386 and \$9,250 million as of September 30, 2005, and 2004, respectively, and include Outer Continental Shelf and onshore oil, gas, and mineral sales and royalties. The increase in custodial revenue is primarily due to an increase in onshore solid mineral lease sales and an increase of royalty collections.

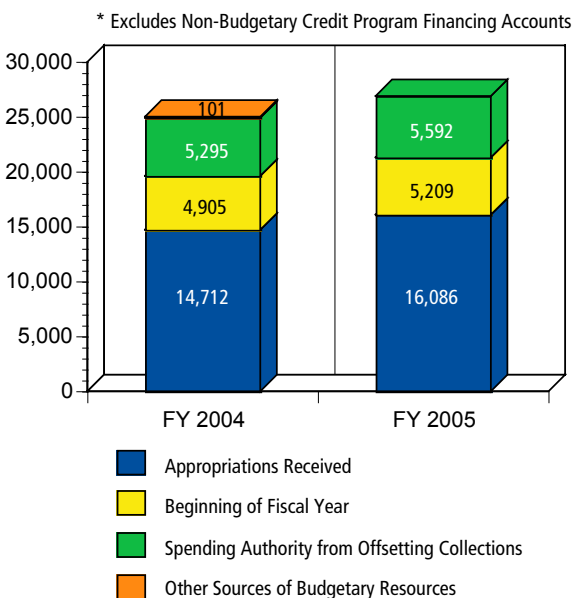
The Department collects a portion of revenue as royalties-in-kind for transfer to the Strategic Petroleum Reserve. Interior received approximately 25.6 and 38.4 million barrels of petroleum as in-kind mineral lease revenues for the periods ended September 30, 2005, and 2004, respectively.

### Budgetary Resources

The Department receives most of its funding from general government funds administered by the U.S. Treasury 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 budget-

FIGURE 1-41

**Budgetary Resources \***  
(in millions)



Note - Other Sources of Budgetary Resources totaled -\$62 in FY 2005

ary resources (Figure 1-41). Other resources include special and trust funds such as Conservation Funds (the Land and Water Conservation Fund, Historic Preservation Fund, and the Environmental Improvement and Restoration Fund), the Reclamation fund, and the Aquatic Resources Trust Fund. These funds are administered in accordance with applicable laws and regulations.

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 \$21,114 and \$19,803 million were incurred as of September 30, 2005, and 2004 on total budgetary resources of \$26,825 and \$25,013 million, respectively (Figure 1-42).

**Stewardship Assets and Investments**

Interior is the Federal Government’s largest land-managing agency, administering over 500 million acres of America’s land mass and serving as steward for the natural and cultural resources associated with these lands. Approximately 438 million acres of the 500 million acres managed by Interior are considered stewardship land (Table 1-28). The non-stewardship

FIGURE 1-42

**Status of Budgetary Resources \***  
(in millions)

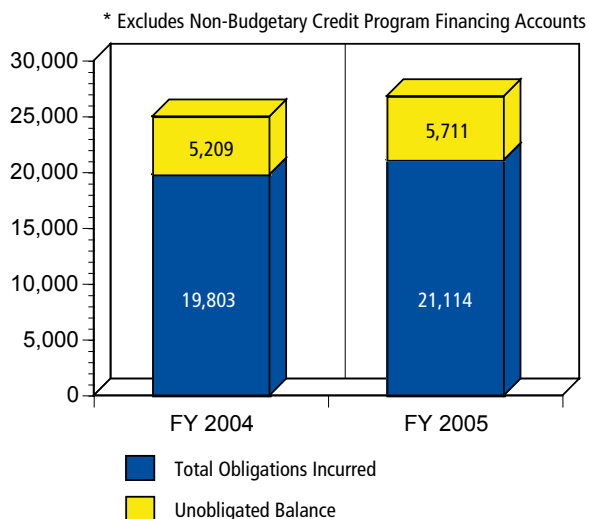


TABLE 1-28

Stewardship Land (Federal Acres)				
	Beginning Acres	Additions	Withdrawals	Ending Acres
BLM	261,848,120	72,272	(157,480)	261,762,912
NPS	79,022,673	35,101	(12,741)	79,045,033
FWS	90,306,600	125,400	-	90,432,000
BOR	5,724,998	1,799	(247,312)	5,479,485
BIA *	205,521	170	(170)	205,521
Other	12,731	306	-	13,037
Total	437,120,643	235,048	(417,703)	436,937,988

\* The BIA also administers approximately 56 million acres of Tribally and individually-owned land held in trust status.

land managed by Interior consists primarily of Tribally and individually-owned land held in trust status and non-Federal land (i.e., private, State, or local) that lies within the administrative boundaries of the National Park System and the National Wildlife Refuge System.

Interior-administered stewardship lands encompass a wide range of activities, including recreation, conservation, and functions vital to the health of the economy and to the American people. The stewardship assets managed by the Department remained constant.

Stewardship investments represent expenses charged to current operations that are expected to benefit the Nation over time. The Department's Stewardship Investments include research and development programs, investments 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 in *Table 1-29*. The decrease in the investments from FY 2004 to FY 2005 is due primarily to reduced available funding for stewardship investments.

The Department's reported values for Property, Plant, and Equipment exclude stewardship assets because they are considered priceless and do not have an identifiable value. Therefore, monetary amounts cannot be assigned. An in-depth discussion of these assets is presented in the Required Supplementary Stewardship Information section of the Performance and Accountability Report.

#### Limitations of Financial Statements

Management prepares the accompanying financial statements to report the financial position and results of operations for the Department of the Interior pursuant to the requirements of Chapter 31 of the U.S.C. Section 3515(b).

While these statements have been prepared from the records of the Department in accordance with the formats prescribed in OMB Circular A-136, "Financial Reporting Requirements," these statements are in addition to the financial reports used to monitor and control the budgetary resources that are prepared from the same records.

These statements should be read with the understanding that they are for a component of the U.S. Government, a sovereign entity.

**TABLE 1-29**

Stewardship Investments (in millions)				
	FY 2005	FY 2004	Change	% Change
Non-Federal Physical Property	\$557	\$651	(\$95)	(15%)
Research and Development	917	991	(74)	(7%)
Human Capital	614	640	(26)	(4%)
Totals	\$2,088	\$2,282	(\$195)	(9%)