



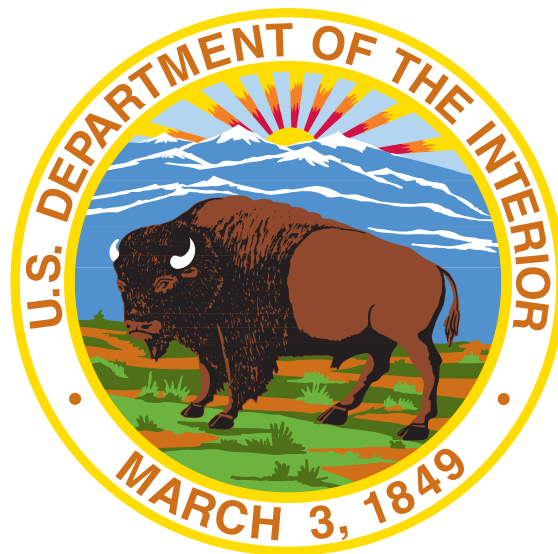
# Stewardship for America with Integrity and Excellence

**U.S. DEPARTMENT OF THE INTERIOR  
Annual Performance and Accountability Report  
FY 2007**





# **U.S. DEPARTMENT OF THE INTERIOR**



**FISCAL YEAR 2007**

## **ANNUAL PERFORMANCE AND ACCOUNTABILITY REPORT**

**November 13, 2007**



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*An electronic version of this document is available on the Internet at <http://www.doi.gov/pfm/par>  
The Department of the Interior’s strategic plan is available at [www.doi.gov/ppp/gpra](http://www.doi.gov/ppp/gpra).*

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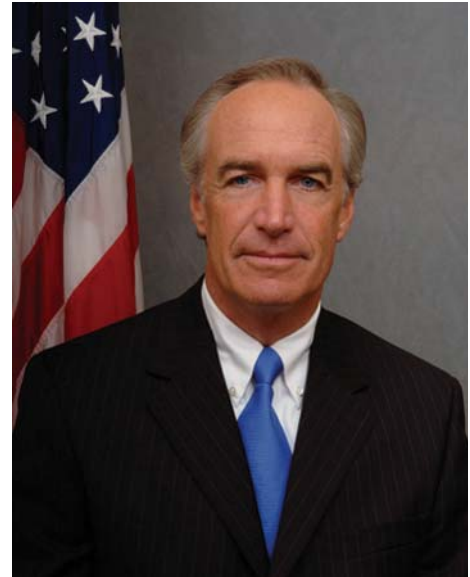
  
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Executive Director, AGA



# Message from the Secretary

I am proud to submit the Department of the Interior FY 2007 Performance and Accountability Report. Our accomplishments exemplify Interior's core values: **Stewardship for America with Integrity and Excellence**. Our 70,000 employees work across the Department's nine bureaus and offices in twelve time zones. They are the stewards of one in every five acres in the United States. The lands and waters they manage generate one-third of the Nation's domestic energy production. They conserve and provide opportunities to enjoy America's natural and cultural resources, and they serve communities, including fulfillment of our trust responsibilities to American Indians, Alaska Natives, and affiliated island communities. This Report has a dual purpose: it summarizes our performance in delivering the mission of the Department, and it demonstrates our financial integrity through accounting statements and an unqualified audit opinion.



## Accomplishments

Across the four Mission Areas of Interior's Strategic Plan, Interior's employees have achieved significant results for the Nation:

### Resource Protection

- ◆ Over eighteen million more acres of land were restored to desired condition on Interior lands over the prior year.
- ◆ Approximately 58,000 more stream/shoreline miles achieved desired conditions over our 2006 performance, bringing the total acres to 195,306 for FY 2007.
- ◆ The bald eagle soared off the Endangered Species List. In 1967, when the eagle was on the verge of disappearing, there were only 417 pairs. Now, nearly 10,000 nesting pairs have been documented.

President Bush and I have launched the Centennial Challenge to invest \$3 billion over the ten-year period leading up to the Centennial of the National Park Service in 2016. We will partner with the American people whose generosity will help fund this initiative along with the significant commitment of the Federal Government. The Centennial of the National Park Service is my generation's opportunity to make sure our parks, the jewels in America's crown, sparkle for another 100 years. I believe the people's love of the parks—their appetite to discover and explore our culture and heritage, and to enjoy the physical landscapes of national parks—will inspire us all to not only think big about the future of our parks, but to act big so that future generations may enjoy, as we do, what our forefathers left in our care.

At the President's direction to identify opportunities and barriers to Cooperative Conservation, the Administration held 26 listening sessions across the Nation. Interior partnered with the White House Council on Environmental Quality, the Departments of Defense and Agriculture, and the Environmental Protection Agency to coordinate the sessions, drawing more than 2,000 participants and yielding 30,000 written comments. Citizens shared ideas on incentives, partnership programs, and regulations that can improve conservation results and promote Cooperative Conservation. They commented on land management issues, endangered species, restoring wetlands, and energy development. Transcripts from the sessions and a final report are posted to the <<http://cooperativeconservation.gov>> website.

Citizen feedback from the listening sessions has informed Interior's efforts to address program performance, administrative procedures, employee training and development, collaborative competencies, and to encourage State and local participation in Federal decision making and projects. Interior proposed new Cooperative Conservation legislation to strengthen collaboration and reduce barriers to partnerships.

### **Resource Use**

Interior contributed to America's energy security through providing access to energy and minerals, and collected the second largest source of Federal revenues.

- ◆ Our Minerals Management Service held a successful natural gas sale that grossed over \$1 billion in total revenues. The 137.5 billion cubic feet of Royalty-in-Kind gas is enough to supply the average gas needs of about 1.7 million U.S. homes for one year.
- ◆ Onshore, the Bureau of Land Management approved an additional 8,964 Applications for Permits to Drill on already existing oil and gas leases.
- ◆ Two successful competitive sales of geothermal leases held by BLM demonstrate the rising interest in developing this renewable, low-emission source of energy.
- ◆ Reclamation's hydropower plants generated 40 billion kilowatt hours of hydroelectricity to serve 6 million homes. Reclamation continues to be a reliable and low-cost hydropower producer.

### **Recreation**

- ◆ Close to 500 million visitors took part in recreational opportunities provided through Bureau of Land Management, Bureau of Reclamation, U.S. Fish & Wildlife Service, and National Park Service, with over 90 percent reporting satisfaction with their experience on Interior-managed lands and waters.
- ◆ Our public lands access pass, available for the first time in 2007, allows visitors to take advantage of recreational opportunities provided by four Department bureaus and the Department of Agriculture U.S. Forest Service for one inclusive fee.
- ◆ A new and improved one-stop portal was launched, <**Recreation.gov**>, for making reservations and exploring recreation on Federal lands. The new portal simplifies reservations and features different opportunities and activities depending on a person's interests. <**Recreation.gov**> is the result of an interagency partnership between Interior, Department of Agriculture Forest Service, and the Department of Defense Army Corps of Engineers.

### **Serving Communities**

- ◆ Interior distributed \$21.8 million to individual Indian trust account holders who were previously on the "Whereabouts Unknown" list.
- ◆ The Office of Wildland Fire Coordination and the Bureau of Indian Affairs, Bureau of Land Management, Fish and Wildlife Service, and National Park Service treated, at a cost of about \$222 an acre, 586,000 acres to directly reduce wildfire threats in wildland-urban interface areas that face risks to property and life from catastrophic wildland fire. Fuel hazards on almost 262,000 other acres were reduced through other Interior programs.
- ◆ Construction was completed on the San Andreas Fault Observatory at Depth, the only earthquake observatory with instruments installed directly within an active fault so the process of stress buildup and release in faults can be studied. USGS constructed and now operates SAFOD, with contributing funding from partnering agencies, which builds on three decades of USGS-led research. Results from SAFOD will improve models that predict earthquake occurrence and shaking.

- ◆ The Indian Affairs Office of Justice Services worked with 124 Bureau of Indian Education schools and nine Education Line Offices to complete “Meth Awareness” training to advance our Safe Indian Communities Initiative. Also, approximately 5,000 Indian Affairs employees received Methamphetamine Community Awareness Training.

## Management Challenges

As manager of 507 million acres, the Interior Department touches the lives of every American. We have tremendous opportunities to assure that our children and grandchildren will enjoy the unique natural, cultural, and historic places of the Nation. We help secure energy that powers our Nation’s productivity and provides the foundation for a dynamic economy. We help Indian children fulfill their potential through the schools we manage in Indian Country. The science we generate helps reduce risks from natural hazards and guides our land stewardship.

Yet with these opportunities come challenges. One of our biggest challenges is time – the time it takes to reverse decades of damaging impacts on public lands. It can also take decades of collaborative efforts to restore the health of a species so that it can be removed from the list of threatened and endangered species.

We know that climate change has implications for the vast land and water resources managed across the Department. Federal land and water resources are vulnerable to a wide range of impacts, some of which are already occurring. I created a hundred-person task force that includes DOI’s assistant secretaries, scientists, park superintendents, BLM field managers, BOR engineers, and refuge managers from across the country. This group is identifying strategies for managing land and waters and protecting wildlife, as well as devising new management responses for adapting to changing landscapes. For example, what steps should be taken as freshwater coastal habitats turn more saline if ocean levels rise? Will we need to change how we define the concept of invasive species if plant and animal species shift on the landscape in response to climate change? How will wildland fire behavior be altered by changing vegetation and precipitation patterns? If rainfall patterns change, how can we help the Nation manage its water resources? All of these concerns and more will require long-term adaptations that must be integrated with our day-to-day management of lands, habitats, and wildlife resources.

As we seek greater energy security, we must also conserve wildlife—a balance that requires new ways of planning and resource management, continued inspections of oil and gas extraction facilities on land and in our coastal oceans, and reclamation of surface mines. We are implementing our **Healthy Lands Initiative**, focusing on the wildlife/energy interface to maintain wildlife corridors, protect significant habitat areas, and reduce the environmental footprint of energy and other activities on public lands. Through our **Healthy Lands Initiative**, we are allocating funds for science, planning, resource protection, and restoration in six geographic areas, five of which contain the largest onshore reserves of natural gas in the country. Our Initiative is laying the groundwork for a holistic land management framework so that we can achieve environmental, economic, recreation, and other social goals through partnerships with States, the private sector, and nonprofit organizations.

I am concerned that the Adequate Yearly Progress score for rating schools under the No Child Left Behind Act is low for our Bureau of Indian Education schools. Our **Improving Indian Education Initiative** will increase Indian student academic achievement by supporting quality education environments and effective learning strategies. For FY 2008, we have requested additional funding for student transportation, education program management and information technology. This educational assistance will go to schools that have yet to achieve their AYP goals.

Interior has outstanding employees. They are our greatest asset. We must assure their health and safety. Yet the sheer magnitude of the lands we manage presents challenges as we strive to provide security and

protection for public lands visitors and employees. We manage the third-largest Federal law enforcement force to provide security for more than 500 million acres of public lands and ensure the health and safety of our 70,000 employees, 350,000 volunteers, 1.3 million daily visitors, and 1.6 million tribal members in Indian Country. I am particularly concerned about the methamphetamine epidemic brought to Indian Country by violent drug cartels. Through Interior's FY 2008 Budget, I have proposed additional funding to help Indian Country end this scourge.

Interior also has homeland security responsibilities for our priority dams, icons and monuments—and we manage 40 percent of the lands along the southwest border. We must maintain law enforcement, security, and emergency management capability over vast areas while ensuring that security precautions don't create an excessive barrier to legitimate access or use of Interior lands or resources.

Each year, I receive reports regarding management challenges from the Inspector General, the Government Accountability Office, and other sources. I value these inputs, and I look for opportunities to appropriately respond to their recommendations.

In the area of Financial Management, the Department has dramatically reduced the number of material weaknesses since 2001, and we continue to improve. We had six material weaknesses in 2001; we now have none. We are also overhauling our business systems. In 2001, the Department operated with dozens of antiquated business systems that lacked integration or common standards. We are pioneering a new era—a 21<sup>st</sup> century system that will provide a single platform, a fully integrated Financial and Business Management System. Though a complex and expensive undertaking, the system will yield significant long-term benefits. During FY 2007, the Minerals Management Service and the Office of Surface Mining and Reclamation Enforcement successfully converted their core financial functions to this newly integrated system.

Budget and Performance Integration has become more robust with Department budget submissions for FY 2008. Through this integration, we project expected performance results and the marginal cost of that changed performance. All seven Program Assessment and Rating Tool Reviews for FY 2007 yielded affirmative results. By working with the Office of the Inspector General, we are enhancing the quality of our PART reviews.

Information Technology continues to offer challenges as threats become more pervasive and serious. The Department has steadily hardened our hardware systems. However, challenges to information security persist, including the introduction of cultural changes to assure the consistent protection of passwords by employees. The Department will continue to implement improved security protections through its Defense in Depth Strategy over the coming years.

Other identified management challenges include: Health, Safety, and Emergency Management; Maintenance of Facilities; Responsibility to Indians and Insular Areas; Resource Protection and Restoration; Revenue Collections; and Procurement, Contracts, and Grants. We describe how we are addressing many of these challenges elsewhere in this document. As I review and consider management recommendations, I consider other priorities, mandates, and the merits of the recommendations before I decide to implement all or part of the recommendations immediately or over time.

Consistent with Interior's Core Values Statement—Stewardship for America with Integrity and Excellence—I am committed to maintaining an ethical culture at the Department of the Interior. I set that tone both on the first day I was nominated and the day I took office by making ethics briefings and compliance my first priority. My first written message to Interior employees, and at my first all-employee meeting, I emphasized ethics compliance. I have developed and am implementing a 10-point plan to make the Department of the Interior a model of an ethical workplace.

## A More Robust Approach to Reporting on Performance

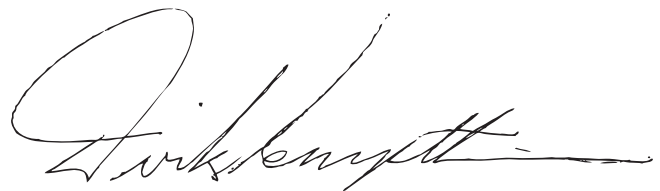
We typically report our performance by rating the success of each of the 205 performance measures found in our Strategic Plan. This Report still contains this detailed information. However, last year in my annual Message, I spoke about our plan to focus on linking our strategic measures and metrics to work activities and, further, to better link performance and cost. This year, our Management's Discussion and Analysis contains this vital information. To uphold Interior's core values and assure "integrity and excellence" as both stewards and in our accounting to the American public, we offer a more detailed presentation of key performance and cost information, including performance trends.

We have selected 26 representative performance measures from Interior's Strategic Plan to highlight the collective performance of our bureaus. The representative performance measures focus on the measurable results of activities that contribute toward achieving the Outcome Goals under each Mission Area. Because they are broad in scope, these representative performance measures give us a comprehensive perspective of the Department's performance from year to year. Funding for each key pursuit is included so we can assess the relationship of funding to our performance.

The financial and performance data we present in this report is fundamentally complete and reliable as required by the Office of Management and Budget guidance. This report provides the status of Interior's compliance with certain legal and regulatory requirements. The annual assurance statement required by the Federal Managers' Financial Integrity Act concludes that 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 the FMFIA.

This past year, we celebrated the centennial of the birthday of Rachel Carson, a pivotal figure in the national conservation movement. Her work as an educator, scientist, and author revolutionized America's perspective and raised interest in environmental issues. She wrote, "One way to open your eyes is to ask yourself, What if I had never seen this before? What if I knew I would never see it again?" The Department of the Interior employees and a cadre of partners work with dedication to conserve and safeguard our Nation's inheritance. This group includes State and local governments, nonprofit organizations, members of Congress, and dedicated volunteers throughout the country, all of whom share in our core values: Stewardship for America with Integrity and Excellence.

As Secretary, I appreciate Interior's great mission. The 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.



DIRK KEMPTHORNE  
Secretary of the Interior  
November 13, 2007



# About This Report

**T**he Department of the Interior's Performance and Accountability Report for Fiscal Year 2007 provides performance and financial information that enables Congress, the President, and the public to assess the performance of the Department relative to its mission and stewardship of the resources entrusted to it. This Report satisfies the reporting requirements of the following major legislation.

- ◆ Chief Financial Officers Act of 1990
- ◆ Government Performance and Results Act of 1993
- ◆ Government Management Reform Act of 1994
- ◆ Reports Consolidation Act of 2000

Under the Reports Consolidation Act of 2000, agencies are permitted to submit combined reports in implementing statutory requirements for financial and performance management reporting to improve the efficiency of executive branch performance.

These reports are combined in this PAR, which consists of the Annual Performance Report required by the Government Performance and Results Act of 1993 with annual financial statements required under the Chief Financial Officers Act of 1990, as amended by the Government Management Reform Act of 1994, and other reports such as management assurances on internal controls and Office of Inspector General summary of the agency's management challenges.

You may view this report online at <[www.doi.gov](http://www.doi.gov)>. You may also have additional copies of the report on compact disc mailed to you by writing a request to:

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Office of Financial Management  
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# How This Report is Organized

## **Part 1: Management's Discussion and Analysis**

The MD&A section provides a summary of Interior's annual performance. It includes the performance status with related funding of representative Strategic Plan measures organized by Mission Area, a brief description of systems, controls, and legal compliance, and a summary analysis of the financial statements.

## **Part 2: Performance Data Analysis**

The Performance Data Analysis section reports the results achieved against each program performance measure. The measures are tracked annually for progress against the goals in the Department's Strategic Plan, as required by the Government Performance and Results Act and as specified in OMB Circular No. A-11, *Preparation, Submission and Execution of the Budget*.

## **Part 3: The Financial Section**

The Financial Report section contains the Department's financial statements, notes, required supplementary information pertaining to Federal assets and stewardship investments, related Office of Inspector General Audit Report, and other supplementary information.

## **Part 4: Other Accompanying Information**

This section contains information about improper payments, a list of program reviews performed, a glossary of acronyms, and a list of figures and charts.



**PART ONE**

**Management's  
Discussion  
and  
Analysis**



# DOI's Mission and Organization

## 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 and community.

## Core Value Statement

**Stewardship for America  
with Integrity and Excellence**

## History

Established in 1849, the Department of the Interior is the Nation's principal Federal conservation agency.

It manages many of the Nation's special natural, cultural and historic places, conserves lands and waters, protects cultural legacies, and keeps the Nation's history alive. Interior manages parks, refuges, public lands, and recreation areas for public enjoyment, provides access to many of the Nation's natural resources, increases scientific knowledge, and fulfills America's trust and other responsibilities to native peoples. Interior also provides hydropower to the Western States. It delivers water to over 31 million citizens through management of 472 dams and 348 reservoirs.

A Department for Domestic Concern was initially considered by the First United States Congress in 1789, but those duties were placed in the Department of State. The proposal continued to percolate for a half-century. The 1846–1848 Mexican-American War gave the proposal new steam as the responsibilities of the Federal Government grew. President Polk's Secretary of the Treasury, Robert J. Walker, became a vocal champion for creating a new department.

## DOI's Mission and Organization

In 1848, Walker stated in his annual report that several Federal offices were placed in Departments with which they had little in common: General Land Office in the Department of the Treasury, the Indian Affairs office residing in the Department of War, and the Patent Office in the State Department. He proposed that all should be brought together in a new Department of the Interior.

A bill authorizing Interior's creation passed the House of Representatives on February 15, 1849,

and spent just over two weeks in the Senate. The Department was established on March 3, 1849, the eve of President Zachary Taylor's inauguration, when the Senate voted 31 to 25 to create the Department.

Today, the Department manages about one-fifth of America's land as shown in Figure 1-1 and is made up of nine Bureaus and Departmental offices, with a broad range of responsibilities.

**FIGURE 1-1**  
**Surface Lands Managed by Department of the Interior**

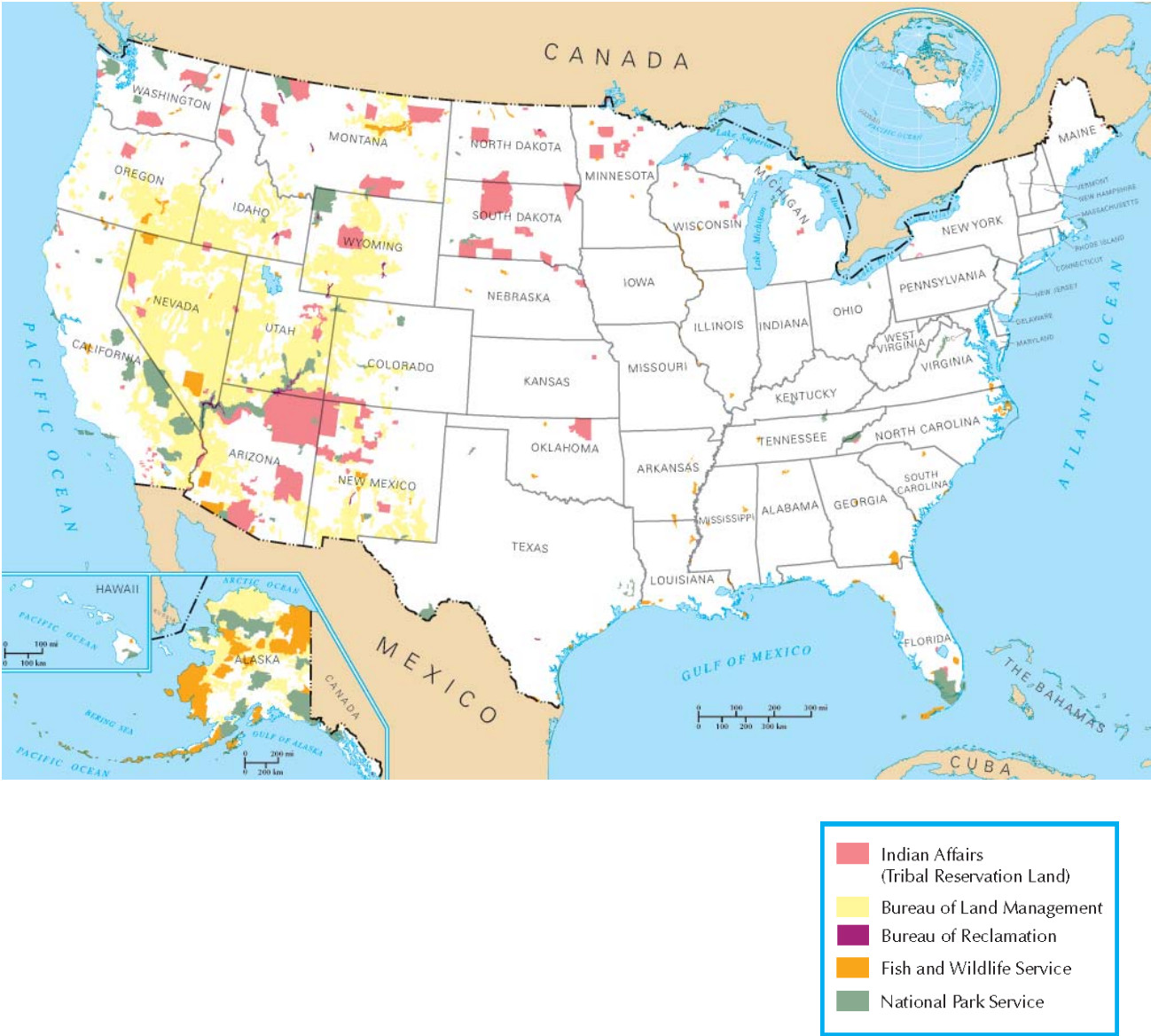
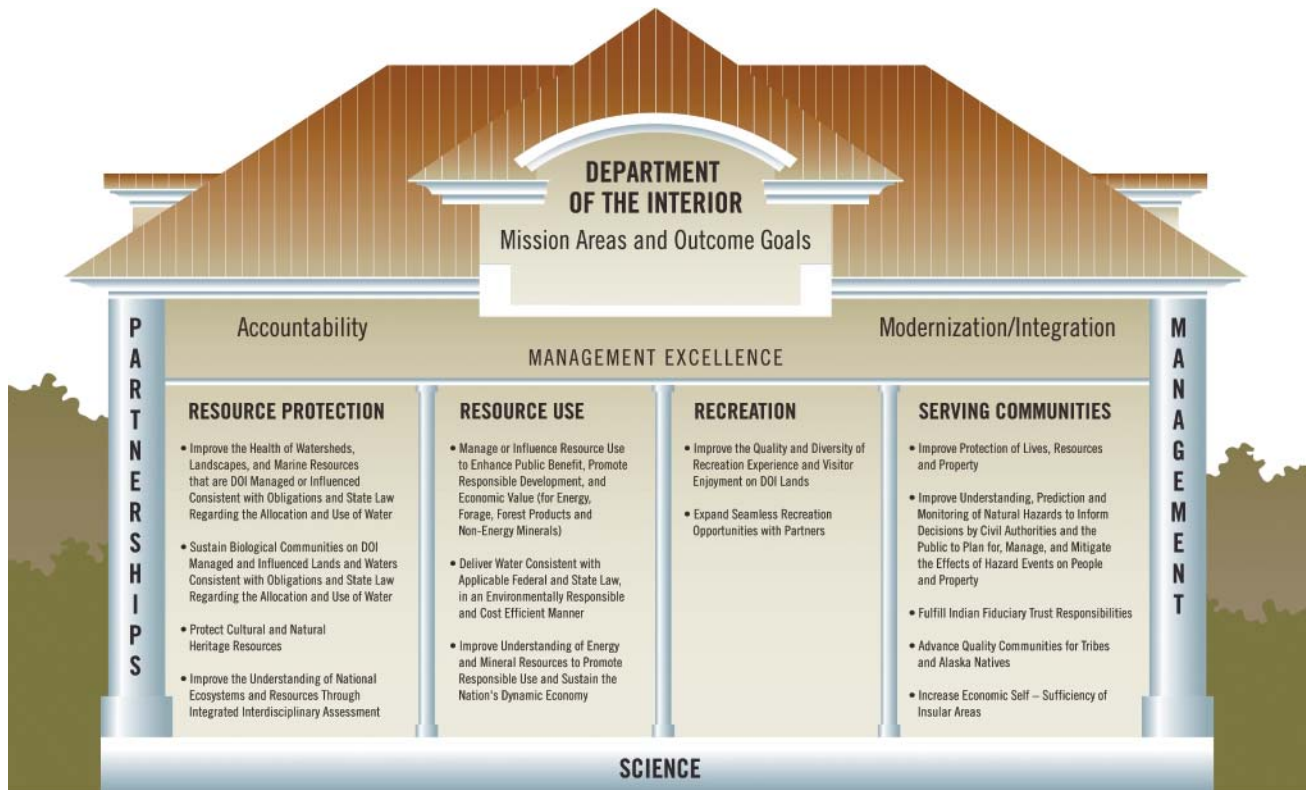


FIGURE 1-2



## Defining Interior's Goals

Interior's Strategic Plan was initially developed in response to the Government Performance and Results Act of 1993. Interior's FY 2003–2008 Plan marked the first time the responsibilities, programs and missions of the entire Department, including all the Bureaus and offices, were brought under one roof in a single, integrated Departmentwide Strategic Plan.

In 2005, we began the process of fine-tuning the Strategic Plan by working directly with the Bureaus, offices, and senior Department officials. That process included collecting and considering input from Interior employees, tribes, communities, and the American public to refine the performance measures. The Department of the Interior's Strategic Plan 2007–2012 is the result of that internal and external outreach and provides the framework for everything we do. The Strategic Plan is the guide by which we gauge our success in achieving performance results.

Four Mission Areas provide the framework for Interior's overarching mission of stewardship and define our long-term focal points.

- ◆ Protect the Nation's natural, cultural and heritage resources
- ◆ Manage natural resources to promote responsible use and sustain a dynamic economy
- ◆ Improve recreational opportunities for America
- ◆ Safeguard lives, property and assets, advance scientific knowledge and improve the quality of life for communities we serve

The combined Mission Areas – contain seventeen Outcome Goals that the Department, through its Bureaus and offices, works to accomplish.

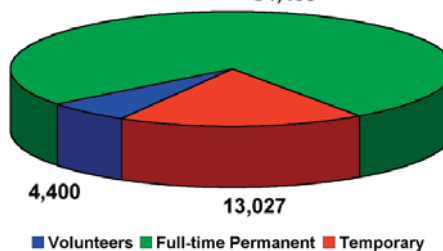
## Achieving Our Goals

About 70,000 people across the country are employed by the Department of the Interior. Along with our full-time employees, we are fortunate to have almost 350,000 volunteers who contribute their time in a variety of ways to help DOI fulfill its missions. For example, our volunteers bring unique, local knowledge to park, refuge and public land visitors, assist in hurricane recovery, plant trees, clear overgrowth, help maintain park trails, and participate in environmental education programs. We also have a third group of workers who staff seasonal positions that occur regularly throughout the year. Peak demand periods, such as the start of the wildland fire season or the summer rise

in visitors to our national parks, are met by our temporary workforce. Together, our employees contribute their expertise and experience toward accomplishing the Outcome Goals in the Strategic Plan.

FIGURE 1-3

**Interior's 2007 Workforce**  
(in Full-time Equivalents)  
54,403



## DOI Bureaus

Each Interior Bureau has discrete responsibilities.



### Fish and Wildlife Service

- ◆ Manages the 96 million-acre national wildlife refuge system primarily for the benefit of fish and wildlife
- ◆ Protects and conserves:
  - Migratory birds
  - Threatened and endangered species
  - Certain marine mammals
  - Fish
- ◆ Hosts about 38 million visitors annually at 548 refuges and 37 wetland management districts



### U.S. Geological Survey

- ◆ Provides reliable scientific information in geography, geology, hydrology, and biology to inform effective decision-making and planning
- ◆ Brings a range of earth and life science disciplines to bear on problems
- ◆ Produces information to increase understanding of natural hazards such as earthquakes, volcanoes, and landslides
- ◆ Conducts research on oil, gas and alternative energy potential, production, consumption, and environmental effects



### Indian Affairs

- ◆ Fulfills Indian trust responsibilities
- ◆ Promotes self-determination on behalf of more than 562 Federally recognized Indian tribes
- ◆ Bureau of Indian Education provides quality education opportunities in Indian country





**Bureau of Land Management**

- ◆ Manages and conserves resources for multiple use and sustained yield on approximately 258 million acres of public land, including the following:
  - Mineral exploration and production
  - Timber production
  - Domestic livestock grazing
  - Outdoor recreation
  - Rights-of-way
  - Fish and wildlife conservation
  - Resource protection at sites of natural scenic, scientific, and historical value



**Minerals Management Service**

- ◆ Manages access to the mineral resources of the Outer Continental Shelf to help meet our country's energy needs
- ◆ Administers over 8,200 active mineral leases on almost 40 million OCS acres
- ◆ Oversees 15 percent of the natural gas and 25 percent of oil produced domestically
- ◆ Collects, accounts for, substantiates, and disburses revenues, including approximately \$13 billion in FY 2006 and \$12 billion in FY 2007, associated with mineral production from leased Federal and Indian lands
- ◆ Oversees offshore renewable energy permitting



**National Park Service**

- ◆ Maintains a network of 391 natural, cultural, and recreational sites for the benefit and enjoyment of the American people
- ◆ Provides technical assistance to State and local natural and cultural resource sites
- ◆ Provides respite and outdoor recreation to over 270 million annual park visitors



**Bureau of Reclamation**

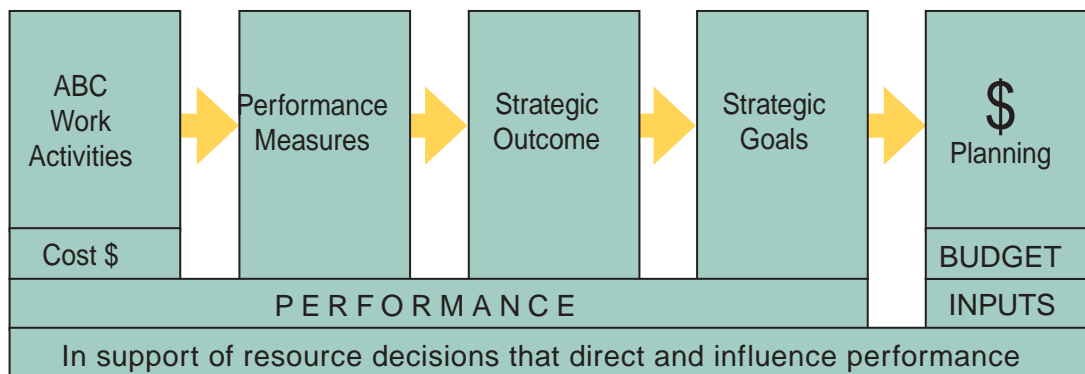
- ◆ Largest supplier and manager of water in the seventeen Western States
- ◆ Maintains 472 dams and 348 reservoirs
- ◆ Delivers water to one in every five western farmers and over 31 million people
- ◆ America's second largest producer of hydroelectric power



**Office of Surface Mining**

- ◆ Protects the environment during coal mining
- ◆ Ensures the land is reclaimed afterwards
- ◆ Mitigates the effects of past mining by pursuing reclamation of abandoned coal mine lands

FIGURE 1-4



## Assessing Our Performance

### A New Approach

This year we are incorporating a more structured approach for our performance assessment overview. Under each Mission Area, we will summarize the following.

- ◆ How pursuing the Mission Area *benefits* the American public
- ◆ The Department's *performance* progress toward achieving the Outcome Goals in each Mission Area outlined in the Strategic Plan
- ◆ *Next steps* being considered to help bring us closer to realizing our goals

To convey our performance and future plans under each Outcome Goal, we use representative Strategic Plan performance measures to highlight our collective performance. These select performance measures were chosen based on their relatively broad scope, compared to other more specifically defined performance measures, and their potential to represent the Department's overall performance. As such, they are not meant to capture the detail available in the Part 2 performance tables.

Our intent is to routinely use these representative measures so that our yearly progress can be tracked more readily with each subsequent PAR performance assessment overview. We will also use them to identify strategies for performance improvement and identify possible agencywide initiatives.

### Activity-Based Costing

Activity-Based Costing and Management is a tool that links financial and performance data by capturing the cost of performing work activities. ABC/M provides an accurate picture of what is being achieved in relation to what is being spent. Cost drivers for each work activity become more visible. ABC/M information is useful to managers as it relates more clearly to what they deal with on a day-to-day basis. Therefore, an organization can more easily measure how efficiently it is performing work against the cost of the effort and evaluate where changes might be needed. There are approximately 300 ABC/M work activities that align to the strategic Outcome Goals for executing the Department's mission in resource protection, resource use, recreation, and serving communities.

As depicted above in Figure 1-4, ABC Work Activities and costs are used to assess performance across all bureaus and offices. The costs and performance measures are aligned to the Strategic Plan hierarchy and incorporated in the Statement of Net Cost. The presentation of costs for each representative performance measure is captured at the bureau level accounting system before aggregation to the strategic outcome and goals in the consolidated reporting tool.

### Performance and Funding Trends

Each representative Strategic Plan performance measure is plotted for 2007 with a projection into the present fiscal year along with the trend from the past several years. Each measure is also

FIGURE 1-5  
Performance vs. Cost

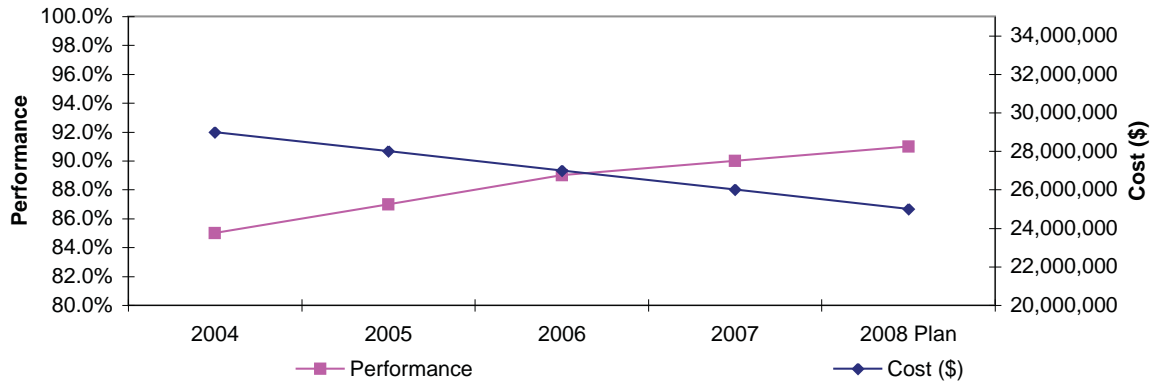


FIGURE 1-6

	2004	2005	2006	2007	2008 Plan
Representative Strategic Plan Measure	Performance target or result (%)				
	Amount achieved				
	Scope				
Cost (\$)					

accompanied by the corresponding trend in funding that contributes toward performance. In this manner, the reader can see the performance and funding realized thus far, along with planning proposed in the 2008 President's Budget.

With the updated Strategic Plan FY 2007–2012, some revised measures are not yet supported by historical data. However, their selection as a representative Strategic Plan performance measure signals our intention to continue routine tracking and reporting of these measures in subsequent PARs, to provide a long-term trend analysis of how we have performed over time.

**Performance Tables**

To give a more complete picture of Interior's performance, tables are included that lay out the performance specifics for each measure following the same annual trend pattern as the graphs.

Every measure has a performance factor—a *metric*. The annual performance results are usually expressed as a percentage based on the

performance factor designated for every measure. For such measures, the percentage is calculated by dividing the numerator—the actual amount achieved, be it acres in desired condition or percent of visitors who are satisfied with a visit to land managed by DOI—by the denominator, or the entire scope of possible achievement.

FIGURE 1-7

$$\frac{\text{Amount achieved}}{\text{Scope}} = \text{Performance Results (\%)}$$

The annual cost devoted to the program or activity is calculated based on the ABC/M methodology and is also listed in the table.

The following sections will describe progress in each Mission Area through representative Strategic Plan measures that capture our performance for this year.

# Mission Area One

## Resource Protection

Interior protects America's natural, cultural and heritage resources. Four Outcome Goals reflect our major objectives in pursuing this Mission Area:

- ◆ Improve health of watersheds, landscapes, and marine resources that are DOI managed or influenced consistent with obligations and State law regarding the allocation and use of water
- ◆ Sustain biological communities on DOI managed and influenced lands and waters consistent with obligations and State laws regarding the allocation and use of water
- ◆ Protect cultural and natural heritage resources
- ◆ Improve the understanding of national ecosystems and resources through integrated interdisciplinary assessment

### Benefits

This Mission Area embodies a portion of Interior's stewardship pact with the American people: to protect our natural resources, as well as our inheritance of cultural and heritage assets. We preserve the past and the present with the goal of maintaining it for the future. The benefits to achieving our Outcome Goals are multifaceted yet interconnected.

Interior is the Nation's principal conservation agency. We manage over 500 million acres of public lands and 56 million surface acres of Indian trust lands. These assets are valued for their environmental resources, recreational and scenic merits, and vast open spaces. Our responsibilities also extend to monitoring and repairing damage done by past mining. The well-being of our land and water is critical to the ecology of our Nation.

Successful conservation works best in partnership with the American people. Our strategy is to empower Americans to become citizen-conservationists. Thousands of different cooperative projects are ongoing today across our Bureaus

based on collaborations with other Federal, State and local agencies, public and private organizations, Tribes, and private landowners. Interior can offer landowners, land-user groups, environmental organizations, communities, tribes, and companies resources and technical support to undertake conservation projects that advance the health of the land, benefiting all of us.

The Department is charged with protecting thousands of native plant and animal species, including more than 1,300 with special status under the Endangered Species Act and nearly 300 candidate species. The forests, mountains, and deserts house biological diversity that is critical to overall ecosystem health, and potentially impacts our own survival.

Interior also conserves the Nation's cultural and heritage sites that reflect a past as rich and diverse as our country. The expanse of these assets includes over 100,000 archeological sites, nearly 40,000 historical structures, and 140 million cultural and museum objects and documents.

The U.S. Geological Survey, the Department's principal science agency, supports our Resource Protection mission. USGS data contributes to sound land and resource decisionmaking through data collection and integration, as well as understanding, modeling, and predicting how multiple forces affect natural systems. Science lies at the foundation of our programs, including ongoing evaluation of their quality and relevance.

## Representative Strategic Plan Measures

We have selected representative performance measures under each Outcome Goal to provide a picture of our overall performance in the Resource Protection Mission Area.

**GOAL: Improve health of watersheds, landscapes, and marine resources that are DOI managed or influenced consistent with obligations and State law regarding the allocation and use of water**

- ◆ Percent of DOI stream and shoreline miles that have achieved desired conditions where condition is known and as specified in management plans
- ◆ Percent of DOI acres that have achieved desired conditions where condition is known and as specified in management plans
- ◆ Number of Federal, private, and tribal land and surface water acres reclaimed or mitigated from the effects of natural resource degradation from past coal mining

**GOAL: Sustain biological communities on DOI managed or influenced lands and waters consistent with obligations and State law regarding the allocation and use of water**

- ◆ Percent of all migratory bird species that are at healthy and sustainable levels
- ◆ Percent of threatened or endangered species that are stabilized or improved
- ◆ Percent of baseline acres infested with invasive plant species that are controlled

**GOAL: Protect cultural and natural heritage resources**

- ◆ Percent of historic structures on DOI inventory in good condition

**GOAL: Improve the understanding of National ecosystems and resources through integrated interdisciplinary assessment**

- ◆ Percent of targeted science products that are used by partners for land or resource management decisionmaking

Discussion

**GOAL:** Improve health of watersheds, landscapes, and marine resources that are DOI managed or influenced consistent with obligations and State law regarding the allocation and use of water

**Representative Strategic Plan Measure:** Percent of stream/shoreline miles that have achieved desired conditions where condition is known and as specified in management plans

FIGURE 1-8

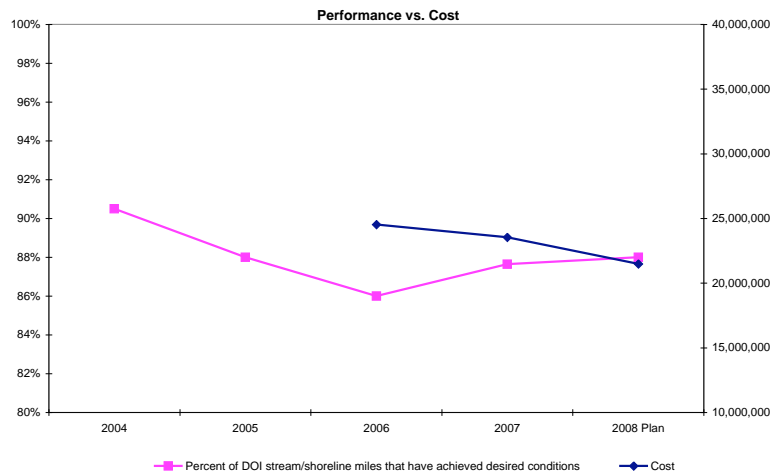


FIGURE 1-9

	2004	2005	2006	2007	2008 Plan
Performance	90.5%	88.0%	86.0%	87.6%	88.0%
Stream/shoreline miles in desired condition	126,821	131,200	137,173	195,306	196,197
Stream/shoreline miles whose condition is known	140,096	149,167	159,411	222,830	222,830
Cost (\$)	Not Available	Not Available	24,523,638	23,550,163	21,495,885

Three Bureaus look after our streams and shorelines: Bureau of Land Management, National Park Service, and Fish and Wildlife Service. Overall performance has been reasonably steady in the 85–90 percent range.

These Bureaus assess, record, and treat more and more streams and shoreline, as seen in the increasing number of miles included in the table. The largest portion belongs to BLM with a little more than 140,000 miles. FWS tracks almost 67,000 miles and NPS, which began reporting in 2007, almost 13,000 miles.

Bureau management plans detail what constitutes desired condition. Performance improvement is hard to assess on a year-to-year basis. However,

the Bureaus concur that achieving desired condition is a lengthy process and is affected by a number of management actions and treatments, including planting, seeding, wildfire, actions to control invasive plant and noxious weeds, and environmental conditions.

Particularly in refuges, streams and shorelines provide important habitat for a variety of fish, wildlife, and plants. Restoration often includes soft shoreline protection and planting native vegetation. Typical materials utilized for such projects include coconut filter fabric, coir logs, and native live plants and seed mixes. The nonnative materials usually biodegrade within five years after the vegetation has been established. Volunteers often provide invaluable labor to help with projects like these.



**Stream/Shoreline Miles Restored**

Arapaho National Wildlife Refuge, CO

FWS is partnering with USGS to restore riparian habitat along the Illinois River within Arapaho NWR in Colorado. Efforts have focused on replanting native willow species along the river banks and fencing exclusion areas to protect sites from excessive grazing from large animals like elk and cattle. These exclosures will help determine if grazing is a factor in why willow regeneration is not occurring naturally in the riparian area. Volunteers have also participated through a partnership with Wildlands Restoration Volunteers, a nonprofit group based in Boulder, Colorado, which organizes public involvement and provides trained crew leaders in these restoration efforts. The project implements the concept of adaptive management as various approaches to willow replanting and exclosure designs are tried and their effectiveness is measured. Riparian willow habitat is important to a number of wildlife species, including neotropical migratory birds. This project is partially funded through the Science Support Partnership program between FWS and USGS.



**Innovative Water Management**

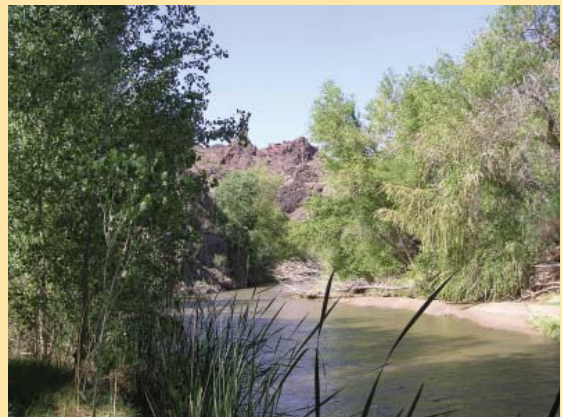
Bill Williams River National Wildlife Refuge, AZ



The Bill Williams River Corridor Steering Committee, headed by FWS in collaboration with BLM, BOR, U.S. Army Corps of Engineers, The Nature Conservancy, and Arizona State and city agencies, has successfully achieved a more natural flow of the Bill Williams River.

By rewriting the Alamo Dam Management Plan, native cottonwood and willow growth along the river has been encouraged, while tamarisk, or salt cedar, an invasive plant species, has been dramatically reduced. By adjusting the water release and desirable flooding from the dam, seeding from the desirable trees can be actively managed. Once established, cottonwood and willow will out-compete tamarisk for the moisture, nutrients, sunlight, and space necessary for growth. As the riparian zone rebounds, monitoring and research continue. The refuge has documented over 350 species of birds, an unusually high number for the southwest desert.

*These photos show young cottonwood seedlings in 2005 and two years later—the same trees established without salt cedar developing.*



**Representative Strategic Plan Measure: Percent of DOI acres that have achieved desired condition where condition is known and as specified in management plans**

FIGURE 1-10

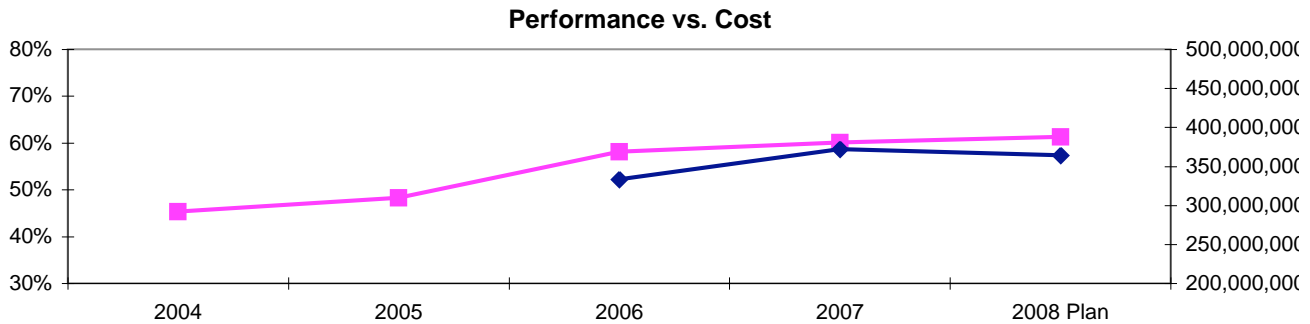


FIGURE 1-11

	2004	2005	2006	2007	2008 Plan
Performance	45%	48%	58%	60%	61%
Acres in desired condition	118,862,916	127,055,258	200,715,412	218,864,783	223,492,266
Acres with known condition	262,659,257	263,115,511	345,580,083	364,460,411	364,460,411
Cost (\$)	Not Available	Not Available	333,382,810	372,177,563	364,308,687

Improving the health of lands, watersheds, and marine resources is a key Outcome Goal in our Resource Protection mission area. Interior is the guardian of America's federally-managed lands and waters. The chart reflects a steady gradual increase in the percentage of acres achieving desired condition. This year the percentage increased by two percent over 2006.

Contributions to achieving desired condition are provided by the Bureau of Land Management, the Fish and Wildlife Service, and the National Park Service. NPS established a baseline for this measure in 2007 and will begin tracking results in 2008. While there has been steady progress, an additional infusion of \$22 million has been proposed in FY 2008 through the Healthy Lands Initiative to potentially increase the rate of improvement on more acreage.

The Initiative embodies a long-term, landscape-scale, collaborative effort with the goal of conservation and restoration of native habitats and fish and wildlife species, including those that are

rare and declining, while providing for managed development. We anticipate 800 species will benefit.

In BLM, \$15 million will be allocated to six priority geographic areas, five of which contain the largest onshore reserves of natural gas in the country. The Healthy Lands Initiative is characterized by the broad scale of the acreage it seeks to rehabilitate and conserve, and the accelerated pace—one to three years—at which results are expected. BLM faces a challenge noted in the Message from the Secretary of concurrently meeting land health goals while encouraging energy development and continued traditional land uses, including recreation, in the West.

BLM provided \$3 million from 2007 appropriated funds to jumpstart work under this Initiative. Several pilot areas were targeted and strides were made by treating the designated landscapes. This effort was expected to restore about 74,000 additional acres of BLM-managed land in 2007 and, with the additional monies proposed in the President's FY 2008 budget, over 300,000 of its acres are expected to be treated and restored in 2008.





### Seeding in the Snow

Big Stone National Wildlife Refuge, MN

At the Big Stone NWR, FWS uses a novel method for native prairie restoration: snow seeding. Using a seed spreader, native grass and wildflower seed is sown directly atop the snow over a former row-crop agricultural field. Snow seedings are very effective because the seed warms up in the sun and melts into the snow layer. The seed becomes locked into the snow and is “cold treated” during that time. As the snow melts the thin layer of soil near the soil surface becomes friable. The seed is planted naturally and the soil firms up as it dries. Native plants include species like little bluestem, big bluestem, Indian grass, cone flowers and blazing stars.



Achievement is based on the condition of lands assessed that are meeting land health standards. Along with the continuing effort to assess land condition, improvement in land health is a gradual process that often takes long periods of time to see change, sometimes decades, especially in the arid



### Cooperative Conservation

Fighting Weeds Together in the Florida Keys

Invasive weeds and exotic plants know no boundaries and are a nemesis to public land managers and private landowners alike. That’s why a landscape-scale, collaborative approach to eradicating invasive exotic plants in the Florida Keys has proven effective and exemplifies the principles of cooperative conservation.

The Florida Keys Invasive Exotics Task Force began eliminating weeds on public lands, but quickly realized that long-term success depended on private landowners and nurseries joining the effort. A volunteer corps was created and due to the size and relative isolation of the islands, efforts are proving to be highly successful. Invasive species have been purged on over 150 private properties in the Keys.

To further the education effort, the Task Force enlisted the help of local nurseries who have provided their customers with Keys-friendly landscaping plants, products and advice. The Task Force’s comprehensive partnering approach shows promise for a lasting victory over invasive exotic plants in the state of Florida and serves as a role model for cooperative conservation across the Nation.

West. Although the overall change appears to be positive, there are several notable indications that the condition of public lands has declined in certain areas. Improving the condition of our land is a challenging, but essential, part of the Department’s mission.

## Healthy Lands Initiative

The Department of the Interior launched the Healthy Lands Initiative in 2007 to restore and improve the health and productivity of public lands in the Western United States while providing for managed development and traditional land uses. The goal is to get out in front of, as well as respond to, a multitude of pressures on public lands, such as increased urban-suburban development, increased outdoor recreational activity, rising demands for energy, and impacts from large-scale wildfires and invasive plants, such as cheatgrass.

The BLM, FWS and USGS are working together with State and local partners to achieve results on a landscape-scale across both public and private lands. Working with partners is a key component of the Initiative, and activities are also coordinated with recently completed State wildlife action plans.

The greater sage-grouse presents a particularly significant challenge, with habitat spanning the western United States, and mostly (72 %) under Federal management. The greater sage-grouse occupies only about 55 % of habitat originally available to them and the species has been petitioned several times for listing under the Endangered Species Act. The Initiative seeks to help prevent the need to list the sage-grouse by restoring and conserving key habitat areas throughout its range. Sagebrush habitat also supports significant numbers of additional plants and animals.



*Before treatment*



*After treatment*

The BLM started funding this initiative with a \$3 million down payment in 2007 matched by approximately \$2 million in partner contributions. More than 72,000 acres of shrub and grassland vegetation was improved on BLM land in 2007 through vegetation treatments, such as prescribed burns, mechanical removal of trees, and herbicide treatments of invasive species, such as cheatgrass. In addition, five miles of stream were enhanced and seventeen riparian projects were constructed. Examples of this work include planting willows and cottonwoods and fencing riparian areas. In 2008 and 2009, with a budget increase for BLM coupled with contributions from base funding in other related budget accounts, the BLM plans to improve 428,000 acres of shrub/grass/ woodlands; apply invasive species control treatments on 101,410 acres; enhance 158 miles of streams; complete 219 riparian projects; and reclaim 266 oil wells and associated roads. In addition, over 71,000 acres of fuels treatment will be implemented; 40 shrub/grass/pinyon juniper forest projects will be constructed; ten species recovery/ conservation plans will be implemented to improve habitats for desert tortoise, Peninsular Range Bighorn Sheep, desert pupfish, Armargosa vole, and sage grouse.

**Representative Strategic Plan Measure: Number of land and surface water acres reclaimed or mitigated from effects of past coal mining**

FIGURE 1-12

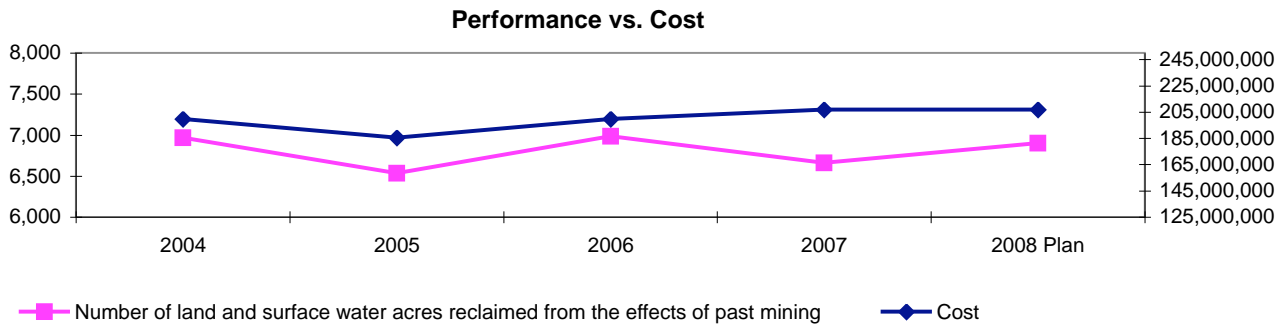


FIGURE 1-13

	2004	2005	2006	2007	2008 Plan
Number of land and surface water acres reclaimed or mitigated from the effects of natural resource degradation from past coal mining	6,965	6,533	6,983	6,658	6,900
Cost (\$)	199,722,508	185,335,814	199,514,683	206,985,032	206,985,032

A moderate increase is expected in FY 2008 compared to last year in the number of acres reclaimed from the effects of past coal mining. Projects typically take two to three years to implement, and results are usually not realized for several years after funding is applied to a site.

Most all of the land surface mined for coal within the eastern United States and Pacific Northwest was forested until mined. The coal fields of the eastern United States lie within the largest and oldest deciduous forests on Earth. Forests are major sequesters of carbon and producers of oxygen—they are critical to the ecological health of the Earth. Increases in surface coal mining have led to substantial forest fragmentation, loss of habitat for critical species such as the Indiana

Bat and Cerulean Warbler, and increased flooding due to higher peak runoff from reclaimed areas. OSM, in cooperation with several States and other partners, initiated the Appalachian Regional Reforestation Initiative to address effective reforestation of abandoned mine land. ARRI has laid the groundwork for changing perceptions of what constitutes effective reclamation.

We expect a dramatic increase in the number of reclaimed abandoned mine land acres, as the amount of money available to uncertified States, which have yet to conduct coal mine reclamation work, will almost double by FY 2009 as a result of the Surface Mining Control and Reclamation Act Amendments of 2006.



### Return of the American Chestnut

The American chestnut at one time dominated eastern forests, representing a quarter of the trees from Maine to Florida and west of the Ohio Valley. In the first half of the twentieth century, however, the American chestnut tree was decimated by a fungus from Asia. Today, a fully grown American chestnut tree is a rare sight—though these trees are sprouting from roots in the forest, they soon become affected by the chestnut blight and die before maturing.

Under the Surface Mining Control and Reclamation Act of 1977, OSM oversees the reclamation of surface coal mines, many located in the eastern forests where the American chestnut was once king. OSM is working in partnership with The American Chestnut Foundation and the Appalachian Regional Reforestation Initiative to combine reclamation of mine sites with restoration of the American chestnut. The millions of acres of forest surrounding mine sites are home to wildlife that will spread the chestnut seeds.

For more than 25 years, TACF has worked to develop a blight resistant American chestnut that will restore the tree to the eastern woodlands.



*The photos here show an American chestnut tree that was not destroyed by the fungus and a seedling that was planted on mine spoil.*

**GOAL: Sustain biological communities on DOI managed or influenced lands and waters consistent with obligations and state law regarding the allocation and use of water**

**Representative Strategic Plan Measure: Percent of all migratory bird species that are at healthy and sustainable levels**

FIGURE 1-14

**Performance vs. Cost**

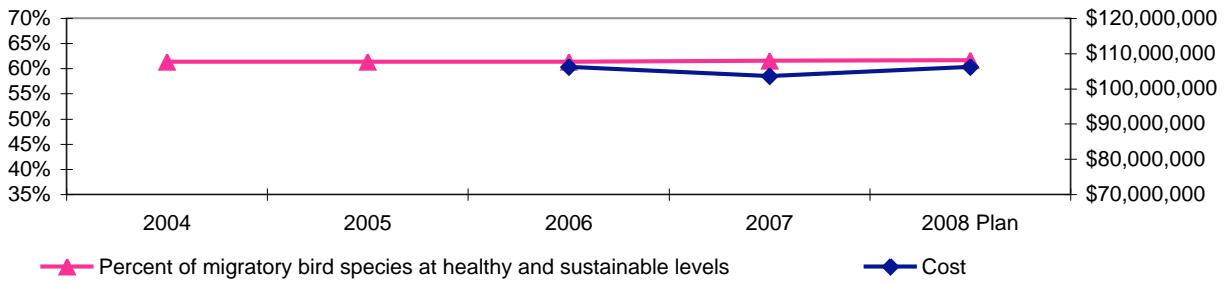


FIGURE 1-15

	2004	2005	2006	2007	2008 Plan
Performance	61%	61%	61%	62%	62%
Number of migratory bird species at healthy and sustainable levels	561	561	561	561	563
Number of migratory bird species	913	913	913	912	912
Cost (\$)	Not Available	Not Available	106,199,619	103,520,674	106,129,395

Migratory birds are one of North America’s most highly valued natural resources. The Fish and Wildlife Service is the lead Federal agency for migratory bird conservation. About 62 percent of the 912 migratory bird species are at healthy and sustainable levels.

The mission of the Migratory Bird Management Program is to conserve and manage the native species of migratory birds and their habitats, in partnerships with others, to fulfill U.S. treaty obligations and trust responsibilities. The aim is to remove or reduce harmful threats to birds and to identify and develop focused management actions that will result in healthy and sustainable population

levels. The program’s greatest challenge is to continuously increase knowledge of bird population status and trends.

Since 2004, the status of five migratory bird focal species has improved, helping to ensure 62% of our Nation’s migratory birds are at healthy and sustainable levels. The program will continue to work toward achieving the long-term performance goal of an increase of five additional species at healthy and sustainable population levels. However, achievement of this goal is not expected to occur until after several more years of work, as it takes considerable effort over time to improve the population of an entire species.

### Curlew Conservation

The range of the Long-billed Curlew, a large shorebird endemic to the grasslands of North America, has contracted by more than one-third over the last century. Because of continuing conservation concerns, the FWS Migratory Bird Program designated the Long-billed Curlew as a Focal Species for conservation action.

One of the initial conservation steps for Long-billed Curlews involved the design and implementation of a rangewide breeding survey to accurately assess their status. Many partners from Federal and State agencies and nonprofit organizations participated in the FWS-led survey. Results are being published in peer-reviewed scientific journals. Service staff are also conducting a comprehensive conservation assessment, developing a Focal Species Action Plan, and facilitating communication among Long-billed Curlew researchers. Recent North American Wetlands Conservation Act grants and projects through the FWS Partners for Fish and Wildlife program have helped preserve and restore Long-billed Curlew habitat in Montana. The Long-billed Curlew is an icon for grassland protection in developing conservation provisions of the 2007 Farm Bill.



### A Legendary Bird

Albatrosses are birds of legend and extremes. The oldest living North American bird in the wild is a Laysan Albatross that is still breeding at 55 years old. This superlative group of species also boasts the longest wingspan of any bird (over 11 feet). The bird is arguably the longest distance wanderer in the world. Two species of albatross breed in the U.S., the black-footed albatross and the Laysan albatross. Both have been identified as Birds of Conservation Concern by the Department. The



core of their breeding range is the Northwestern Hawaiian Islands, where the majority of birds nest on small islands and atolls. The Department is strategically moving forward on securing the future of black-footed and Laysan albatrosses by identifying and addressing threats, including incidental mortality in fishing operations, predation by introduced mammals, reduced reproductive

output due to contaminants, and nesting habitat loss and degradation due to invasive plant species. To guide this work, a comprehensive Conservation Action Plan has



been created and an innovative long-term monitoring program has been launched by the Department to track albatross populations at their breeding colonies. The Department has also teamed up with university researchers to track the long-range movements of albatrosses at sea, using cutting edge geo-location technology. Through this dual focus of conservation on land and at sea, the Department hopes to ensure the future of these magnificent birds which have been described by author Carl Safina as “living poetry upon the ocean.”

*The photos show nesting albatross and an albatross chick.*

**Representative Strategic Plan Measure: Percent of threatened or endangered species that are stabilized or improved**

FIGURE 1-16

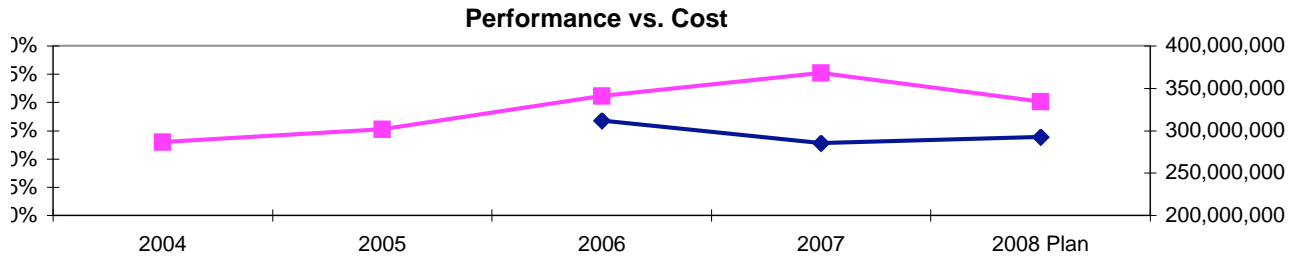


FIGURE 1-17

	2004	2005	2006	2007	2008 Plan
Performance	33%	35%	41%	45%	40%
T&E Species stabilized/improved	413	442	522	573	509
T&E Species	1,252	1,256	1,269	1,269	1,269
Cost (\$)	Not Available	Not Available	312,030,262	285,255,306	292,443,740

One of the most noble efforts under the Sustaining Biological Communities goal is improving and ultimately recovering threatened and endangered species. The overall pursuit is led by FWS with contributing efforts by BLM and NPS.

Our Department performance has reached the 45 percent range. Restoring a species to the point where it is a secure, self-sustaining component of its ecosystem requires a sizeable investment of effort over time and often involves trying to compensate for threats that have been impacting species for many years. Program performance is showing an overall improving trend, reflecting the successes of the efforts expended over the past years.

In FY 2007, the most notable delistings of endangered or threatened species include the bald eagle, Yellowstone grizzly bear, and Western Great Lakes gray wolf.

FWS is developing a strategic plan for the Endangered Species Program that identifies new long-term outcomes. The new goals will capture candidate conservation efforts to prevent species from becoming listed in the first place.

BLM typically works in conjunction with FWS to directly support the Endangered Species Act by restoring or enhancing acres of habitat that sustain species listed as threatened or endangered. In 2007, BLM began to track the population status of high priority listed species across its managed lands.



### **The Eagle Has Landed**

On June 28, 2007, Secretary of the Interior Dirk Kempthorne announced the removal of the bald eagle from the list of threatened and endangered species at a ceremony at the Jefferson Memorial in Washington, DC. After nearly disappearing from most of the United States decades ago, the bald eagle is now flourishing across the Nation and no longer needs the protection of the Endangered Species Act.

Secretary Kempthorne said, "In 1963, the lower 48 states were home to barely 400 nesting pairs of bald eagles. Today, after decades of conservation effort, they are home to some 10,000 nesting pairs, a 25-fold increase in the last 40 years. Based on its dramatic recovery, it is my honor to announce the Department of the Interior's decision to remove the American Bald Eagle from the Endangered Species List."



**Representative Strategic Plan Measure: Percent of baseline acres with invasive plant species that are controlled**

FIGURE 1-18

**Performance vs. Cost**

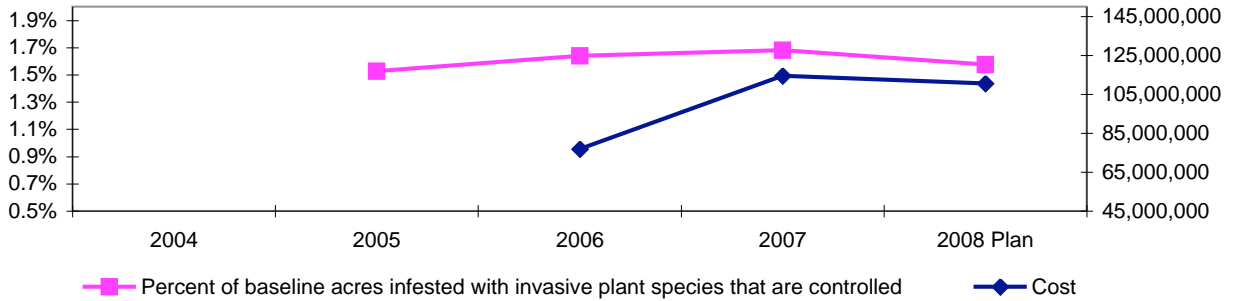


FIGURE 1-19

	2004	2005	2006	2007	2008 Plan
Performance		1.5%	1.6%	1.7%	1.6%
Number of acres infested with invasive species		615,991	667,640	634,296	594,325
Number of baseline acres infested		40,364,819	40,725,678	37,717,610	37,719,169
Cost (\$)	Not Available	Not Available	76,723,551	114,379,123	110,443,969

Invasive plants include both noxious weeds and other plants that are not native to the environment. For example, BLM considers plants invasive if they have been introduced into an environment where they did not evolve. As a result, they often have no natural enemies to limit their reproduction and spread. Invasive plants can spread into and dominate native or managed plant systems and disrupt the ability of the system to function normally through the aggressive competition for moisture, nutrients, sunlight, and space.

Four Bureaus, the Bureau of Land Management, National Park Service, Fish and Wildlife Service, and Bureau of Reclamation, support the effort to control acreage infested with invasive plant species. Baseline acres with invasive species that are controlled is at 1.7 percent—a result that might seem insignificant until one considers the magnitude of a problem that affects 38 million acres. The good

news is that 90 percent of Federal lands are not significantly infested.

The people power needed to combat exotic invaders is enormous, and the time to gain control of an invasive species is considerable. Our Bureaus are using inventive tactics to tackle the problem. NPS has responded to the invasion with Exotic Plant Management Teams. The seventeen teams, located throughout seven regions, were modeled on the coordinated rapid response approach used in wildland fire fighting.

Confronting invasive species presents a major challenge for the National Wildlife Refuge System managed by FWS. According to 2006 Refuge Annual Performance Planning data, two million acres of refuge lands are infested with invasive plants. While we are spending significant resources to control these populations, only about 14 percent



*Before treatment*

### Tamarisks Begone!

Tamarisk (also known as salt cedar) is a hearty shrub-tree from Eurasia brought into the United States early in the last century. Tamarisk was purposely introduced for its superior ability to stabilize river banks for flood control, and to provide tree windbreaks to control wind erosion. Its ability to survive harsh habitats, its prolific reproductive traits, and broad ecological tolerances enabled tamarisk to excel in these roles. Unfortunately, these very same qualities allowed tamarisk to become a major invasive species in the United States. Tamarisk now infests nearly 2 million acres of land in the Western States.

This invasive woody plant can grow into uncontrolled dense stands along waterways and replace native

vegetation with single species tamarisk stands. Tamarisk can reduce habitat quality for wildlife, increases wildfire danger, chokes stream flow and may contribute to increased soil salinity. Tamarisk control and the preservation and restoration of riparian and wetland habitats are high priorities due to the importance these unique habitats play in biological diversity.

Specialists at the Bureau of Reclamation employed methods tailored to the special needs of each tract of tamarisk-infested land. These included the release of tamarisk leaf beetles, as shown below. Reclamation had originally planned to carry out tamarisk control efforts on a total of 550 acres. Additional funds enabled 1,361 acres on 1,911 treated acres to be successfully controlled.



*After treatment*

of infested refuge acres have been treated to date, and only about 5 percent of these have been controlled. Approximately 25,000 acres of refuge lands, in addition to a couple hundred water bodies, have been inventoried and mapped by approximately 200 volunteers trained to use handheld computers

and GPS devices. These volunteers have logged 8,000 hours providing valuable baseline data on the extent of invasive plant infestations on refuges. Refuge System staff work diligently to control invasive plants, but increasingly refuges rely on volunteers to help in the fight.

**GOAL: Protect cultural and natural heritage resources**

**Representative Strategic Plan Measure: Percent of historic structures on DOI inventory in good condition**

FIGURE 1-20

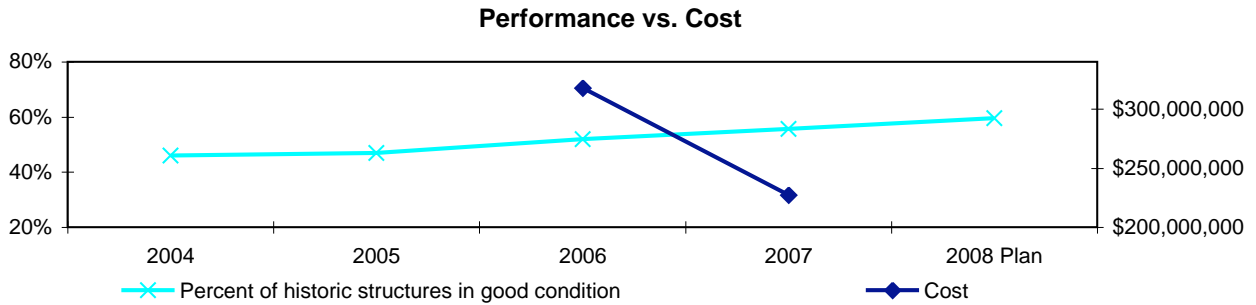


FIGURE 1-21

	2004	2005	2006	2007	2008 Plan
Performance	46%	47%	52%	56%	60%
Historic structures in good condition	12,102	12,660	13,788	14,825	15,747
Total number of historic structures	26,585	26,879	26,630	26,616	26,428
Cost (\$)	Not Available	Not Available	318,018,235	227,393,649	Not Available

Interior maintains almost 40,000 historic structures among four Bureaus—National Park Service, Bureau of Land Management, Indian Affairs and Fish and Wildlife Service. Overall performance in bringing the aggregate of structures to good condition has continued to improve. Deterioration over time lowers the status of these sites. Good condition means that a site is intact, structurally sound, stable, and maintains its character and material.

The largest portion of sites is found in our national parks. The increased 2008 funding from the National Park Service Centennial Challenge Initiative will help increase the number of historic structures in good condition to approximately 15,000 of the 26,000 structures located in national parks. The funding from the Centennial Challenge will also favorably impact other NPS cultural assets. NPS maintains over 100,000 archeological sites on park lands, from the Chaco Canyon National Monument in New Mexico, which contains extensive prehistoric pueblo ruins, to Indiana Dunes National Lakeshore, home of 240 known archeological sites. Overall NPS

performance has remained relatively steady since 2004, near 70 percent. The additional funding will enable NPS to conduct significant work on almost 3,000 sites.

BLM has implemented the Preserve America principles outlined in the President's 2003 Executive Order 13287, particularly as they relate to using the Department's historic resources to promote economic development through heritage tourism. In stabilizing, protecting, and interpreting standing structures on public land, BLM focuses on those structures that visually and emotionally engage visitors, transporting them to another time and place in our Nation's past. About 77 percent of the historic structures on BLM-managed land are in good condition.

Roughly 1,000 buildings on refuges managed by FWS are considered *historic*: 50 years is the mark for consideration as an historic structure according to the National Historic Preservation Act. In March 2007, FWS launched a small grant program focused on projects that connect history with habitat



### Heritage Asset Partnership

The Heritage Assets Partnership is a standing committee that supports responsible stewardship of the Department's heritage assets. These assets are of historical, natural, cultural, educational or artistic significance, and are expected to be preserved indefinitely. To accomplish that goal, the HAP has helped DOI develop language in the DOI Asset Management Plan for heritage assets, ensuring that the assets are appropriately integrated into the Plan.

Through the HAP, Bureau heritage assets managers develop common strategies and agreements to strengthen management, preservation and care of these irreplaceable resources that memorialize our Nation's past.

*The photo here is one of Interior's assets: the Lookout Studio, built in 1914 by the great American southwestern architect Mary Elizabeth Jane Colter, who designed it to harmonize with its setting in the Grand Canyon.*

management. Several of the recipients are now rehabilitating historic structures and simultaneously restoring or interpreting the habitat around them. In some cases, the Refuge System rehabilitates a historic structure for use as lodging for visitors or for administrative offices. This approach complies with legal mandates to protect these structures and also provides visitor services and reductions in rent costs.

Indian Affairs remains unable to report the condition of its historic structures, as the funding for this activity is minimal. The drop in costs is due to NPS allocating approximately \$90 million less in FY 2007 commensurate with what is needed for the type of projects planned in the coming years.



### Collaborative Action and Dispute Resolution

#### Resolving the St. Croix River Crossing Controversy

The Stillwater Lift Bridge, built in 1931, spans the St. Croix National Scenic River and connects Stillwater, Minnesota, to northwestern Wisconsin. The lift bridge is heavily traveled by residents and visitors. Its deteriorating condition, due to its age, caused concern about its safety.

Federal and State transportation agencies decided to remove the bridge and build a new one. However, a permit was not granted as NPS had determined that the project would have a direct and adverse effect on outstanding scenic and recreational values.

In 2001, a group was formed that included representatives from Federal, State and local governments, as well as representatives of local citizen groups, environmental groups, historic preservation groups and local chambers of commerce. These parties held facilitated discussions to craft a solution that would satisfy transportation and environmental interests, as well as local concerns. The solution preserved a historic site and also mitigated impact on wildlife. The parties reached agreement in 2007 to keep the original lift bridge as a pedestrian and bicycle crossing, and to construct a new bridge for vehicular traffic.



**GOAL: Improve the understanding of National ecosystems and resources through integrated interdisciplinary assessment**

**Representative Strategic Plan Measure: Percent of targeted science products that are used by partners for land or resource management decisionmaking**

FIGURE 1-22

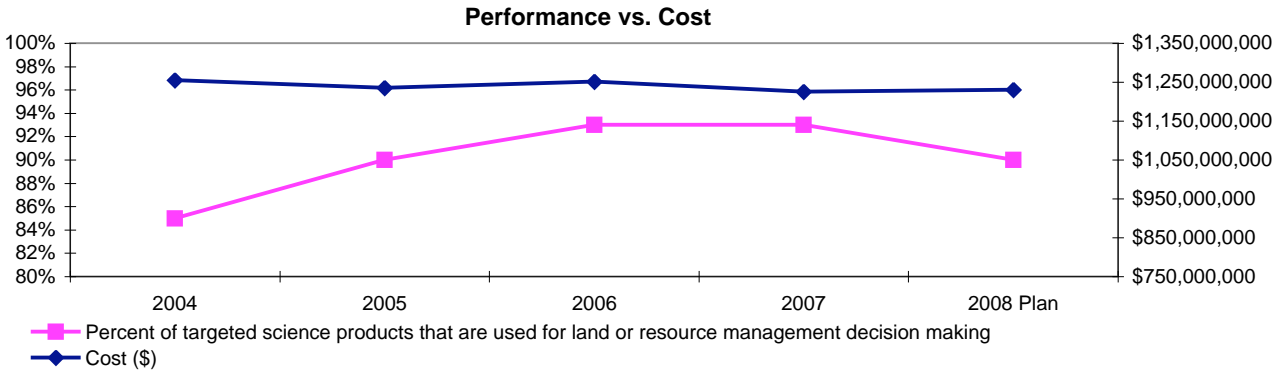


FIGURE 1-23

	2004	2005	2006	2007	2008 Plan
Percent of targeted science products that are used by partners for land or resource management decision making	85%	90%	93%	93%	90%
Cost (\$)	1,255,351,787	1,235,042,130	1,251,015,129	1,224,776,955	1,230,116,607

The U.S. Geological Survey supports both increased understanding and informed decisionmaking through science. USGS produces scientific assessments and information on the quality and quantity of our Nation's water resources, as well as providing geographic, geospatial, and natural resource data, and conducts multipurpose natural science research. USGS products include water resources monitoring and research, geologic landscapes and coastal assessments; geographic research; land remote sensing; geospatial data; biological research and monitoring programs; and information management and delivery programs. USGS expertise is used in interagency ecosystem initiatives across the United States. Actual performance continues to meet expectations. Costs are indicative of the number and relative size of studies undertaken by USGS in the related disciplines.

River Basin in Wyoming, one of the areas with the largest onshore natural gas reserves in the country. USGS, BLM, and FWS, along with the U.S. Forest Service, Wyoming Game and Fish Department, and the Wyoming Department of Agriculture, joined forces to tackle the issues at this complex wildlife-energy interface. USGS brings its portfolio of science expertise to help decisionmakers build and implement adaptive management solutions. USGS hosted a science workshop with over 35 organizations working together to develop a science plan. In 2008, USGS will implement short-term activities to meet immediate needs, as well as longer term research, and will develop tools, models and data management systems to store, retrieve, manage, and use the information collected in developing adaptive management. Our goal is to ensure the long-term viability and sustainability of wildlife and habitats in energy development areas.

In 2007, USGS redirected funding to support the Healthy Lands Initiative with a focus on The Green

### Salt in the River of Grass

#### Understanding Everglades Salinity for Ecosystem Recovery

The interplay of freshwater and saltwater in Florida's Everglades is key to the habitats of creatures from American alligators to spiny lobsters to oysters. USGS scientists in the Ecosystem History of South Florida's Estuaries Project are involved in an effort to understand the dynamics of salinity in the South Florida Everglades, with an eye toward ecosystem recovery. Working closely with colleagues from Federal, State, and local agencies on the Southern Estuaries subteam of RECOVER (REstoration COordination and VERification), the team has established performance measures and targets for restoration—critical factors used in making and validating management decisions regarding the region. RECOVER is part of the Comprehensive Everglades Restoration Plan “responsible for linking science and the tools of science to set system-wide planning, evaluation and assessment tasks.”



*This photo shows core collection in the southwest coastal area of Everglades National Park.*



### Preserve America

The Preserve America Initiative began in March 2003. The Preserve America Executive Order, which supports the National Historic Preservation Act, recommit the Federal government to historic preservation and encourages Federal agencies to care for heritage assets in Federal stewardship. Interior serves in a leadership role with the Advisory Council on Historic Preservation.

In addition, the Initiative aims to increase awareness of cultural and natural heritage assets and build support for integrating these historic treasures into contemporary community life. Preserve America celebrates the history of each community in the country.

The principal components of Preserve America include:

- ◆ Preserve America Community designation program, which recognizes communities that celebrate and protect their heritage, use their historic assets for economic development and community revitalization, and encourage people to experience and appreciate historic resources through educational and heritage tourism efforts.
- ◆ Preserve America Presidential Awards, started in 2004, have recognized four outstanding efforts annually to preserve and share heritage assets.
- ◆ Preserve America Grants, administered by the NPS, provide funding on a matching basis to help communities develop resource management strategies and sound business practices for continued preservation and use of heritage assets.

To date, there are over 500 designated Preserve America Communities in all 50 states, and almost \$10 million has been awarded to nearly 140 projects throughout the country. For more information, please visit <[www.preserveamerica.gov](http://www.preserveamerica.gov)>

# Mission Area Two

## Resource Use

**H**ow we manage our natural resources now directly affects the availability of those resources in the future. Four Outcome Goals for this Mission Area provide a framework for Interior's stewardship work.

- ◆ (Energy) Manage or influence resource use to enhance public benefit, responsible development, and economic value
- ◆ Deliver water consistent with applicable State and Federal law in an environmentally responsible and cost-efficient manner
- ◆ (Land-Related Resources) Manage or influence resource use to enhance public benefit, responsible development, and economic value
- ◆ Improve the understanding of energy and mineral resources to promote responsible use and sustain the Nation's dynamic economy

### Benefits

Striking a balance between meeting our country's energy needs while ensuring responsible use of the land that contains these valuable resources is a worthy goal, especially in this time of heightened environmental consciousness. Our mission to manage America's natural resources includes promoting responsible development and use of energy, grazing land, forest products, and non-energy mineral deposits.

The quality of life that Americans enjoy today depends largely upon a stable and abundant supply of affordable energy. Energy heats and cools our homes. It fuels our ambulances, fire trucks, ships, and airplanes. It powers the companies that create jobs and the agricultural economy that feed our Nation and the world.

## Mission Area Two: Resource Use

The Minerals Management Service issues offshore leases to oil and gas companies for prospective development. The Bureau of Land Management leases land that potentially holds coal, oil or gas onshore. Interior manages land and water that produce about 30 percent of America's energy supply. Typically, Interior's role is to provide responsible access to energy producers, not to perform the actual production. However, in the case of Interior's Bureau of Reclamation, energy production via hydropower is a Bureau function. Reclamation is the second largest producer of hydroelectric power in the Western United States, with 58 power plants annually providing more than 40 billion kilowatt hours of hydroelectricity to serve 6 million homes. Reclamation is also the largest wholesaler of water in the country. BOR brings water to more than 31 million people and provides one out of five western farmers with irrigation water for 10 million acres of farmland that produce 60 percent of the Nation's vegetables and 25 percent of its fruits and nuts. USGS research on, and assessments of, undiscovered non-fuel mineral and energy resources assist these Bureaus in their goal of providing responsible management of resources on Federal lands.

### Representative Strategic Plan Measures

Our representative Strategic Plan measures that give an overall picture of our performance in the Resource Use Mission Area are organized under four Goals:

#### **GOAL: (Energy) Manage or influence resource use to enhance public benefit, responsible development, and economic value**

- ◆ Percent of fluid mineral leases with approved applications for permits to drill

- ◆ Number of onshore Federal acres under lease for coal development
- ◆ Number of offshore lease sales held consistent with the Secretary's 2007–2012 Five-Year Program
- ◆ Percent of active coal mining sites that are free of off-site impacts
- ◆ Percent of Federal and Indian revenues disbursed on a timely basis per statute

#### **GOAL: Deliver water consistent with applicable State and Federal law in an environmentally responsible and cost-efficient manner**

- ◆ Water infrastructure is in fair to good condition as measured by the Facilities Reliability Rating

#### **GOAL: (Land-Related Resources) Manage or influence resource use to enhance public benefit, responsible development, and economic value**

- ◆ Percent of grazing permits and leases processed as planned consistent with applicable resource management plans
- ◆ Percent of allowable sale quantity timber offered for sale consistent with applicable resource management plans

#### **GOAL: Improve the understanding of energy and mineral resources to promote responsible use and sustain the Nation's dynamic economy**

- ◆ Percent of targeted science products that are used by partners or customers for land or resource management decisionmaking



Discussion

**GOAL: Manage or influence resource use to enhance public benefit, responsible development and economic value**

**Representative Strategic Plan Measure: Percent of fluid mineral leases with approved applications for permits to drill**

FIGURE 1-24

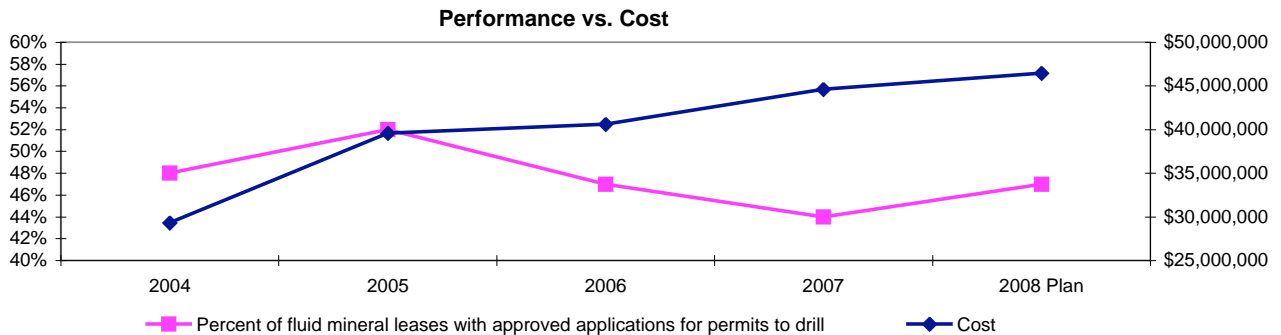


FIGURE 1-25

	2004	2005	2006	2007	2008 Plan
Performance	48%	52%	47%	44%	47%
Federal oil & gas leases in producing status	21,889	23,511	22,859	21,612	23,393
Federal oil & gas leases in effect	45,836	45,479	48,423	49,152	49,731
Cost (\$)	29,295,306	39,601,102	40,612,263	44,611,378	46,447,919

Performance on this measure was at 44 percent for 2007. BLM expects the increased demand for Applications for Permits to Drill to continue in 2008, although the number of leases is expected to remain at a comparable level each year. The number of APDs approved does not necessarily have a direct effect on the number of producing leases. APDs can be approved and drilled on leases that are already producing and, therefore, would not increase the number of leases in production. In most cases, a producing oil and gas lease will contain several producing wells.

An APD is a package that oil and gas operators submit to BLM that provides all the information related to how a well will be drilled, its construction, the tests conducted during drilling, how it will be plugged and abandoned if necessary, and all of

the equipment that will be used during the drilling process. BLM reviews the drilling plan from a technical standpoint before approving the APD to ensure that the operator will manage the site responsibly.

In 2007, BLM issued 3,188 oil and gas leases. At the end of the year, 49,152 oil and gas leases were in effect, and 21,612 of these leases were in a producing status. The percent of oil and gas leases producing is related to the following:

- ◆ Number of oil and gas leases issued each year
- ◆ Number of oil and gas leases that expire at the end of their 10-year terms without going into production during the year

### Environmental Inspections Increase

In the Farmington Pilot Office, inspection and enforcement staffing has doubled since 2001. Under a new inspection strategy implemented in late 2005, the number of total inspections is up 22%. The 3,000 inspections conducted in FY 2006 included nearly 6,000 wells. The most dramatic increase has been in the number of environmental inspections, due to higher staffing levels and to greater awareness of the environmental issues associated with oil and gas development in the area. At the same time that the number of inspections is increasing, the unit-cost of labor per inspection has decreased, down 9% in the first year of the Pilot Project.



Under the authority given to Pilot Offices in the Energy Policy Act of 2005, an inspector from the New Mexico Oil Conservation Division and eight tribal inspectors from the Navajo Nation and the Jicarilla Apache Tribe are also assigned to the Farmington Office. Cooperation and coordination with NMOCD and

tribal inspectors eliminate duplication of effort and allow sharing of common inspection goals. The new inspection strategy ensures that all 20,000 producing oil and gas wells in the San Juan Basin will be inspected every three years.

- ◆ Number of producing oil and gas leases that terminate due to lack of production during the year
- ◆ New leases that become productive during the year

Costs budgeted for this activity increased in 2005 and reflected both the increased industry demand and the new requirements stemming from the Energy Policy Act of 2005. Those requirements included timely action on APDs and compliance with the National Environmental Policy Act.

The 2008 budget proposes that BLM's oil and gas program transition from dependence on mandatory mineral leasing rental receipts to increased reliance on fees for processing APDs. The Administration

submitted legislation to repeal provisions in Section 365 of the Energy Policy Act that prohibit BLM from charging fees for processing applications. The proposed legislation will also redirect mineral leasing receipts from BLM's Permit Processing Improvement Fund back to the Treasury. This approach should help BLM improve planning and customer service by strongly linking program funding to actual demand.

Every lease contains standard stipulations designed to protect air, water, wildlife, historic and cultural resources, as well as require reclamation. Stipulations are part of producing oil and gas in an environmentally responsible way. Before a drilling permit is issued and a well is actually drilled, experts conduct additional environmental analysis.

**Representative Strategic Plan Measure: Number of onshore Federal acres under lease for coal development**

FIGURE 1-26

	2004	2005	2006	2007	2008 Plan
Number of onshore federal acres under lease for coal development	456,578	453,442	466,652	466,943	464,450
Cost (\$)	2,982,176	3,921,020	4,019,503	3,522,116	2,901,627

At the end of 2006, BLM administered 293 Federal coal leases, covering approximately 460,000 onshore acres. The number of acres under lease for coal development is expected to be comparable between 2007 and 2008, and costs are expected to decrease slightly due to an expected decrease administration costs.

The Nation's reliance on Federal coal leases administered by BLM has increased from providing 29 percent of the Nation's coal in 1994 to 45 percent

in 2006. Two years ago, according to the Energy Information Administration, over half of the Nation's electricity generated came from coal. That amount accounts for 92 percent of the total coal extracted.

Annual coal production is slightly more than one billion tons, and demand for coal is expected to increase to nearly two billion tons over the next 25 years. Much of the projected increases must come from Federal reserves in the western States administered by BLM.

**Reducing the Environmental Footprint of Development**

Like all BLM Field Offices that process Applications for Permits to Drill, new Pilot Offices are finding ways to ensure that oil and gas operations on public land are environmentally responsible. The configuration and staffing in the Pilot Offices are being tested to see whether, in addition to processing APDs more efficiently, they can better integrate environmental Best Management Practices into permitting and improve inspection and enforcement during the operations phase.

The Grand Junction/Glenwood Springs Pilot Office exemplifies integration of BMPs to reduce the environmental footprint of development. On leases in the Piceance Basin, operator Williams Exploration and Production is using a new drilling rig that can simultaneously drill and complete up to 22 wells spaced seven feet apart on a single well pad. Combined with other BMPs, the drilling technology shortens the production cycle, minimizes impacts to wildlife and noise disturbances, and reduces truck traffic. Williams is using these same techniques on non-federal leases, and other operators are following the company's example on their leases in the Piceance Basin. The company received a 2007 BLM Oil, Gas and Geothermal Development Environmental Best Management Practices Award for this project.



**Representative Strategic Plan Measure: Number of offshore lease sales held consistent with the Secretary's 2007–2012 Five-Year Program**

FIGURE 1-27

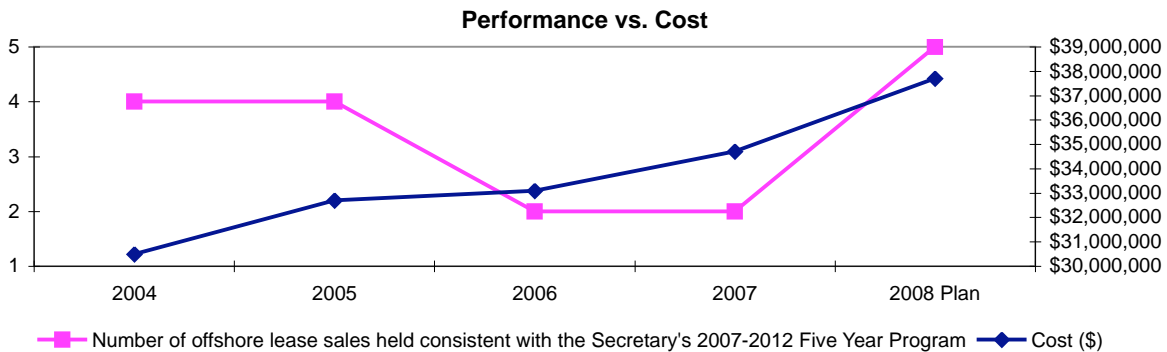


FIGURE 1-28

	2004	2005	2006	2007	2008 Plan
Number of offshore lease sales held consistent with the Secretary's 2007-2012 Five Year Program	4	4	2	2	5
Cost (\$)	30,500,000	32,700,000	33,100,000	34,700,000	37,700,000

The Outer Continental Shelf Lands Act requires the Secretary of the Interior to prepare and maintain an Offshore Oil and Gas Leasing Program that indicates the size, timing, and location of leasing activity determined to best meet national energy needs for the 5-year period following its approval. The Department provides the Nation with about 30 percent of its domestic oil production and 21 percent of its domestic natural gas production.

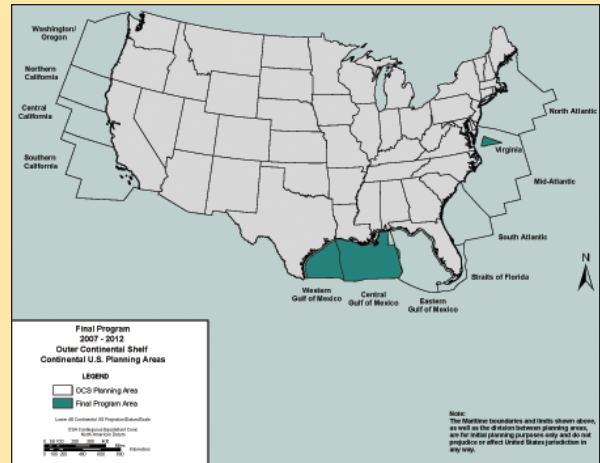
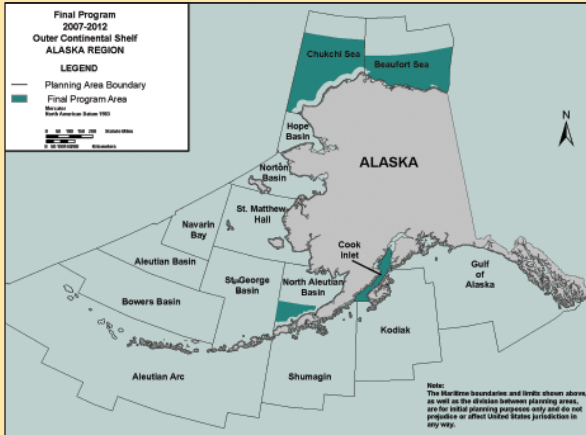
The two 2007 lease sales met the target set in the Secretary's 5-Year Program. A total of 21 lease sales in 8 of the 26 Outer Continental Shelf areas available for leasing were proposed during the next five-year program starting July 1, 2007. The eight

OCS sites include three areas in the Gulf of Mexico, one area in the Mid-Atlantic, and four areas offshore Alaska. Costs cover the preparation, conduct, and processing of each lease sale. Even though a lease sale occurs in a given year, costs for any lease sale are incurred over several years.

The Minerals Management Service estimates the program could produce 10 billion barrels of oil and 45 trillion cubic feet of natural gas, generating almost \$170 billion in net benefits for the Nation over a 40-year time span. Beneficiaries of offshore revenues are the U.S. Treasury, States adjacent to OCS leases, Land and Water Conservation Fund and the National Historic Preservation Fund.

### Outer Continental Shelf

The Federal Outer Continental Shelf, a major supplier of oil and natural gas for the domestic market, consists of submerged lands, subsoil and seabed starting from three to nine statute miles out to 200 nautical miles from the U.S. coastline. The two maps show the program areas where lease sales will be held in Interior's Final 2007-2012 OCS Oil and Gas Leasing Program. This



leasing program, effective July 1, 2007, was developed through an extensive consultation process with Members of Congress, State, local and tribal officials, industry, environmental organizations, and the general public. This program ensures that the OCS remains a solid contributor to the Nation's energy needs through careful regulation and conservation of resources.

Representative Strategic Plan Measure: Percent of active coal mining sites that are free of off-site impacts

FIGURE 1-29

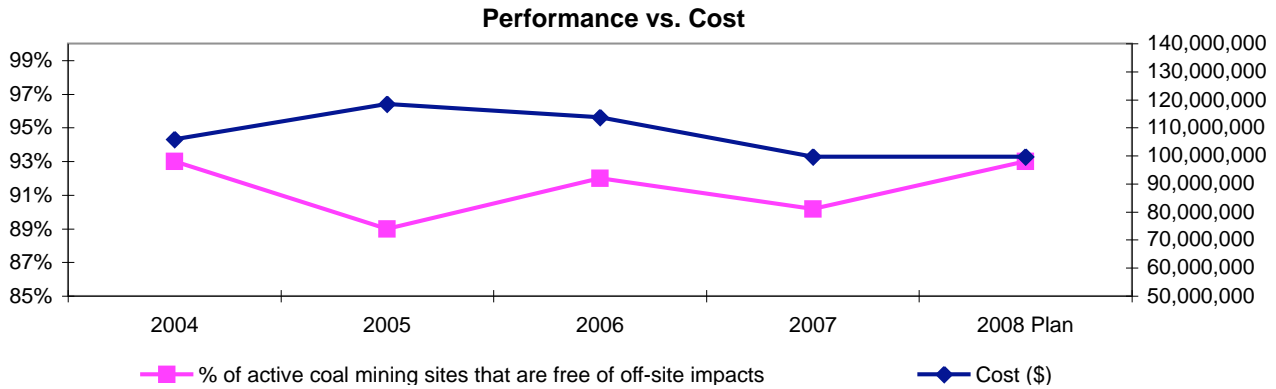


FIGURE 1-30

	2004	2005	2006	2007	2008 Plan
Performance	93%	89%	92%	90%	93%
Number of mining sites free of off-site impacts	6,364	7,436	7,454	7,103	
Number of mining sites	6,872	8,335	8,142	7,877	
Cost (\$)	105,813,000	118,487,000	113,684,000	99,688,551	99,688,551

Thirty years ago, in 1977, the Surface Mining Control and Reclamation Act was signed into law to provide National environmental standards for the regulation and reclamation of surface and underground coal mines. Congress created the Office of Surface Mining Reclamation and Enforcement at that time to carry out the regulatory programs.

OSM uses two measures to gauge success in promoting responsible mineral extraction: protection of the environment and public from off-site impacts and successful reclamation of land affected by surface coal mining operations. Off-site impacts are

negative effects resulting from surface coal mining activities, such as blasting or water runoff that affect people, land, water or structures outside the permitted area of mining operations.

The percent of mining sites free of off-site impacts was at 90 percent in 2007 and is expected to increase slightly in 2008 to 93 percent. Costs associated with this work will continue at the same level. Current coal mining operations include over 4.4 million acres in 26 States and on the lands of three Indian tribes.

**Representative Strategic Plan Measure: Percent of Federal and Indian revenues disbursed on a timely basis per statute**

FIGURE 1-31

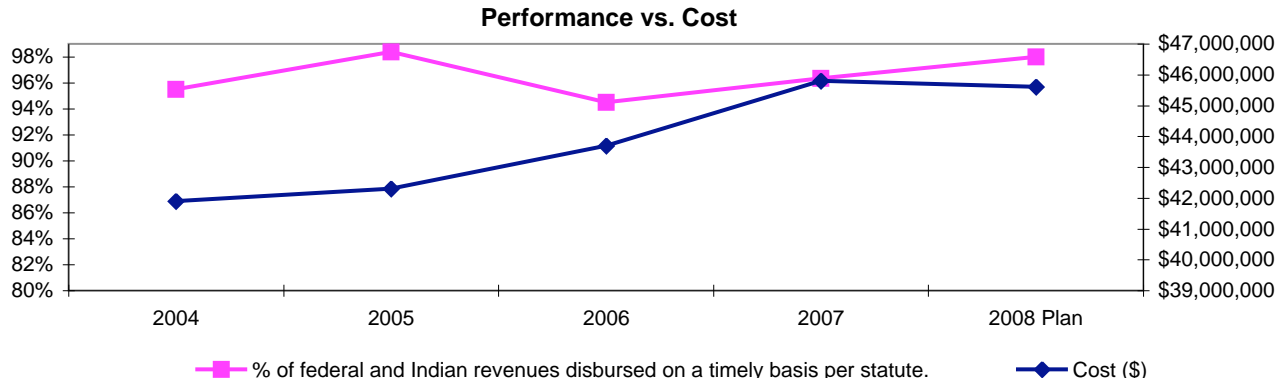


FIGURE 1-32

	2004	2005	2006	2007	2008 Plan
Performance	95.5%	98.4%	94.5%	96.3%	98.0%
Value of revenues disbursed on a timely basis	1,344,102,572	1,978,000,000	2,505,305,626	2,250,620,140	
Total Value of revenues disbursed	1,407,075,930	2,011,000,000	2,650,350,794	2,336,377,325	
Cost (\$)	41,900,000	42,300,000	43,700,000	45,800,000	45,600,000

When the Minerals Management Service was created in 1982, a consolidated system for the collection, accounting, and disbursement of revenues from mineral production on Federal and Indian lands was established. Since 1982, the MMS Minerals Revenue Management program has ensured the distribution of more than \$165 billion to Federal, State, and Indian recipients.

The Federal Oil and Gas Royalty Management Act of 1982 requires monthly distribution and disbursement of payments to States and Indians for their share of mineral leasing revenues. Historically, the distribution and disbursement function of the MMS has ensured that collections from Federal and Indian mineral leases are properly disbursed to the appropriate recipients—the U.S. Treasury, five Federal agencies, 38 States, and 41 Indian tribes. When disbursements are not timely, the MMS must pay late-disbursement interest. One of the MMS performance goals is to disburse Federal and

Indian revenues on a timely basis per statute. This is a measure of how timely Federal onshore funds are disbursed to the appropriate State recipients and of how timely MMS provides lease information on Indian royalty revenues to BIA, enabling timely payment of royalties to the individual Indian owners. This measure includes only the funds that are subject to late disbursement interest.

In FY 2006, the MMS focused on reducing accounts receivable and unapplied payments. This resulted in the processing of several older payments, which lowered performance to 94.5 percent compared to 98 percent in 2005. After this work was completed, timely disbursements increased to 96.3 percent in 2007. In FY 2008, MMS will begin a two-year interactive payment matching and billing initiative that will increase their capability to reduce accounts receivable, increase timeliness of disbursements, and reduce accompanying late-disbursement interest.

**GOAL: Deliver water consistent with applicable State and Federal law in an environmentally responsible and cost-efficient manner**

**Representative Strategic Plan Measure: Water infrastructure is in fair to good condition as measured by the Facilities Reliability Rating**

FIGURE 1-33

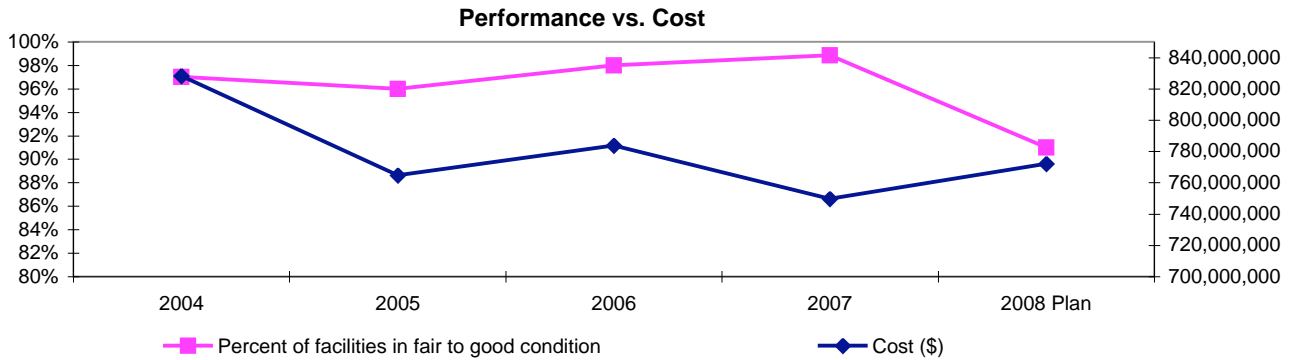


FIGURE 1-34

	2004	2005	2006	2007	2008 Plan
Performance	97%	96%	98%	99%	91%
Dams and associated facilities in good condition	331	326	333	341	316
Total number of dams and associated facilities	340	338	340	345	347
Cost (\$)	828,165,354	764,708,017	783,874,681	749,680,635	772,171,055

Operating and maintaining safe and reliable water infrastructure are key factors in the Bureau of Reclamation's ability to deliver water. Reclamation delivered 28 million acre-feet of water against water delivery contracts in 2007.

The Facilities Reliability Rating used in this measure is a score derived from a set of weighted criteria to assess dam condition, maintenance, and operations. The score is then correlated to a *condition descriptor*, i.e., good/fair/poor. Of 345 dams classified as high or significant hazard dams, 341 were considered in fair to good condition last year. *Significant hazard* dams are those located upstream that could potentially flood populations living downstream if the dam fails. A 2008 increase

in funds is allocated to this effort. Results will take time to show up beyond 2008. Due to an excellent FY 2007 performance, Reclamation will be reevaluating their 2008 target.

The Dam Safety Program continues to be one of Reclamation's highest priorities. Approximately 50 percent of Reclamation's dams were built between 1900 and 1950, and about 90 percent of the dams were built prior to current state-of-the-art design and construction practices. Aging dams require more reliance on monitoring, examinations, and reanalyses to assure safe dam performance. Under the program, dams are examined by specialists every three years, with additional internal reviews performed annually.



### Increased Dam Safety

The Bureau of Reclamation has awarded the first in a series of construction contracts for a new auxiliary spillway at Folsom Dam and Reservoir.

The auxiliary spillway, or Joint Federal Project, represents an unprecedented partnership among Reclamation, the U.S. Army Corps of Engineers, the California Department of Water Resources/Reclamation Board, and the Sacramento Area Flood Control Agency. When completed, the JFP will address the hydrologic risk of possible overtopping of the dam or dikes during an extreme storm. The JFP also achieves the Corps'



objective of increasing flood control at Folsom to protect against an event of such magnitude.

The project will be constructed in three successive phases by Reclamation and the Corps. Work on Phase I will begin in late fall 2007 and will be completed by 2009. Phases II and III will follow, with full completion of the JFP expected by 2021.

*The photo above shows the new auxiliary spillway project and to the left is the Folsom Dam as it is today.*

**GOAL: Manage or influence resource use to enhance public benefit, responsible development, and economic value**

**Representative Strategic Plan Measure: Percent of grazing permits and leases processed as planned consistent with applicable resource management plans**

FIGURE 1-35

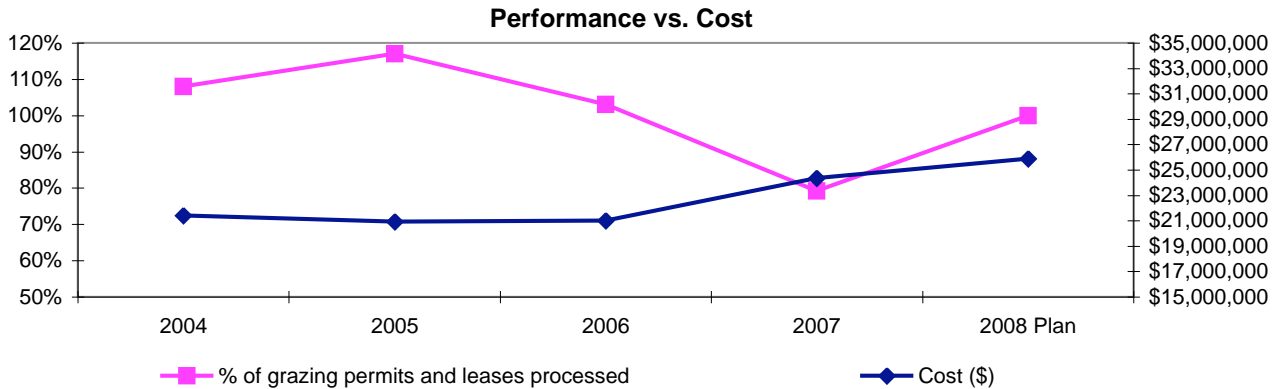


FIGURE 1-36

	2004	2005	2006	2007	2008 Plan
Performance	108%	117%	103%	79%	100%
Grazing permits processed	2,512	2,730	2,565	2,058	2,600
Grazing permits received for processing	2,329	2,342	2,479	2,600	2,600
Cost (\$)	21,405,348	20,917,613	21,019,714	24,352,483	25,894,497

BLM manages approximately 158 million acres authorized for livestock grazing. The Bureau administers more than 18,000 grazing permits and leases on nearly 22,000 allotments. The permits are issued in compliance with local and land use plan objectives and direction, including a requirement that conditions meet land health standards. If an area is not meeting those standards and current livestock grazing is a significant factor in not meeting the standards, changes in grazing management are made to address those conditions by the next grazing season. Livestock use is measured in animal unit months—the amount of forage needed by an “animal unit” for one month. The grazing use on BLM-managed public land has decreased from

about 22 million AUMs in 1941 to 12.7 million AUMs in FY 2007.

Grazing permits are issued typically for 10 years, but can be issued for a shorter period. Although grazing permit targets have been met, there is still a backlog in the number of permits that have been fully processed. The backlog is due to the extensive amount of litigation associated with permits, along with increased complexity in the permit process. Both factors have increased the time and cost required for a permit to be issued. There is no indication this trend will change in the foreseeable future.

**Representative Strategic Plan Measure: Percent of allowable sale quantity timber offered for sale consistent with applicable resource management plans**

FIGURE 1-37

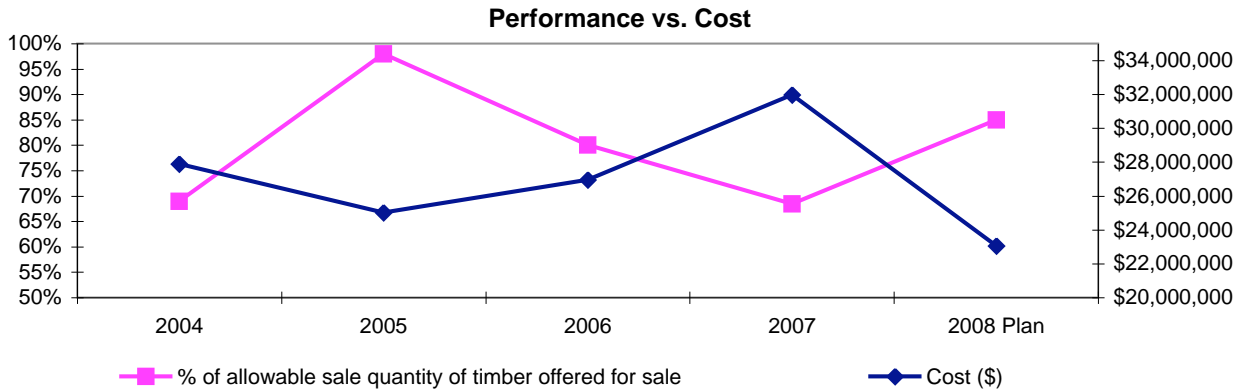


FIGURE 1-38

	2004	2005	2006	2007	2008 Plan
Performance	69%	98%	80%	68%	85%
Timber offered (MMBF)	140	198	162	139	172
Allowable sale quantity of timber (MMBF)	203	203	203	203	203
Cost (\$)	27,906,311	25,033,019	26,945,719	31,975,747	23,067,388

The Oregon and California grant lands consist of about 2.4 million acres and are some of the most productive timber lands managed by the Federal government. They are managed under the O&C Act (Public Law 75-405) and the Northwest Forest Plan. The O&C Act requires that the land be managed for permanent forest production in conformance with the principle of sustained yield. That is, management of the land is to provide a permanent source of timber supply, protect watersheds, regulate stream flow, contribute to the economic stability of local communities and industries, and provide recreational opportunities. The NWFP intended to provide a balanced, long-term management plan that maintained a stable supply of timber while also protecting fish and wildlife habitats.

The allowable sale quantity of timber is measured in million board feet. The chart shows performance achieved compared to 203 MMBF, the amount of timber offered annually within western Oregon.

Performance declined in 2007 because BLM was required to remove about one-third of the timber sale plan offerings as a result of litigation and the loss of several court cases invalidating critical biological opinions needed for the timber sales. The BLM and the regulatory agencies are replacing the rescinded biological opinions so the planned sales can proceed in the future. Costs increased in FY 2007 due to increased unit costs for additional survey requirements, sales needing to be reworked, and delays in contract awards. The challenge for FY 2008 will be to achieve the performance target while reducing these costs.

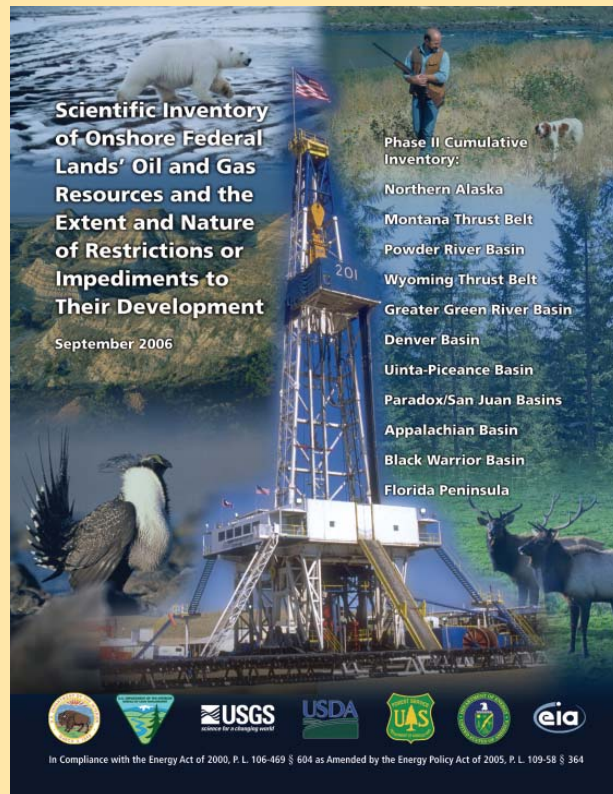
In terms of historical data, the large increase in 2005 occurred because the BLM reported the entire volume offered in that year rather than just the ASQ volume offered. This reporting was in error.

### Improved Understanding to Responsibly Meet America’s Energy Resource Needs

The second phase of the Energy Policy and Conservation Act Amendments of 2000 inventory was delivered to Congress and released to the public in November 2006. This inventory is the culmination of a multi-agency collaborative effort that includes the USGS, Bureau of Land Management, the U.S. Forest Service, the Department of Energy, and the Energy Information Administration.

The report presents a comprehensive review of federal oil and gas resources in eleven basins in the United States and constraints on their development. The basis for the inventory came from USGS assessments for undiscovered, technically recoverable oil and gas.

The Phase II inventory studied approximately 100 million acres of federal lands, including split estate. USGS estimates undiscovered oil and gas resources under these lands total 21.2 billion barrels of oil and 186.9 trillion cubic feet of natural gas. Undiscovered oil and gas resources are concentrated in Northern Alaska and the Interior West. The study also finds that approximately 24% of the Federal land in these areas is accessible under standard lease terms, approximately 30% of the federal land is accessible with restrictions on oil and gas operations beyond standard stipulations, and approximately 46% of the federal land is inaccessible.



**GOAL: Improve the understanding of energy and mineral resources to promote responsible use and sustain the Nation’s dynamic economy**

**Representative Strategic Plan Measure: Percent of targeted science products that are used by partners or customers for land or resource management decisionmaking**

FIGURE 1-39

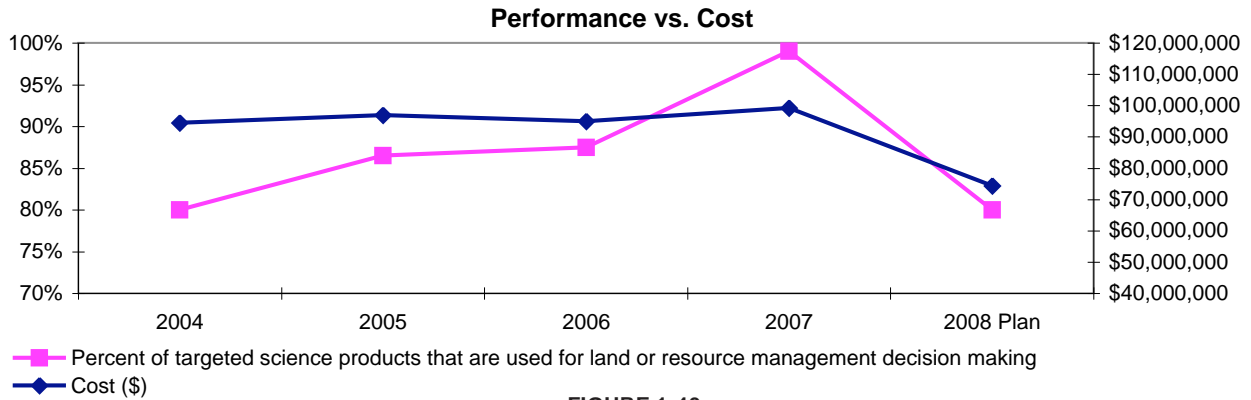


FIGURE 1-40

	2004	2005	2006	2007	2008 Plan
Percent of targeted science products that are used by partners or customers for land or resource management decision making	80%	87%	88%	99%	80%
Cost (\$)	94,429,073	96,883,040	94,898,465	99,256,515	74,308,201

Performance on the science products measure is assessed through two USGS programs: the Mineral Resources Program and the Energy Resources Program. Together they provide reliable and impartial scientific information on geologically-based natural resources.

The Mineral Resources Program is the sole Federal provider of scientific information for objective resource assessments and unbiased research results on mineral potential, production, consumption, and environmental effects. Among the tools and technologies USGS developed and employed are (1) assessments for as yet undiscovered mineral deposits in the United States and around the world and (2) Web-based data delivery tools that serve 128 years of mineral resource, geochemical and geophysical data to land managers, Federal agencies responsible for National security and economic policy, the public, and other research scientists. Costs for this program

are expected to be reduced in 2008 as a result of proposed funding reductions to support other priority programs.

The Energy Resources Program researches and assesses oil, natural gas, coalbed methane, gas hydrates, coal, geothermal resources, oil shale, and uranium resources, both globally and nationally. The program also evaluates environmental and human health impacts associated with production, occurrence and use of energy resources. Costs for 2008 are expected to remain essentially the same as in 2007.

USGS performance is expected to be in the 80<sup>th</sup> percentile despite the reduced investment for the Mineral Resources Program. The 80% target for FY 2008 reflects the performance threshold set by USGS. Performance results typically exceed this established target level.

### An Unconventional Energy Resource

Recently, the U.S. Department of Energy, BP Exploration (Alaska), and USGS successfully drilled a research well on the North Slope of Alaska to collect samples and information about gas hydrates, a potential unconventional natural gas energy resource. Gas hydrates, which are accumulations of methane (natural gas) trapped in ice-like structures with water, represent an immense potential energy resource underlying large portions of the world's marine continental shelves and Arctic continental areas.

The target for this test well, located at Milne Point, was gas hydrate within the Sagavanirktok Formation in the Mt. Elbert prospect accumulation. This occurrence had been identified by seismic, well, and reservoir modeling studies during earlier phases of this research program. Drilling crews and research team members collected about 430 feet of core samples from this well. Subsequent data collection and analysis will continue for several months and research findings will be reported thereafter.

This research provides a better understanding of the occurrence of gas hydrates, as well as information with which to assess the endowment of this resource. This



research also improves the understanding of the types of technology and protocols needed to identify, explore, and ultimately produce this resource.

*The photos show a drill rig on the North Slope and a hydrate-saturated, fine-grained sand core from the Mt. Elbert #1 well.*

# Mission Area Three

## Recreation

**T**wo Outcome Goals state the core intent of the Recreation Mission Area:

- ◆ Improve the quality and diversity of recreation experiences and visitor enjoyment on DOI lands
- ◆ Expand seamless recreation opportunities with partners

### Benefits

Recreation is a vitally important part of Interior's mission. More than 22 million people live within 25 miles of Interior lands. Accessible and nearby, public land is quickly becoming America's backyard. The land we manage contains multiple recreational opportunities for individual enrichment through interaction with nature. Recreation activities are diverse—from off-road vehicles to contemplative wilderness experiences; from "edutainment" to work/play volunteerism.

Interior maintains and manages thousands of recreation areas. Close to 500 million people from around the world spend time in recreational activities on land managed by DOI. To the greatest extent possible, Interior works among its own Bureaus and with our partners to provide a seamless and enjoyable experience. Recreation opportunities can vary substantially depending on the impact on the resources, land management legal authorities, and the mission of the Bureau.

Interior's stewardship activities devoted to recreation are shared by the National Park Service, Bureau of Land Management, Fish and Wildlife Service and Bureau of Reclamation. They oversee our national parks, wildlife refuges, water recreation areas and public land recreation sites. Opportunities to visit and enjoy these natural resources are a benefit enjoyed by the public through the work in this Mission Area.

Discussion

The representative Strategic Plan measure chosen for the Recreation Mission Area is visitor satisfaction, which is measured through surveys. Surveys are typically distributed when visitors enter land or parks managed by NPS, FWS, or BLM. Questions are site-specific, so visitors might be asked about their various experiences, the ease in navigating through different sites or exhibits, if maps or permits were readily available, if park rangers were helpful, whether they gained a greater appreciation or understanding about the park, and the degree of overall satisfaction with their visit. Answers to the survey questions help identify and target areas where the Department can improve.

**GOAL: Improve the quality and diversity of recreation experiences and visitor enjoyment on DOI lands**

**Representative Strategic Plan Measure: Percent of visitors satisfied with the quality of their experience**

FIGURE 1-41

**Performance vs. Cost**

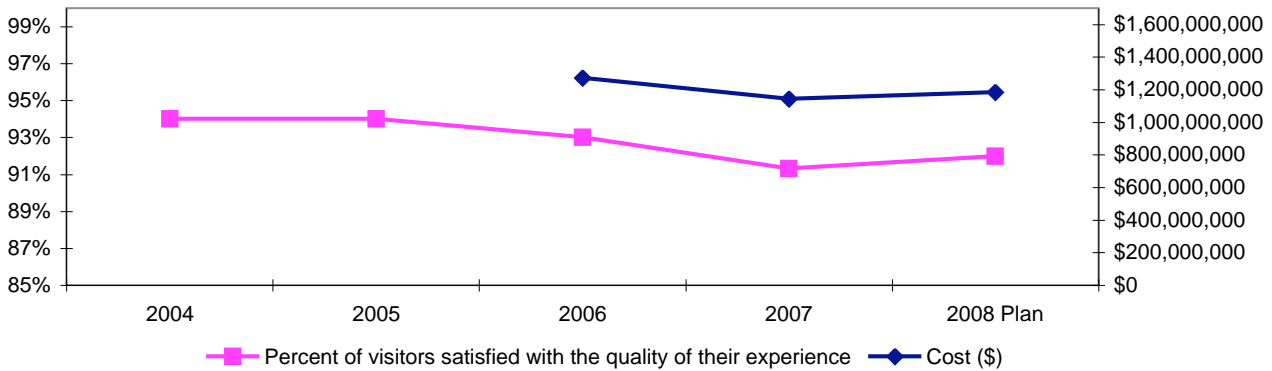


FIGURE 1-42

	2004	2005	2006	2007	2008 Plan
Percent of visitors satisfied with the quality of their experience	94%	94%	93%	91%	92%
Cost (\$)	Not Available	Not Available	1,273,925,343	1,144,335,910	1,183,143,898

Visitor satisfaction is measured through surveys handed out to visitors by three different Bureaus with slightly different objectives. At the Department level there was a decline of 2 percent in measured visitor satisfaction this past year, although performance remains in the 90th percentile.

Fish and Wildlife Service has maintained a constant visitor satisfaction rate of 85 percent from 2005 through 2007, which is considered adequate for refuges where the primary purpose is to protect wildlife and habitat.

The National Park Service views the public as their customers. For NPS, visitor satisfaction maintains record levels. From 2004 to 2006, nearly 96 percent of park visitors rated the overall quality of services as good or very good. In 2007, satisfaction decreased only slightly to 95 percent, which is not considered significant. With the upcoming centennial of the establishment of the National Park Service, the President has called for the further enhancement of the national parks to prepare them for another century of conservation and enjoyment. Through a Centennial Initiative, the President's FY 2008



### National Park Centennial Initiative

In August 2006, President Bush launched his National Park Centennial Initiative. To shape the initiative, the NPS asked people, through a series of listening sessions and online, to share their hopes for national parks; considered 6,000 comments; wrote centennial and performance goals to meet the needs of parks and future generations; set criteria for centennial proposals; and worked with Congress to introduce centennial legislation.



The guiding report, *The Future of America's National Parks* describes five centennial goals:

- ◆ **Stewardship** – Lead America and the world in preserving and restoring treasured resources
- ◆ **Environmental Leadership** – Demonstrate environmental leadership to the nation
- ◆ **Recreational Experience** – National parks are superior recreational destinations where visitors have fun, explore nature and history, find inspiration, and improve health and wellness

- ◆ **Education** – Foster exceptional learning opportunities that connect people to parks
- ◆ **Professional Excellence** – Demonstrate management excellence worthy of the treasures entrusted to our care

In honor of the NPS 91<sup>st</sup> anniversary, Secretary Kempthorne and Director Bomar announced a highly anticipated list of 201 eligible centennial proposals for 2008.

The eligible proposals were evaluated by teams of NPS professionals and represent a total investment of \$369.9 million – \$215.9 million from partners and \$154 million federal. Moving forward on these proposals requires action by Congress on centennial legislation and appropriations.



*The photos show the Secretary with the National Park Centennial Initiative Report, The Future of America's National Parks, and Director Bomar with students from the Class of 2016 who demonstrated the interactive version of the report.*

budget includes augmented annual funding and a special fund to match contributions from individuals, foundations, businesses, and the private sector up to \$100 million per year over the next ten years. With this influx of Centennial Initiative funding, we expect NPS visitor satisfaction to rise over the next few years. Funding will be used to hire 3,000 more seasonal park rangers, guides, and maintenance workers; improve landscapes; repair historic structures; and restore native habitats. With visitor satisfaction already in the mid-90th percentile, the upward potential for improvement is limited. Our expectations are tempered by this diminishing marginal return on investment.

The Bureau of Land Management manages vast acres of multiple-use land. The BLM reports a decrease from their 2006 performance of 97 percent to 93 percent in FY 2007. The decrease may not be significant. Visitor satisfaction is harder to assess on

BLM lands overall, as surveys are given primarily to those visitors who pay an entrance fee.

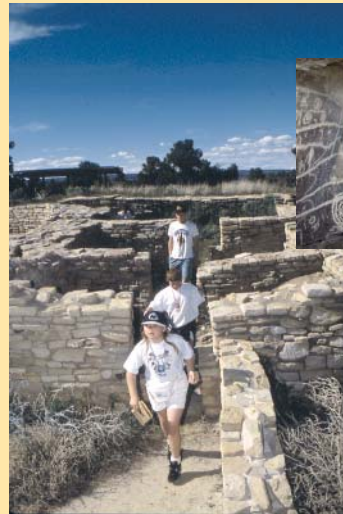
The success of the BLM's recreation and visitor services program is the direct result of developing and maintaining an extensive array of partnerships covering all aspects of the program. These partnerships include cooperative efforts with other governmental entities at all levels, working with interest and user groups, maintaining an active volunteer program, and working with communities and tourism interests. The recreation program has been successful in engaging volunteers, accounting for almost half of the Bureau's volunteer hours and nearly doubling the recreation workforce to serve visitors, maintain facilities, and restore resources. In 2006–2007, the BLM recreation program logged in over 575,000 volunteer hours at a value of \$9.5 million.

### Archeological Site Bonanza

#### Canyon of the Ancients National Monument

Technically, the Monument has no historic structures. However, there are 5,000 documented archaeological sites at the Monument, with 20,000 to 30,000 predicted. Currently, about 60 sites are regularly monitored by volunteer site stewards and BLM staff. Some 3.5 million artifacts are curated at the Anasazi Heritage Center museum.

The 165,000-acre National Monument in southwestern Colorado contains some of the richest, best-preserved evidence of Native American culture in the United States. Volunteers assist in literally every program and aspect of operations at the Monument, including management and monitoring of archaeological sites, as well as preparing artifacts for storage and research at the museum. Serving out on the landscape, volunteer Site Stewards monitor cultural resource site conditions. Volunteers assist in closing user-made routes through sensitive cultural sites, document road conditions, and monitor wilderness study areas. Volunteers also cut and pile brush to



eliminate a serious fire threat to a site containing hundreds of rock art images (petroglyphs).

More than 260 regular volunteers annually contribute an average 10,000–

13,000 hours, effectively doubling BLM staff time with an in-kind value of nearly \$200,000 per year. These volunteer opportunities create the potential for everyone to become an advocate for America's cultural heritage.



The photos show visitors and volunteers to the Canyon and one of the many historic sites. At bottom right, is Lynn Scarlett, Deputy Secretary, with John Nau, Chairman of the Advisory Council on Historic Preservation.

The population growth rate of the West affects management of the BLM recreation and visitor services program. The populations of eight out of the twelve Western States have grown over 50 percent, with the largest growth centered in urban areas, and the demand for outdoor recreation

in the West has increased by 65 percent in the last 30 years. The extraordinary size of the uniquely American public estate, combined with the vast diversity of the BLM outdoor recreation setting, attracts 56 million visitors annually.

# Mission Area Four

## Serving Communities

Interior's fourth Mission Area has five Outcome Goals that describe Interior's efforts related to the safety and well-being of the American public and commitment to its trust responsibilities to Indians, Alaska Natives and island communities.

- ◆ Improve protection of lives, resources and property
- ◆ Improve understanding, prediction, and monitoring of natural hazards to inform decisions by civil authorities and the public to plan for, manage, and mitigate the effects of hazard events on people and property
- ◆ Fulfill Indian fiduciary trust responsibilities
- ◆ Advance quality communities for tribes and Alaska natives
- ◆ Increase economic self-sufficiency of insular areas

### Benefits

The measures contained under the Outcome Goals describe how the DOI works to improve the quality of life in the communities we serve. The Department assesses different types of activities under this Mission Area, from unplanned wildland fires to Interior's Indian fiduciary trust responsibilities to reducing the impacts of natural hazards on people and property through scientific research. A whole range of performance measures track how the Department is advancing the quality of life for tribes and Alaska natives—measures that assess our work in the arenas of education, public safety through crime control, and financial accountability.

The American public is the direct beneficiary of the DOI's focus in serving communities.

- ◆ Wildland fire measures deal with the effects of fire and fuel treatments on communities located near or adjacent to DOI lands. The Office of Wildland Fire Coordination tracks how many acres of land can be treated through fuel reduction so catastrophic fires are less likely to occur and how quickly fires are controlled. These efforts directly increase the safety of residents who live in those areas.

## Mission Area Four: Serving Communities

- ◆ The Department's science Bureau, USGS, offers technical assistance and advice to State and local communities that could be affected by natural hazards. The information they provide helps these communities develop emergency evacuation procedures, update city emergency plans and look for ways disasters can be mitigated through advance planning.
- ◆ Indian tribes benefit from Interior's funding for Indian schools that often serve children who live in such remote locations that no other school is conveniently accessible.
- ◆ Bureau of Indian Education helps serve the educational needs of Tribal communities through 184 BIE-funded elementary and secondary schools
- ◆ The Office of the Special Trustee for American Indians is updating century-old trust recordkeeping so that Indian beneficiaries have confidence in the accounting and are promptly and accurately paid.

### Representative Strategic Plan Measures

The following representative Strategic Plan measures demonstrate the Department's performance in the Serving Communities Mission Area.

#### **GOAL: Improve protection of lives, resources, and property**

- ◆ Percent of unplanned and unwanted wildfires on DOI land controlled during initial attack

- ◆ Percent of acres treated which achieve fire management objective as identified in applicable management plans

#### **GOAL: Improve understanding, prediction, and monitoring of natural hazards to inform decisions by civil authorities and the public to plan for, manage, and mitigate the effects of hazard events on people and property**

- ◆ Percent of communities/tribes using DOI science on hazard mitigation, preparedness and avoidance for each hazard management activity

#### **GOAL: Fulfill Indian fiduciary trust responsibilities**

- ◆ Percent of financial information accurately processed in trust beneficiary accounts
- ◆ Probate: percent of estates closed

#### **GOAL: Advance quality communities for tribes and Alaska natives**

- ◆ Percent of IA/BIE funded schools achieving Adequate Yearly Progress
- ◆ Part I violent crime incidents per 100,000 Indian Country inhabitants receiving law enforcement services

#### **GOAL: Increase economic self-sufficiency of insular areas**

- ◆ Ratio of Federal revenue to total revenues in insular areas

Discussion

GOAL: Improve protection of lives, resources and property

Representative Strategic Plan Measure: Percent of unplanned and unwanted wildfires on DOI land controlled during initial attack

FIGURE 1-43

Performance vs. Cost

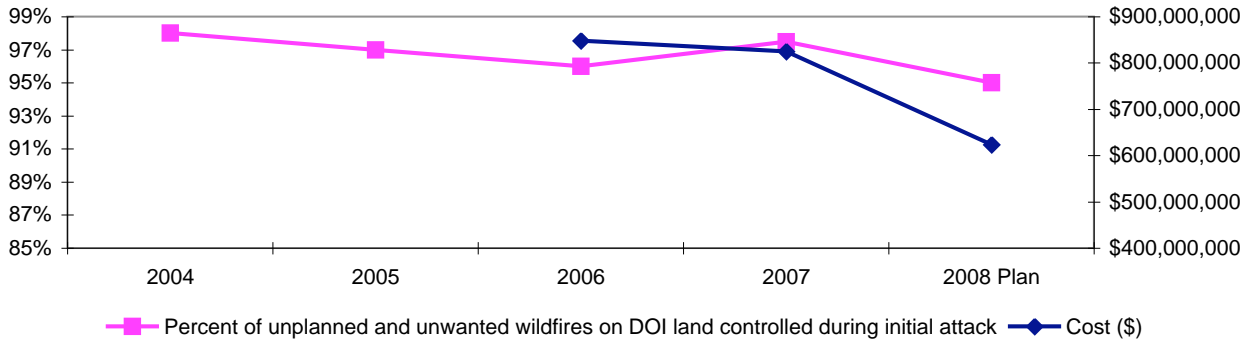


FIGURE 1-44

	2004	2005	2006	2007	2008 Plan
Performance	98%	97%	96%	97%	95%
Fires controlled during initial attack	5,852	2,325	9,790	6,270	
Total fire ignitions	5,947	2,406	10,149	6,432	
Cost (\$)	Not Available	Not Available	\$847,893,380	\$825,011,119	\$623,479,918

After the unprecedented fire season of 2000, the President requested a report recommending how to respond to severe, ongoing fire activity, reduce impacts of fires on rural communities and the environment, and ensure sufficient firefighting resources in the future. The report became the cornerstone of the National Fire Plan. The Department of Agriculture Forest Service and DOI work collaboratively to provide seamless wildland fire protection. DOI fire management activities are performed by four Bureaus: BLM, FWS, NPS, and Indian Affairs. Interior's Office of Wildland Fire Coordination coordinates their efforts.

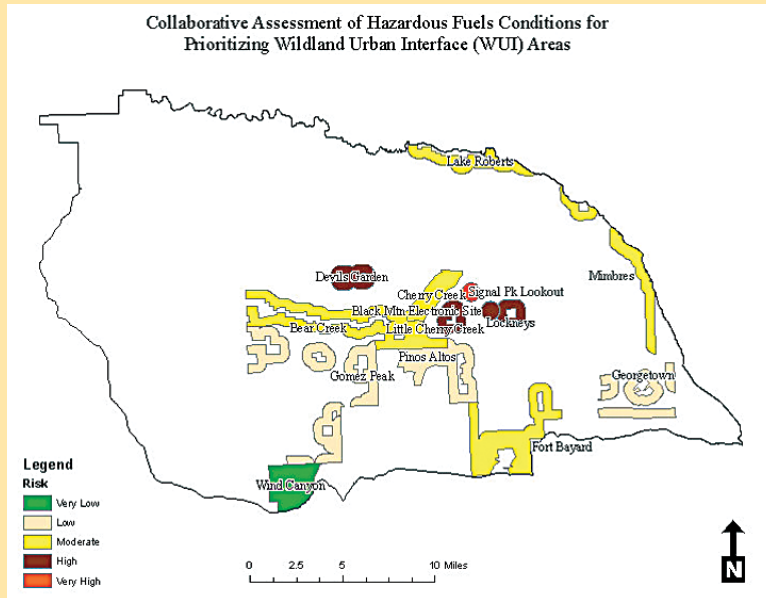
To address the slight decrease in performance, the 2008 budget proposes a shift in funds from firefighters whose job is extended attack and large fire support to firefighters available for initial response. The proposal would add 238 firefighters to better guarantee an initial attack strength that is able to maintain performance of at least 95 percent of fires suppressed on initial attack. Maintaining an effective initial attack capability is critical to controlling fires when they are small and less costly to suppress.

### Strengthening Wildland Fire-Fighting

The LANDFIRE program provides fire and land managers with information required to identify land vegetation and hazardous fuel build-up. Decades of land use, fire exclusion, exotic species invasions, and, to some extent, climate change have altered the landscape. As a result, the number, size, and severity of wildfires have changed significantly from those of historical conditions – sometimes with catastrophic consequences.

Hazardous fuel reduction, ecosystem rehabilitation and restoration, and firefighting safety are priorities of land managers. LANDFIRE produces maps of hazardous fuels and vegetation in specific areas that aid land managers in identifying fuel treatment opportunities.

LANDFIRE vegetation and fuels data, when combined with local fire weather, fire occurrence, resource information, and fire and ecological condition modeling, are deemed critical for developing management strategies and prioritizing potential projects to be applied in fuels planning, land use plan revisions, and fire management plans.



One example is the Signal Peak Assessment Area in Southwest New Mexico. The data were modeled and analyzed to classify lands into low, moderate, and high potential fire behavior hazard. Spatial comparisons were conducted to identify where treatments were most effective and assess options near wildland urban interface, Mexican spotted owl habitat, and other key resource concerns.

**Representative Strategic Plan Measure: Percent of acres treated which achieve fire management objective as identified in applicable management plans**

FIGURE 1-45

**Performance vs. Cost**

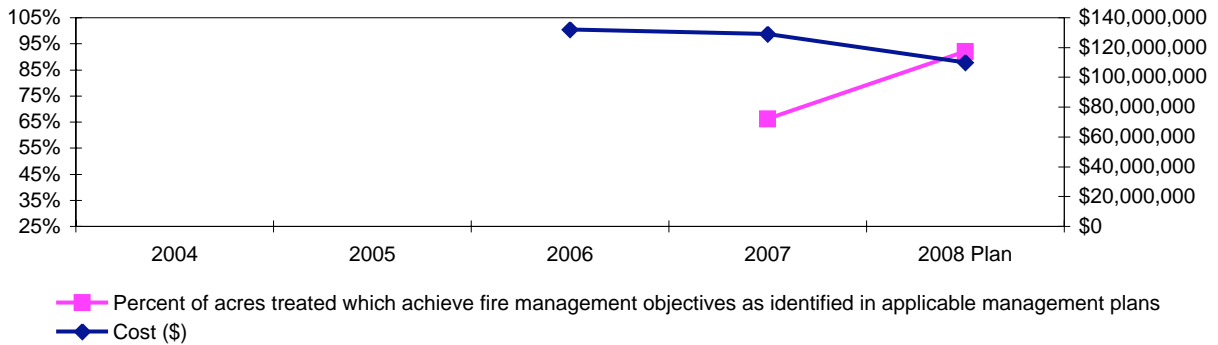


FIGURE 1-46

	2004	2005	2006	2007	2008 Plan
Percent of acres treated which achieve fire management objectives as identified in applicable management plans			New for 2007	66%	92%
Cost (\$)	Not Available	Not Available	132,009,662	129,068,455	109,935,403

Years of natural fuels buildup, coupled with drought, insect, and disease damage, make our forests vulnerable to environmentally destructive fires. Many of our forests are fifteen times denser than they were 100 years ago. Where 25 to 35 trees per acre once grew, now more than 500 trees are crowded together.

This measure tracks the impact on acres treated through fuel reduction as a percent of targeted goals. The goal of treatments is to change fuel conditions by removing or modifying buildup of flammable underbrush in forests and woodlands and reducing threats from flammable invasive species on rangelands. A number of tactics are used to treat acreage by fuel reduction.

- ◆ prescribed fire
- ◆ mechanical thinning
- ◆ herbicides
- ◆ grazing

The ability to provide summary reports of fire funding and project performance information continues to be a challenge. Attention necessitated by the quantity and severity of fire incidents occurring over the past few years has drawn workforce efforts away from focus on enhancing information sources.

Pyro-diversity was recently undertaken in the Great Smoky Mountains National Park, Tennessee, in a prescribed burn to reduce accumulated hazardous fuels and to reduce hardwood crowding of pine stands. Ignition crews set a variety of fire types ranging from slow moving, backing fires to moderate flanking fires and fast moving, intense head fires. This pyro-diversity mosaic should lead to a healthy, biologically diverse forest stand that is more resistant to catastrophic wildfires.

The percent of acres treated that achieve fire management objectives was at 66 percent in 2007. Targets were initially estimated based on a higher success rate for overall treatment objectives than actually occurred. Consequently, the FY 2008 target is being reevaluated in light of 2007 results.

**GOAL: Improve understanding, prediction, and monitoring of natural hazards to inform decisions by civil authorities and the public to plan for, manage, and mitigate the effects of hazard events on people and property**

**Representative Strategic Plan Measure: Percent of communities/tribes using DOI science on hazard mitigation, preparedness and avoidance for each hazard management activity**

FIGURE 1-47

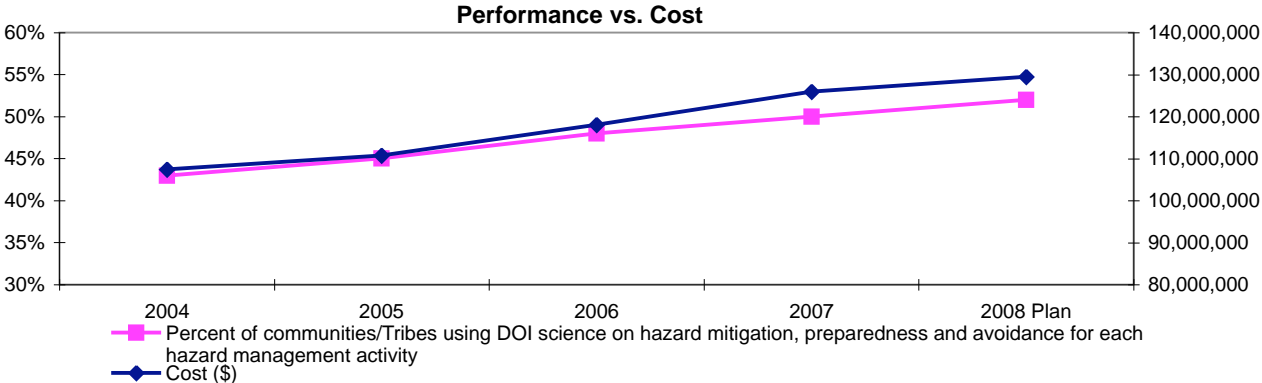


FIGURE 1-48

	2004	2005	2006	2007	2008 Plan
Percent of communities/Tribes using DOI science on hazard mitigation, preparedness and avoidance for each hazard management activity	43%	45%	48%	50%	52%
Cost (\$)	107,436,102	110,733,990	118,005,777	125,913,313	129,428,617

USGS has primary responsibilities for the hazard mitigation measure, under the Disaster Relief Act of 1974, by issuing alerts about volcano, earthquake, and landslide activity. USGS protects communities by significantly reducing the vulnerability of the millions of people most at risk from having their lives endangered by natural hazards.

Performance is tracked by the average percent of at-risk communities which use USGS science products to mitigate, prepare for, or avoid one of these hazards. The volcanoes program has identified 256 at-risk communities, of which 83 percent have applied the USGS science products; the earthquake program has 885 localities, with 63 percent who have adopted appropriate building codes; and 1,800 communities at risk of landslides, of which 5 percent have taken subsequent action. The information provided by USGS is considered used if a community implements a disaster

response plan, updates building codes, or revises city plans utilizing this information—all of which can take years.

Performance is expected to continue at comparable levels. Here, costs are a reflection of the size and level of effort needed by each study, depending upon the scope and complexity of the study subject. The level of application of the study findings is determined more by the usefulness and relevance of the work, along with the willingness of the community to implement, rather than the cost of the necessary effort.

The volcanoes program released the first-ever comprehensive and systematic review of the 169 U.S. volcanoes in 2005. Currently erupting volcanoes are Mount St. Helens in Washington and Kilauea in Hawaii, and those exhibiting unrest are Mauna Loa in Hawaii and Fourpeaked in Alaska.

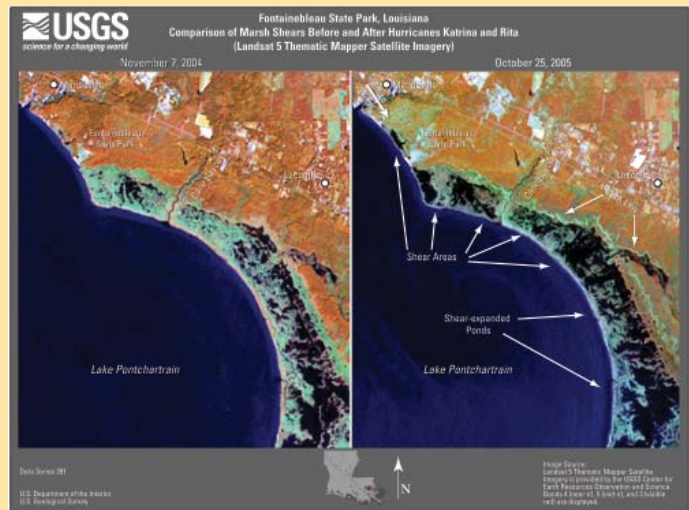


## Before/After Hurricanes Katrina & Rita

### Changes in Coastal Louisiana

In 2007 the U.S. Geological Survey's National Wetlands Research Center published two reports documenting the 217 square mile loss of Louisiana coastal land after Hurricanes Katrina and Rita.

- ◆ The USGS Data Series Report 281, *Satellite Images and Aerial Photographs of the Effects of Hurricanes Katrina and Rita on Coastal Louisiana* <<http://pubs.usgs.gov/ds/2007/281/>>, contains dozens of Landsat Thematic Mapper satellite imagery and aerial photography, acquired before and after the hurricanes, showing new water areas that represent land losses caused by direct removal of wetlands. They also show transitory changes in water area caused by remnant flooding, removal of aquatic vegetation, and scouring of marsh vegetation.
- ◆ The article, "Land Area Changes in Coastal Louisiana After Hurricanes Katrina and Rita," describes in detail how land losses occurred in the various basins along the State's coast. Permanent



losses cannot be estimated until several more growing seasons have passed and the transitory impacts of the hurricanes are minimized, but this work serves as a regional baseline for monitoring post-hurricane wetland recovery. The report, a joint effort of many USGS biologists, geologists, hydrologists, and geographers, was developed and managed by the National Wetlands Research Center. It will soon be available on line at the USGS Pubs Warehouse <[www.nwrc.usgs.gov](http://www.nwrc.usgs.gov)>.

The Volcano Hazards Program monitors volcanoes to detect earthquakes, ground deformation, temperature change, and volcanic gas emissions. The monitoring network is maintained and operated by five volcano observatories located in Alaska, Hawaii, Yellowstone, Eastern California, and the Cascade Mountain range in Washington that function autonomously. A major goal of the VHP is to develop a National Volcano Early Warning System, a nationally integrated system that provides 24/7 situational awareness and data for all potentially hazardous U.S. volcanoes.

In FY 2007 the USGS Earthquake Hazards Program completed its five-year update of the National Seismic Hazard Maps. These maps influence the seismic provisions in National and international building codes—affecting billions of dollars of new construction every year. The maps are developed with broad community input through a series of workshops held with scientists, engineers, public planners and code developers. USGS tracks code adoptions by communities nationwide, as a key outcome measure for reducing

the Nation's earthquake risk. EHP also provides custom hazard mapping and analysis tools, to help users tailor a suite of hazard mapping products to their specific needs.

The Landslide Hazards Program focuses on research to better understand the causes of ground failure. Research is conducted on landslides related to steep slopes, heavy rains, and vegetation loss due to wildfires. Monitoring systems at sites in California near Yosemite National Park, and in Portland and Newport, Oregon provide continuous rainfall and soil-moisture and pore-pressure data needed to understand the mechanisms of landslide occurrence. Such a modestly funded program will never be able to reach every one of the 1,800 at-risk communities, so work is prioritized in areas where the hazard is greatest and where the most help can be leveraged from partners. For example, USGS is partnering with the National Weather Service to provide an early warning system for *debris flows*—the fast-moving type of landslides that commonly kill people—in several southern California counties.

**GOAL: Fulfill Indian fiduciary trust responsibilities**

**Representative Strategic Plan Measure: Percent of financial information accurately processed in trust beneficiary accounts**

FIGURE 1-49

	2004	2005	2006	2007	2008 Plan
Percent of financial information accurately processed in Trust beneficiary accounts	18%	99.7%	99.7%	99.8%	98.0%
Cost (\$)	14,679,497	12,574,349	13,695,762	17,178,852	Not Available

The Office of the Special Trustee for American Indians was established by the American Indian Trust Fund Management Reform Act of 1994 to improve the accountability and management of Indian funds held in trust by the Federal government.

OST, through the Office of Historical Trust Accounting, continues to scan 120 years of financial records that document payments to American Indians for leasing rights to land parcels that were allotted to tribal members in 1887. Four hundred million pages of records are maintained at a secure, low-cost site in Lenexa, Kansas, and records are still arriving from around the country.

Trust income is generated from the sale or rental of Indian-owned land and natural resources for timber harvests, grazing, and royalties received from oil and natural gas exploration and production. Funds also are derived from interest earned on invested funds, as well as awards or settlements of tribal claims. OST maintains about 1,800 accounts for tribal entities and approximately 371,000 open Individual Indian Monies accounts and manages about \$3.3 billion of investments.

Since 1996, the trust has been the subject of a class-action lawsuit, *Cobell vs. Kempthorne*, in which trust beneficiaries seek an accounting of trust fund transactions.

With a staff of 641 employees, OST has overseen efforts to overhaul the trust’s accounting system, collect its records, and consolidate the trust’s software systems. Those efforts have paid off as reflected in the performance results for FY 2007—99.8 percent accuracy.

Historical accounting efforts continue on nearly 270,000 IIM accounts resulting from land-based income receipts. Interior’s Historical Accounting Project document, published on May 31, 2007, projects the reconciliation to be completed by FY 2011. The majority that are post-1985 “electronic era” accounts are expected to be completed by FY 2009. During FY 2007, the *Judgment and Per Capita* accounts (those results from court decisions or tribal allocations to individual tribal members) reconciliation were deferred in order to devote greater priority to the IIM accounts. Before the change, however, 86 percent of nearly 97,000 accounts were reconciled with only a few errors identified.

Due to *fractionation*, in which descendants of beneficiaries receive interest in land rather than discrete parcels, the office must manage a proliferation of tiny land shares that are tracked despite costing far more to administer than they will ever pay out. Each time a generation passes away, it is likely that more and more people will become owners of an interest in fractionated land.

**Representative Strategic Plan Measure: Probate—percent of estates closed**

FIGURE 1-50

	2004	2005	2006	2007	2008 Plan
Probate: Percent of estates closed	New for 2007			89%	100%
Cost (\$)	Not Available	Not Available	80,445,363	89,702,443	Not Available

Indian Affairs is responsible for increasing the efficiency of probate case preparation and distribution and OST for improving the accuracy and timeliness of ownership information. Reliable trust ownership records are crucial to making accurate payments to trust beneficiaries and also essential to economic development of Indian lands. This measure was assessed in a new manner beginning in FY 2007. The program estimates that the FY 2007 target will not be met using assigned performance quotas that are regularly tracked. The data are projected using the Probate Tracking “ProTrac” database.

The probate program prepares probate cases for submission so that legal heirs can be determined and estates can be distributed. One of the challenges has been the probate backlog, due to fractionation, which has delayed distribution of assets. Fractionation occurs when ownership of Indian trust land is divided, generation after generation, among all eligible descendants. Typically an estate is not considered closed until the assets have been disbursed to the heirs. This situation has improved to such an extent that,

at the end of 2007, all backlog case preparation was completed. The expected outcome from this effort is that the percent of estates considered closed will increase to address virtually all pending cases in FY 2008.

OST is also reducing the size of the “Whereabouts Unknown” list. OST manages approximately 371,000 Indian trust accounts. Of these, a significant number receive \$10 or less in income each year. Beneficiaries move and often don’t notify OST that their address has changed. If these beneficiaries die, OST and IA must know where they are because the interest has to be probated, no matter how small, to keep the chain of title current. In FY 2007, approximately 37 percent of Whereabouts Unknown accounts were resolved, exceeding the annual target of 25 percent. Additionally, collaborative efforts between OST and IA resulted in approximately \$21.8 million being distributed to individual Indian trust account holders who were previously on the Whereabouts Unknown list.

This is a new measure in 2007. Performance will likely remain at the high level established in 2007.

**GOAL: Advance quality communities for tribes and Alaska natives**

**Representative Strategic Plan Measure: Percent of IA/BIE funded schools achieving Adequate Yearly Progress**

FIGURE 1-51

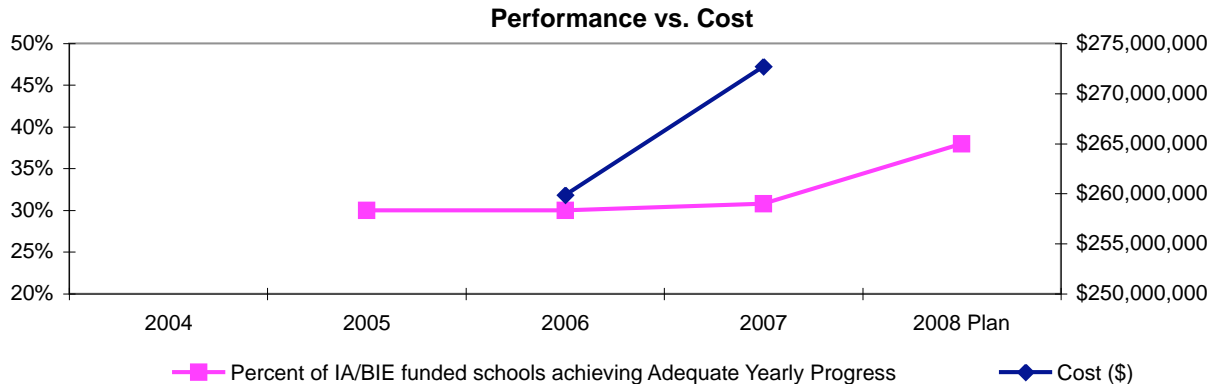


FIGURE 1-53

	2004	2005	2006	2007	2008 Plan
Performance		30%	30%	31%	38%
Schools achieving Adequate Yearly Progress	New Measure	51	51	53	64
Total number of schools		170	170	172	170
Cost (\$)	Not Available	Not Available	259,856,744	272,683,614	Not Available

Achieving Indian education goals continues to be a challenge. The No Child Left Behind Act established Adequate Yearly Progress in math and language arts as the determining performance factor for success in schools nationwide, including those in the BIE school system. Currently, 31 percent of BIE schools met AYP, with an increase to 38 percent targeted in 2008. However, the most recent figures show some additional progress: 27 percent of schools not making AYP improved in math and 20 percent improved in reading.

Raising the AYP level is a BIE priority. After receiving the AYP results for School Year 2004–2005, BIE held consultations with the Department of Education, the Office of Inspector General, and principals of BIE schools to identify key risk areas that would likely improve student performance. One of the major risks was lack of a functional management structure. The implementation of a management structure capable of improving academic outcomes and program administration will be ongoing in FY 2008.

By 2014, the No Child Left Behind Act requires:

- ◆ Every student must read and do math at grade level or above
- ◆ Every student must demonstrate proficiency through use of annual assessments

The proposed FY 2008 budget includes an increase of \$15 million for the Improving Indian Education Initiative. The funds will provide the following:

- ◆ Educational program reforms designed to improve student achievement by the 2014 target date



### **DOI Environmental Achievement Award Goes to First Mesa Elementary School** Polacca, AZ

First Mesa Elementary School can serve as many as 400 Indian elementary students. As the first Leadership in Energy and Environmental Design-certified school in Arizona, and the second for the Department, the school facility responds to a variety of environmental issues important in this remote and arid region.

The colors and materials selected for the exterior of the building were chosen to complement the surrounding natural environment and reflect traditional Hopi culture. The school boasts many environmentally preferable features. No potable water is used for irrigation. Fixtures,

including sinks, urinals and toilets, achieve more than 30 percent savings in water usage. All mechanical and electrical systems were commissioned to maximize performance. Despite the remoteness of the site, the school has initiated an aggressive recycling program.

The school facility includes classrooms, media center/library, a 600 seat gymnasium, administrative area, cafeteria and food service facilities, an art/music classroom, play fields, playgrounds. A weather station and educational displays throughout make the building a learning experience in itself.

- ◆ Improvements in the safety and reliability of the BIE-funded school bus fleet to assist reduction of student absenteeism
- ◆ Targeted program enhancements, such as tutoring, to assist under-performing schools in achieving AYP goals
- ◆ Upgrade of the Native American Student Information System to support the reporting requirements of the NCLBA

AYP goals are also supported by providing quality learning environments. Conditions of the school buildings have improved over the past five years. Funds either provide maintenance to bring facilities up to standard or, if the cost of restoration is more than the cost of replacement, are used to build a replacement school.

**Representative Strategic Plan Measure: Part I violent crime incidents per 100,000 Indian Country inhabitants receiving law enforcement services**

**FIGURE 1-53**

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008 Plan</b>
Part I violent crime incidents per 100,000 Indian Country inhabitants receiving law enforcement services	Baseline Re-established in 2006		492	374	492
Cost (\$)	Not Available	Not Available	30,480,251	25,690,548	Not Available

The level of Part I violent crime is the determining measurement for safety in Indian Country. Part I violent crime refers to murder and nonnegligent manslaughter, forcible rape, robbery, and aggravated assault as reported to the FBI for purposes of the Uniform Crime Reports.

Indian reservations suffer high homicide rates, juvenile crime and gang activity, child abuse, and substance abuse. The spread of methamphetamine is compounding the problem.

The spread of methamphetamine is a critical culture-threatening issue. Drugs flow across the border, and reservations are prime locations for delivering methamphetamine. A recent Indian law enforcement agency survey indicated a relationship between meth proliferation and increases in violent crime.

In the FY 2008 Interior Budget, the Safe Indian Communities Initiative has proposed \$16 million in 2008 to combat the methamphetamine and related problems. IA will put an additional 50 law enforcement agents in targeted communities based on the crime rate, population, and current staffing levels, and also invest in specialized training for the current force. The certified drug officer total will go from eleven in 2007 to 111 in 2008. More officers on patrol will have the knowledge and tools to break up drug trafficking, disrupt the activities and organization of crime groups, and seize illegal substances.

The 2008 target will be reconsidered based on the performance level achieved in 2007.



### **Methamphetamine Dealers Routed**

In the last three years, the Wind River reservation has been targeted by the Sinaloa Cowboys, a group of highly organized, violent Mexican drug dealers, as a prime area to sell methamphetamine. IA law enforcement officers sought permission from the Tribal counsel to take action. Tribal officials gave permission and strong support.

IA officials formed a task force with the State of Wyoming, federal agencies, and the cities of Lander and Riverton, Wyoming. Wire taps were obtained and in May, 2006, approximately 53 suspects were charged and 43 arrested for drug crimes. This was one of the largest operations conducted on Indian land.

In January 2007, the task force learned that methamphetamine was once again being distributed in the same area. BIA generated enough information to apply for an affidavit for a Title III wire tap. All wire taps were completed and in September, an IA Special Agent presented testimony before a U.S. Grand Jury and returned with 38 federal indictments. On September 25, 2007, about 150 law enforcement personnel arrested 35 defendants.

*The photo shows IA law enforcement officers in training.*

**GOAL: Increase economic self-sufficiency of insular areas**

**Representative Strategic Plan Measure: Ratio of Federal revenue to total revenues in insular areas**

FIGURE 1-54

	2004	2005	2006	2007	2008 Plan
Federal Assistance as a percentage of GDP for insular economies	26%	25%	28%	30%	28%
Cost (\$)	Not Available	Not Available	Not Available	Not Available	Not Available

The insular areas in this measure refer to Guam, American Samoa, the U.S. Virgin Islands and the Northern Mariana Islands, as well as the three freely associated states: the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau.

The Office of Insular Affairs assists the island governments to develop more efficient and effective financial management practices and increase development opportunities so that island contributions to their total revenues increase.

Three of the four territories face economic challenges, and all are facing fiscal difficulties.

- ◆ The Mariana Islands rely heavily on tourism, especially from Japan. There has been a change in regional tourism patterns, leading to a 15 percent decrease in 2006 from the previous year. The rapidly dwindling garment industry has been negatively impacted by trade agreements affecting clothing and textiles.
- ◆ Guam depends primarily on tourism and is a popular destination for Japanese, Korean and Chinese tourists. Tourism took a recent downturn along with tourism in the rest of Asia, but is expected to stabilize when U.S. Marine personnel and operations, currently in Okinawa, transfer to Guam sometime in 2007–2008.

- ◆ American Samoa relies on two tuna canneries that employ 10,000 people for 80 percent of the private sector economy. Unfortunately, these are likely to shut down soon as a result of changes in international trade and tariff policies.

- ◆ The American Virgin Islands is a popular tourist destination. Its manufacturing sector consists of petroleum refining, textiles, electronics, rum distilling, pharmaceuticals, and watch assembly plants—a more diversified economy than the other territories. However, it faces a potentially serious challenge from changes in tax law.

The fourth Conference on Business Opportunities in the Islands was held on Guam in October 2007. The conference provided an opportunity for U.S. business people to meet with island entrepreneurs and business owners to strengthen the island economies. The conferences draw business people from the construction, airline, travel and tourism, environmental technology, and communications technology industries.

Improving island economies continues to be extremely challenging, especially due to the remote locations of these territories and their relatively small populations. Performance is expected to remain essentially the same for 2008. Funding for this measure is over \$70 million annually.



### Infrastructure Key to Successful Economics

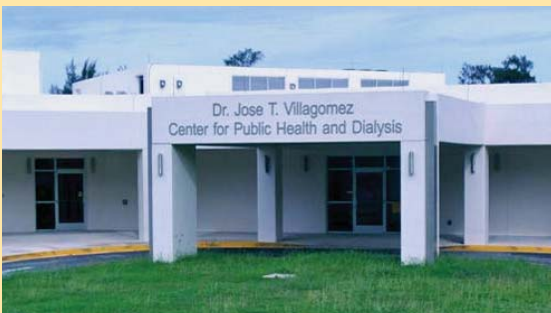
OIA has worked to improve the environment for economic development in the insular areas. OIA's facilitation efforts are beginning to yield results.

- ◆ A company is exploring financing options to bring a fiber-optic cable to American Samoa. The cable will provide several benefits to the islands, such as allowing a call center to open on the island and providing high speed internet access.
- ◆ A financial investment firm is relocating a large portion of its operations to the U.S. Virgin Islands. This will provide new jobs and tax revenue for the local government.

Through OIA's infrastructure development programs, the foundation for further economic growth is being established. For example, 62 classrooms were completed in the Republic of the Marshall Islands in FY 2007.



Additionally, a Public Health and Dialysis Center was finished this past year on the island of Saipan in the Northern Mariana Islands. These activities will assist the islands in their economic development efforts.



# Management Excellence

**T**he Department's Strategic Plan 2007–2012 is organized into four main Mission Areas. A fifth area, Management Excellence, provides the enabling framework for accomplishing our mission through improved business processes, practices, and tools. Of course, any accomplishments would not be possible without the key element—a highly skilled, diverse, and dedicated workforce.

In FY 2007, Interior continued to make progress in areas targeted by the President's Management Agenda. The PMA is a strategy for improving the management of the Federal Government. The focus is on performance and results. Quarterly reviews by Office of Management and Budget examine six areas in which improvements and progress can be made: human capital, improving financial performance, competitive sourcing, e-government, budget/performance integration, and real property.

OMB uses an Executive Branch Management Scorecard to monitor agencies' status and progress toward attaining PMA goals. Color-coded ratings are provided and included in the discussion of highlighted performance measures from Interior's Strategic Plan for each core area.

For FY 2007, Interior joins an elite group of seven Federal agencies which are not Red for status or progress in all six initiatives. Moreover, Interior anticipates achieving Green for status and progress for the six PMA initiatives by the end of FY 2008.

**GOAL: Increase accountability**

**OUTCOME: Improving Financial Performance**

FIGURE 1-55

	FY 2006		FY 2007		Expected FY 2008	
	Status	Progress	Status	Progress	Status	Progress
PMA Scorecard Rating	R	G	Y	G	G	G

The Department’s goal to increase accountability through improved financial management focuses on four individual performance measures. Financial management begins with accounting transactions and encompasses every aspect of our mission and program performance across the agency. The measures we have chosen are the percent of reporting entities’ receiving a clean audit opinion, the percent of entities maintaining an effective internal control environment, percent of material weaknesses or non-compliance corrected within established schedules, and the percent of financial performance metrics met or exceeded.

The Department continues to pursue improved financial management and our senior leadership has defined the Department’s goal to be world-class financial management. Our progress rating above is indicative of our commitment to improving our financial management status as defined by the PMA. Implementation has begun on the integrated financial management system that will significantly enhance the accuracy, timeliness, and usefulness of financial information that drives decision making and results. This system, FBMS, will link critical transaction and budget formulation

systems and allow all levels of management to view consistent real-time data to monitor performance. Implementation issues and challenges come with all initiatives of this nature and complexity, however, we fully expect to overcome those hurdles and maintain our targeted goals for all four measures.

As with every large decentralized organization providing diverse mission-oriented services, the collection of useful and consistent management information is difficult. Our challenge is made even more difficult by the number of independent and unique software systems employed by our Bureaus and offices. We overcome this hurdle from an accounting and reporting perspective with significant manual efforts and other mitigating controls. As referenced in our Office of Inspector General, Top Management Challenges report, the Department has several initiatives underway to improve this area, such as the FBMS implementation discussed above.

Additionally, we have proactively worked to improve our controls and this effort has resulted in no material weaknesses being identified for FY 2007. In addition, Interior has established an OMB approved “Getting to Green Plan” for FY 2008.

## Interior Enterprise Architecture Sustained Excellence

For the past three years, the Department of the Interior has been recognized as a leader in enterprise architecture across the federal government. According to the Office of Management and Budget, the DOI EA program was ranked #1 in FY 2005, 2006, and one of the top five rated agencies for 2007. The Government Accountability Office also rated DOI's EA program as the most mature in its last government-wide assessment in 2006 by having completed 97% of all elements.

Over the past few years, the IEA has partnered with DOI's business community in developing modernization blueprints that guide transformation projects aimed at maximizing program performance. Collectively, these blueprints identify over 100 legacy systems/sub-systems that will be retired when the target solutions are deployed.

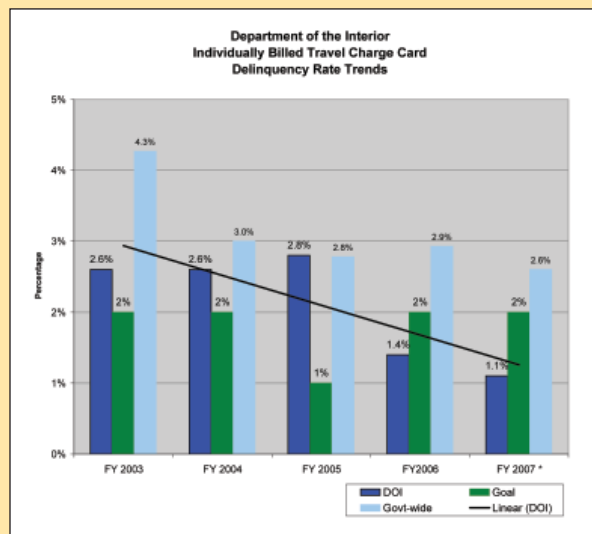
**Table 6: Percentage of Framework Elements Satisfied by Department and Agency Architecture Programs within Each Maturity Stage**

Departments/Agencies and Maturity Stages	Percent of framework elements satisfied	Percent of Stage 2 elements satisfied	Percent of Stage 3 elements satisfied	Percent of Stage 4 elements satisfied	Percent of Stage 5 elements satisfied
<b>Department of the Interior</b>	<b>97</b>	<b>100</b>	<b>100</b>	<b>88</b>	<b>100</b>
Department of Housing & Urban Development	94	100	100	75	100
Department of the Labor	87	100	100	88	63
Department of the Justice	77	100	100	63	50
<b>Stage 2</b>					
Office of Personnel Management	94	100	83	88	100
Department of Homeland Security	77	100	83	75	50
Department of Agriculture	61	100	67	50	25
<b>Stage 1</b>					
Department of Commerce	87	89	100	88	75
Social Security Administration	87	89	100	100	69
Department of Education	84	89	100	75	75
Department of Energy	77	89	63	88	50
National Aeronautics and Space Administration	71	67	100	63	63
Small Business Administration	71	78	67	75	63
Department of the Treasury	71	78	63	63	63
Department of Health and Human Services	71	89	100	38	63
Environmental Protection Agency	74	86	63	88	38
Department of Defense – Global Information Grid	71	89	67	75	50
Department of Defense – Business Enterprise Architecture	68	78	67	63	63
Department of Veterans Affairs	65	78	63	50	50
Department of Transportation	65	78	63	50	50
Department of State	58	67	67	63	38
General Services Administration	55	67	50	50	50
Nuclear Regulatory Commission	55	67	63	50	25
National Science Foundation	52	78	67	25	38
Department of the Air Force	48	66	67	38	25

GAO-06-831 Enterprise Architecture

OMB has cited DOI's approach – Methodology for Business Transformation – as a best practice that other federal agencies can leverage in developing their architectures.

## Delinquency Rate Declines



The Department of the Interior delinquency rate illustrates the Department employees' record for paying their charge card obligations in a timely manner – within 60 days. The Department measures the percent of delinquent payments relative to the total billed amounts. A low delinquency rate accrues cash benefits to the Department in the form of rebates and improves the credibility of the charge card program with both the Congress and the general public. In 1997, the Department's delinquency rate was approximately 13%. The Department undertook aggressive steps to improve this rating, such as becoming the first agency to implement a salary off-set to reduce the number of charged off accounts and maximizing the central billing of rental cars and hotels, thereby reducing the financial burden on employees. As the chart displays, the Department continues to improve, consistently remaining below the Government-wide rating. In FY 2005, the Department delinquencies of 2.8 % on average equaled the government-wide rate. Since then, the Department has improved in this area by reporting a 1.1% delinquency rating for FY 2007.

**GOAL: Advance modernization/integration**

**OUTCOME: E-Government**

FIGURE 1-56

	FY 2006		FY 2007		Expected FY 2008	
	Status	Progress	Status	Progress	Status	Progress
PMA Scorecard Rating	Y	R	Y	Y	G	G

**Related Strategic Plan Measure: Score achieved on the OMB Enterprise Architecture Framework**

In 2007, the Integrated Enterprise Architecture program received a green rating from OMB and was recognized as one of the top five enterprise architecture programs across the Federal government for the third consecutive year. The program issued a Deputy Secretary-approved, Governance Plan that outlined the decisionmaking processes used to develop segment and DOI enterprise architectures. The annually updated DOI Enterprise Transition Strategy was also approved by the Deputy Secretary. IEA also implemented data quality performance measures and objectives for the Departmental Enterprise Architecture Repository. The measures and objectives were incorporated in quarterly evaluations of Bureau Enterprise Architecture programs.

The IEA program released an updated version of its Methodology for Business Transformation which implemented over 100 improvements to the methodology. OMB asked the DOI IEA program to consolidate all of the MBT documentation and post on <[www.CORE.gov](http://www.CORE.gov)> as a best practice example for other Federal agencies to use in creating segment architectures.

The IEA program completed and gained approval from the Investment Review Board of two additional modernization blueprints for Human Resource Management, and Land Management Planning and National Environmental Policy Act compliance.

**Related Strategic Plan Measure: Percent of completed IT projects for which customers report objectives were met**

With 28 major IT investments in the operations and maintenance stage, 24 have conducted operational analyses to determine if customer objectives were achieved. The remaining four have operational analyses underway or planned.

Of the 24 operational analyses that have been conducted, 21, or 87.5 percent, indicate that

customer objectives were met and that business requirements were satisfied. The three investments that did not report customer satisfaction have adequate plans to ensure customer objectives will be met through a combination of system replacements, retirements, and enhancements.

**OUTCOME: Human Capital Management**

FIGURE 1-57

	FY 2006		FY 2007		Expected FY 2008	
	Status	Progress	Status	Progress	Status	Progress
PMA Scorecard Rating	G	G	G	G	G	G

**Related Strategic Plan Measure: Percent of employees who have resolved competency gaps for specified occupational groups representing Departmentwide skill needs.**

In 2004, the Department purchased a computer system to help identify competency gaps in specified occupational groups. The Department continues to work with OPM and vendors to configure the system to capture the desired data and address the competency gaps in various occupational groups. When the competency assessment tool is available on the learning management system (DOILEARN),

we will develop baseline data on proficiency levels of selected occupations. We will compare that baseline with occupational outcome criteria and track progress after strategies to close the gaps have been implemented. Until the tool is successfully launched, we will measure our success in terms of staffing level trends in selected occupations and report an aggregate percent change.

**Related Strategic Plan Measure: Increase in the percentage of qualified, highly skilled, diverse candidates hired as a result of implementing specified requirements of the DOI Strategic Plan for Achieving and Maintaining a Highly Skilled and Diverse Workforce, FY 2005–2009.**

During FY 2007, DOI invested resources and the following strategies to increase the percentage of highly skilled, diverse candidates hired by the Department:

- ◆ Used a diversity recruitment consortium to help recruit and place students from partner educational institutions
- ◆ Created the Indian Excellence Program to assist managers in outreach and recruitment of Indian students
- ◆ Developed a corporate targeted recruitment tool to locate and hire applicants for mission critical occupations
- ◆ Established linkage with the <www.DisabilityInfo.gov> website as a resource for individuals with disabilities
- ◆ Reinforced communication and collaboration with employee-focused groups
- ◆ Implemented cooperative partnerships with external organizations, such as the National Association for Equal Opportunity and the League of United Latin American Citizens, to strengthen outreach and recruitment to diverse segments of the labor force

Despite these efforts, DOI has experienced a decrease in the number of total hires, and a 3.8 percent decrease in the percent, of women, minorities, and persons with disabilities since the first quarter of FY 2007. In light of this decrease, more remains to be done to fill competency gaps with highly skilled, diverse candidates. Some additional strategies include strengthening training programs to promote an inclusive work environment and more effective marketing of DOI career opportunities.

**OUTCOME: Organizational Reviews and Acquisitions (Competitive Sourcing)**

FIGURE 1-58

	FY 2006		FY 2007		Expected FY 2008	
	Status	Progress	Status	Progress	Status	Progress
PMA Scorecard Rating	G	R	G	Y	G	G

**Related Strategic Plan Measure: Number of FTE in competitive sourcing studies completed during the fiscal year**

Through the end of FY 2007, DOI had completed competitions on 2,725 FTEs, and directly converted another 1,773 FTEs. In all those efforts, only one employee was impacted by involuntary actions. These studies have resulted in current cumulative annualized savings over \$6M. Efficiencies that resulted in savings include resource sharing arrangements and right-sizing, right-skilling, and right-grading of staffing requirements. Savings have been reinvested in deferred maintenance projects, upgrading utility systems, absorption of increased fuel costs, upgrading equipment, and purchasing supplies in larger quantities to take advantage of quantity discounts. We completed competitions impacting 223 FTEs during FY 2007, and studies impacting 466 FTEs are still in progress. Included in that number is an NPS-wide review of human capital functions. This competition is being

conducted concurrent with an organizational review of all human capital functions, which could result in dramatic change and improvement in how those critical services can enhance NPS missions.

**Status of Competitions**

- ◆ Completed to Date
  - Standard = 510 FTEs
  - Streamlined = 2,215 FTEs
  - Direct Conversions = 1,773 FTEs
- ◆ In Progress
  - Standard = 466 FTEs
  - Streamlined = 100 FTEs

**Related Strategic Plan Measure: Percent savings compared to relevant GSA Federal Supply Schedule prices for contracts awarded through Strategic Sourcing**

The FY 2007 GPRA Strategic Sourcing Initiative target was to achieve an overall savings of 2 percent compared with the General Services Administration's Federal Supply Schedule. Strong partnerships were developed with offices and bureaus to advance this initiative. By collaborating across the Department, we exceeded the goals to streamline the procurement process, reduce administrative and commodity costs, improve management efficiency, and maintain the

Department's commitment to small business and environmental objectives. The following Strategic Sourcing commodities were completed in FY 2007 and realized significant savings compared to the Federal Supply Schedule: IT Equipment (23%); Office Supplies (15%); Relocation Services (9%); Domestic Delivery (25%); and Wireless Equipment and Services (5%). We plan to sustain this level of performance in FY 2008.

**OUTCOME: Real Property Asset Management**

FIGURE 1-59

	FY 2006		FY 2007		Expected FY 2008	
	Status	Progress	Status	Progress	Status	Progress
PMA Scorecard Rating	Y	G	Y	G	G	G

**Related Strategic Plan Measure: Overall condition of buildings and of structures (as measured by the FCI) that are mission critical and mission dependent, (as measured by the API) with emphasis on improving the condition of assets with critical health and safety needs.**

Over the past three years, since the development, approval and implementation of the Asset Management Plan, processes, and tools, the Department of the Interior has significantly improved the overall condition of its constructed asset portfolio. Specifically, the AMP, implemented in 2005, provided guidance on the conduct of comprehensive and annual facility/asset condition

assessments. The AMP also provided the framework and initial guidance used to gather facility/asset data and populate the Federal real property profile database. As the process of data collection and analysis has matured, use of data to make daily business decisions that improve the overall condition of assets has increased.



**Restoring Essential Assets**

The Sacramento Landing is located on the shores of 12-mile long Tomales Bay at the Point Reyes National Seashore in Northern California. The Sacramento Landing pier was a deteriorated timber pier that provided access to a floating dock used to moor NPS vessels. The pier had deteriorated to such an extent that it was condemned for public use after a 40-foot section of the pier collapsed.

This completed project provides an all-weather safe anchorage for the park emergency response boats and enables the boats to respond during any tide cycle.

It also provides an environmentally safe fueling station. In addition to being the only pier within the park suitable for use of law enforcement and emergency response operations, the Tomales Bay Marine Station is the only marine facility for research on Tomales Bay and crucial to promoting many research and monitoring studies on coastal resources. Tomales Bay specific studies include monitoring water quality, fish, seals and invasive non-native species. The facility will also accelerate the All Taxa Biodiversity Inventory of Tomales Bay, which had documented over 2,000 marine species in the past four years.



**OUTCOME: Performance-Budget Integration (Performance Improvement)**

FIGURE 1-60

	FY 2006		FY 2007		Expected FY 2008	
	Status	Progress	Status	Progress	Status	Progress
PMA Scorecard Rating	Y	G	Y	G	G	G

- ◆ The development and application of Representative (Strategic Plan) Performance Measures, as displayed in this report, provide a clearer overview of progress being made against the Strategic Plan. Related costs associated with the pursuit of individual objectives are reported by matching costs to individual Strategic Plan performance measures.
  - The graphs and tables in this report display, as available, past trends and a preview of what is expected in the near future in achieving the Department's set of goals. The addition of relative funding, provided via use of activity-based costing, offers insight into the relationship of funding with realized and planned performance.
  - Many of the relationships between funding and performance are not linked to the extent that one dollar achieves a unit of achieved performance in a single year. While annual performance targets and annual appropriations focus our attention on a single year, funding over several years may be needed to attain the final achievement of an acre of land to desired condition or the stabilization of an endangered species.
  - While some of the selected Representative Performance Measures do not display much past history, their presence signals the onset of continued, routine tracking of performance. We will continue to emphasize these measures in future PARs and report on their results year after year.
- ◆ Program Reviews
  - Under the President's Management Agenda for Budget and Performance Integration, specific program-level reviews are conducted in consultation with the Office of Management and Budget using the Program Assessment Rating Tool. While the following table (Figure 1-61) lists the ratings of the programs that have been reviewed, more detailed information regarding findings and follow-on actions that are under way can be found on the <[www.ExpectMore.gov](http://www.ExpectMore.gov)> website.
  - In FY 2007, progress in implementing follow-on actions continued, most notably in terms of six programs previously rated as "Results Not Demonstrated" successfully accomplishing ratings of "Adequate to Moderately Effective." The overall progress made is reflected in the programs that have been reassessed with higher ratings (the subsequent rating identified in parentheses). A higher level of direct engagement of senior management significantly helped this year's conduct of program assessments and is a continuing practice. The perspective and guidance provided by these senior individuals were invaluable to ensuring a more thorough response to questions that were policy in nature, providing overall programmatic context, ensuring attention of the related OMB examiner, and providing related support to the associated program personnel.

### Take Pride in America

#### Achieving Our Goals

From October 2006 through September 2007, approximately 350,000 volunteers contributed 15 million hours of service on public land for NPS, FWS, BLM BOR, USGS, along with Natural Resource Conservation Service, the U.S. Forest Service, and the U.S. Army Corps of Engineers.

The Thomson Causeway Recreation Area Cleanup held on Earth Day 2007 in Thomson, Illinois is an excellent example of dedicated volunteerism on our Nation's public land. Forty-five volunteers, including Boy Scout Troops and local high school students, planted trees, picked up one truck load full of trash, cleared debris, and landscaped. In total, 92 hours of service were contributed by the community to this U.S. Army Corps of Engineers recreation area. Their service represents the spirit of citizen stewardship of the



Nation's valuable resources. These volunteers exercise the purest form of civic action by taking pride in their country.

- The most significant challenges that remain for those programs with ratings of "Results Not Demonstrated" include successfully revising some legislation, identifying mutually agreeable performance measures, and attaining

adequate performance results data to demonstrate the amount of progress that is being made. Preparations are already underway to graduate more programs out of the ranks of "Results Not Demonstrated" next year.

FIGURE 1-61

Summary of PARTs and Ratings (parenthetic ratings are RePARTs)	BY 2004	BY 2005	BY 2006	BY 2007	BY 2008	BY 2009
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
<b>IA</b>						
Indian Land Consolidation	Mod. Eff.					
K-12 School Operations	Adequate					
K-12 School Construction	RND		(RND)			(Adequate)
Forestry Management		Adequate				
Law Enforcement		RND				(Adequate)
Tribal Courts		RND				
Job Placement and Training			Mod. Eff.			
Tribal Colleges			Adequate			
Operation and Maintenance of Roads			RND			
Economic Development Guaranteed Loans				Adequate		
Housing Improvement				RND		
Dam Safety and Dam Maintenance				Mod. Eff.		
Operation and Maintenance of Irrigation Projects				RND		
Human Resources					Adequate	
Natural Resources					Adequate	
Real Estate Trust Services					RND	
<b>BLM</b>						
Wildlife Habitat Restoration	Mod. Eff.					
Energy & Minerals Mgmt		Adequate				
Recreation Management		Adequate				
Realty and Ownership Management			Adequate			
Southern Nevada Land Sales			RND			
Land Use Planning				RND		
Mining Law Administration				RND		
Resource Management					Adequate	
<b>BOR</b>						
Hydropower	Mod. Eff.	(Effective)				
Rural Water Supply Projects	RND					
Water Reuse and Recycling	Mod. Eff.					
Science and Technology (S&T) Program		Effective				
Water Management Project Planning and Construction			RND			(Mod.Eff.)
Recreation and Concessions			Adequate			
Water Management Operations and Management				Adequate		
Safety of Dams Program				Effective		

Summary of PARTs and Ratings (parenthetic ratings are RePARTs)	BY 2004	BY 2005	BY 2006	BY 2007	BY 2008	BY 2009
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Site Security				Mod. Eff.		
CALFED					Adequate	
CVPIA					Adequate	
Water Management & Environmental Mitigation						Adequate
<b>FWS</b>						
National Wildlife Refuge System		RND				(Adequate)
Migratory Bird Management & Conservation			RND			
Endangered Species				RND		
Wildlife & Sport Restoration				RND		
Fisheries					Effective	
Habitat Conservation					Adequate	
<b>MMS</b>						
Outer Continental Shelf Environmental Studies	Mod. Eff.					
Minerals Revenue Management		RND				(Mod.Eff.)
Outer Continental Shelf Minerals Evaluation and Leasing			Mod. Eff.			
Outer Continental Shelf Minerals Regulation and Compliance				Effective		
<b>NPS</b>						
Natural Resource Stewardship	Mod. Eff.					
Facility Management	RND	(Adequate)				
Grants		RND				
National Historic Preservation		Mod. Eff.				
Cultural Resource Stewardship			Adequate			
Technical Assistance				Adequate		
Heritage Partnership				RND		
Visitor Services				Mod. Eff.		
Concessions Management				Adequate		
Park Police					Adequate	
<b>OSM</b>						
State-managed Abandoned Coal Mine Land Reclamation	RND					(Mod.Eff.)
State-managed Regulation of Surface Coal Mining		RND			(Effective)	
Federal-managed Regulation of Surface Coal Mining			RND		(Effective)	

Summary of PARTs and Ratings (parenthetic ratings are RePARTs)	BY 2004	BY 2005	BY 2006	BY 2007	BY 2008	BY 2009
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
<b>USGS</b>						
Geographic Research, Investigations, and Remote Sensing	RND		(Effective)			
Geologic Hazards Assessments		Mod Eff.				
Mineral Resource Assessments		Mod Eff.				
Energy Resource Assessments		Mod Eff.				
Water Information Collection and Dissemination			Mod Eff.			
Water Resources Research			Mod Eff.			
National Cooperative Geological Mapping				Mod. Eff.		
Biological Research and Monitoring				Mod. Eff.		
Biological Information Management and Delivery				Mod. Eff.		
Coastal and Marine Geology					Mod. Eff.	
<b>DOI</b>						
Wildland Fire Management	RND			(RND)		
Central Utah Project				Adequate		

**Programs are rated:**

- Results Not Demonstrated (RND)**
- Ineffective**
- Adequate**
- Moderately Effective (Mod. Eff.)**
- Effective**

# Compliance with Legal and Regulatory Requirements

This section of the report provides the required information on the Department's compliance with the following legal and regulatory requirements:

- ◆ Federal Managers' Financial Integrity Act
- ◆ Federal Financial Management Improvement Act
- ◆ Inspector General Act Amendments
- ◆ Federal Information Security Management Act
- ◆ Other key legal and regulatory requirements including the following:
  - Prompt Payment Act
  - Debt Collection Improvement Act

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

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

## 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 effective 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:

- ◆ 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
- ◆ Timely, accurate and reliable data are maintained and used for decision-making at all levels.

Interior's internal control program is designed to ensure full compliance with the goals, objectives, and requirements of FMFIA and OMB Circular No. A-123, *Management's Responsibility for Internal Control*, including Appendix A, *Internal Control over Financial Reporting*; OMB Circular No. A-127, *Financial Management Systems*, and OMB Circular No. A-130, *Management of Federal Information Resources*.

### Management Assurances

FMFIA requires agencies to provide an annual statement of assurance regarding the effectiveness of internal and accounting controls over financial systems. Agencies are also required to provide an assurance statement on management's assessment of the effectiveness of internal control over financial reporting as of June 30 each fiscal year. During FY 2007, the Office of Financial Management conducted comprehensive site visits and otherwise provided oversight with regard to risk assessments, internal control reviews, assessments of internal control over financial reporting, and progress in implementing audit recommendations. Interior's FY 2007 Annual Assurance Statement is highlighted to the right. The basis for the assurance statement conclusions are discussed below.

### Internal Control Assessments

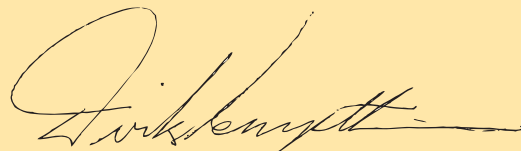
Interior conducts annual assessments of the effectiveness of management, administrative, and accounting systems controls in accordance with FMFIA and OMB guidelines. The conclusions in the Secretary's FY 2007 Annual FMFIA Assurance Statement are based on the results of 512 internal control reviews of programs and administrative functions conducted by bureaus and offices, including an assessment of internal control over financial reporting; 48 Office of Inspector General program audits; 21 Government Accountability

### FY 2007 ASSURANCE STATEMENT

Interior's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives and requirements of the Federal Managers' Financial Integrity Act of 1982. Interior conducted its annual assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with the requirements of the Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Internal Control*. Based on the results of this evaluation, Interior can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2007, was operating effectively and that no material weaknesses were found in the design or operation of the internal controls.

In addition, Interior conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular No. A-123. Based on the results of this evaluation, Interior can provide reasonable assurance that its internal control over financial reporting as of June 30, 2007, was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting. Further, subsequent testing through September 30, 2007, did not identify any reportable changes in key financial reporting internal controls.

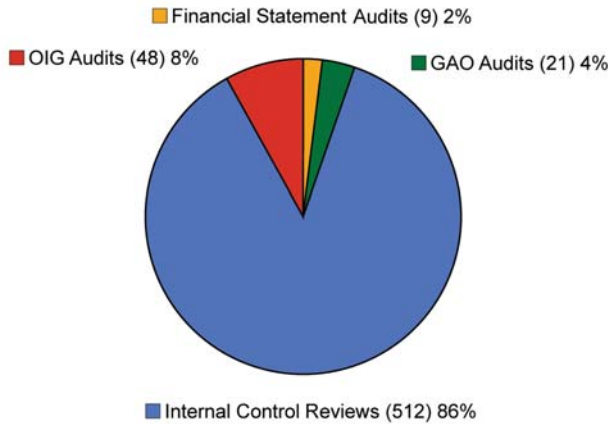
Also, Interior can provide reasonable assurance that its financial systems substantially comply with the Federal Managers' Financial Integrity Act and with the component requirements of the Federal Financial Management Improvement Act.



Dirk Kempthorne  
Secretary of the Interior  
November 13, 2007

FIGURE 1-62

**Basis for FY 2007 Assurance Statement**



Office program audits; and the 9 financial statement audits conducted by the independent public accounting firm, KPMG LLP, under the auspices of the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994 (see Figure 1-62). As in prior years, internal control reviews performed by the Department and its bureaus provided the majority of the support (86%) for the Annual Assurance Statement. In addition, many of Interior’s internal 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 1-63 presents a crosswalk of those activities.

**FMFIA Material Weaknesses and Accounting System Nonconformances**

OMB Circular No. A-123 requires that each agency identify and report on material weaknesses affecting the agency. Interior has adopted the OMB guidelines for material weakness designations. These guidelines are highlighted on the next page. Interior recognizes the importance of correcting material weaknesses in a timely manner. The Office of Financial Management and senior program officials continuously monitor corrective action progress for all material weaknesses. At the beginning of FY 2007, Interior had no department-level FMFIA material weaknesses pending correction carried forward from the previous year.

The Department has a reporting practice consistent with the December 2004 revision to OMB Circulars No. A-123 and No. A-136, *Financial Reporting Requirements*, to report only department-level material weaknesses in the Performance and Accountability Report. Bureau-level material weaknesses continue to be reported internally

FIGURE 1-63

**Crosswalk of Activities Related to Major Management Challenges**

Management Accountability and Integrity Program Activities in FY 2007 Related to Interior’s Major Management Challenges and President’s Management Agenda	Interior’s Major 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
Internal Control Reviews/Management Studies and Initiatives	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
OIG Audits													
- Program Audits Completed	✓	✓	✓	✓	✓	✓	✓	✓				✓	
- Financial Statement Audits Completed	✓	✓			✓		✓	✓				✓	✓
GAO Audits Completed	✓	✓	✓	✓	✓	✓	✓	✓				✓	



and are actively monitored by the bureau and the Office of Financial Management for timely corrective action. The FMFIA material weakness, (Indian Trust Assets) shown in Figure 1-64, was downgraded in FY 2006. Interior has no department FMFIA material weaknesses to carry over to FY 2008 for management's reporting purposes.

A summary of the Department's financial statement audit material weaknesses, FMFIA material weaknesses and accounting system nonconformances is presented in Figures 1-65 and 1-66.

### Internal Control over Financial Reporting

Revised OMB Circular No. A-123, Appendix A, strengthens internal control requirements over financial reporting in Federal agencies. The revised circular provides updated internal control standards and requirements for conducting management's assessment of the effectiveness of internal controls over financial reporting.

In FY 2007, the Department completed its second assessment of the effectiveness of internal control over financial reporting. The results of the assessment revealed that adequate controls exist and that financial reporting can be relied upon by senior management when used in conjunction with other decision-making processes. The assessment did not disclose any material weaknesses in the Department's financial reporting activities. Although deficiencies were found in some financial reporting business processes, corrective actions are expected to correct the deficiencies. The Department's internal controls over financial reporting reasonably ensure the safeguarding of assets from waste, loss, and unauthorized use or misappropriation, as well as reasonably ensure compliance with laws and regulations pertaining to financial reporting (See FY 2007 Assurance Statement, paragraph 2).

Departmental policy-makers and program managers continuously seek ways to achieve missions, meet program goals and measures, enhance operational processes, and implement new technological developments. The OMB requirement to assess control over financial reporting strengthens accountability of Departmental managers regarding internal controls and improves the quality and reliability of the Department's financial information.

### Material Weakness Guidelines

OMB and the Department define a *material weakness* as follows:

- ◆ A control deficiency, or combination of control deficiencies, that in management's judgment, should be communicated because they represent significant weaknesses in the design or operation of internal control that could adversely affect the organization's ability to meet its internal control objective which the agency head determines to be significant enough to report outside the agency.
- ◆ A *material weakness* in financial reporting is a significant deficiency- i.e., one that adversely affects the ability to initiate, authorize, record, process, or report financial data reliably and in accordance with Generally Accepted Accounting Principles - or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

The Department will report a material weakness corrected or downgraded when the following occurs:

- ◆ 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, the remaining actions are minor in scope, and the actions will be completed within the next fiscal year;
- ◆ Implemented corrective actions have eliminated or minimized the root cause(s) of the material weakness; and
- ◆ Substantial validation of corrective action effectiveness has been performed.

FIGURE 1-64

FMFIA Material Weaknesses Previously Downgraded				
Description	Corrective Actions	FY 2007 Progress	FY 2006 PAR Target Date	Status
<p><b>Bureaus:</b> <b>IA/OST/OS/OHTA</b></p> <p><b>First Reported: FY 1991</b></p> <p><b>Indian Trust Assets:</b> The Office of the Special Trustee for American Indians' 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 includes: Office of Historical Trust Accounting's historical accounting; strengthening the existing system of controls to ensure that Indian Affairs ownership and distribution information is correct.</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>Indian Affairs - has: (1) closed 9,400 probate cases; (2) assisted the Department's regulatory initiative team in drafting regulations for probate, owner managed leasing, consolidation by sale, and ownership information; (3) deployed Trust Asset and Accounting Management System and data conversion at 45 agency field offices in 12 regions; (4) published program procedural handbooks for the Trust land and natural resource management programs; and (5) issued policies on Life Estates/Dowers, Witnesses, Timber Sales, Minerals, and Rounding.</p> <p>OHTA has completed to date, historical accounting that supports several significant conclusions: (1) a very high percentage of records exist and can be located; (2) differences between supporting records and recorded transactions are few in number, small in size, and not systemic; (3) there is no evidence historical records have been altered; and (4) there is ample evidence that monies collected were distributed to the correct recipients.</p> <p>The Office of the Secretary coordinated efforts with IA, OHTA, and OST to assess the Trust weaknesses identified as potential findings in subsequent audit reports.</p> <p>OST completed the implementation of a centralized commercial lockbox process that was initiated in FY 2005; this process included policies, procedures and training. OST Regional Trust Administrators are taking the lead in concert with Bureau of Indian Affairs regional directors to oversee the leasing module conversions to the TAAMS. Regarding these conversions 100% of recurring Individual Indian Monies income and 100% of IIM accounts were converted to the leasing module of the TAAMS.</p> <p>Beneficiaries serviced by the various agencies that have been converted to the leasing module for TAAMS are receiving quarterly performance statements that provide information regarding source of funds, encumbrance information (who is leasing their property, duration and payment terms of lease), and a listing of the trust property they own.</p>	<p>FY 2008</p>	<p>Interior downgraded to Significant Deficiency in 2006.</p> <p>Downgrade validated by financial statement auditors in 2007.</p>

### Federal Financial Management Improvement Act

FFMIA builds upon and complements the CFO Act, Government Performance and Results Act, and Government Management Reform Act. FFMIA requires that Federal agencies substantially comply with: 1) applicable Federal accounting standards; 2)

the Governmentwide U.S. Government Standard General Ledger; and, 3) Federal financial management system requirements that support full disclosure of Federal financial data, including the cost of Federal programs and activities.

Federal agencies are required to address compliance with the requirements of 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 Auditors' 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.

Although the FY 2007 Department financial statement audit report did identify a deficiency concerning noncompliance with the Single Audit Act Amendments of 1996 and OMB Circular No. A-133, the Department substantially complies with the FFMIA and FFMIA.

### Inspector General Act Amendments (Audit Follow-up)

Interior believes that the timely implementation of OIG and Government Accountability Office audit recommendations is essential to improving efficiency and effectiveness in its programs and operations, as well as to achieving integrity and accountability goals. As a result, DOI 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 2007, Interior monitored a substantial number of new Single Audit (293), OIG (67), and GAO (52) audit reports. Audit follow-up actions include analyzing audit reports referred; advising grantors of single audit findings; tracking, reviewing, and validating program and financial audit recommendations; developing mutually acceptable and timely resolution of disputed audit findings and recommendations;

overseeing the implementation, documenting and closing of audit recommendations; and monitoring the recovery of disallowed costs.

### Departmental Goal for Timely Implementation of Audit Recommendations

To further underscore the importance of timely implementation of OIG and GAO audit recommendations, Interior has established an aggressive performance goal to implement 85% of all GAO and OIG recommendations where implementation was scheduled to occur during the year or in previous years. Financial audit recommendations issued in FY 2007 were also included in the goal base.

In FY 2007, Interior exceeded its performance goal with a composite implementation rate of 89% (Figure 1-67). Interior's success in achieving the performance goal for the fifth consecutive year was due primarily to DOI's aggressive monitoring process. Monthly and quarterly scorecards on status of program internal control reviews and of audit recommendation implementation were prepared for each bureau and office to ensure commitments are being met, and that senior management attention was directed immediately to slippage when it occurred. This same progress monitoring will continue in FY 2008 to ensure achievement of next year's performance goal.

### Audits Performed Under the Single Audit Act

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 not-for-profit organizations. Under the provisions of the

FIGURE 1-65

Summary of FY 2007 Financial Statement Audit					
<b>Audit Opinion</b>	Unqualified				
<b>Restatement</b>	No				
<b>Material Weaknesses</b>	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Ending Balance</b>
Control over Trust Funds (IA, OST, & DO)	1	0	1 (Downgraded)	0	0
Total Material Weaknesses	1	0	1	0	0

**FIGURE 1-66**

<b>Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)</b>						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<b>Total Material Weaknesses</b>	0	0	0	0	0	0

<b>Effectiveness of Internal Control over Operations (FMFIA § 2)</b>						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<b>Total Material Weaknesses</b>	0	0	0	0	0	0

<b>Conformance with Financial Management System Requirements (FMFIA § 4)</b>						
Statement of Assurance	Systems Conform to Financial Management System Requirements					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<b>Total of Non-Conformances</b>	0	0	0	0	0	0

<b>Compliance with Federal Financial Management Improvement Act (FFMIA)</b>		
	Agency	Auditor
Overall Substantial Compliance	Yes	Yes
1. System Requirements	Yes	
2. Accounting Standards	Yes	
3. U.S. Standard General Ledger at Transaction Level	Yes	

Single Audit Act, grantees' financial operations, internal control structures, and levels 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's Office of Inspector General, who, in turn, forwards those reports to the Office of Financial Management 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.

Interior closed 234 of 293 audits under the Single Audit Act (80%) in tracking during FY 2007. As in

previous years, the Department plans to continue its monitoring and follow-up activities during FY 2008 to close audit reports including those with disallowed costs.

**Performance and Financial Audits**

Performance and Financial Audits are OIG conducted audits of Interior’s programs, organizations, and financial and administrative operations. During FY 2007, 67 OIG audits with 443 recommendations were tracked; 393 (89%) were completed or closed.

Some OIG audit reports contain recommendations to improve efficiency and assert that funds could have been put to better use. For the 12 months ending September 30, 2007, the OIG issued 4 audit reports (excluding audits of contracts and grants, discussed below) with \$13.8 million of FBU. During the period, management agreed to and closed recommendations in 8 reports with \$4.3 million of reported FBU.

**Audits of Contracts and Grants**

For the 12 months ending September 30, 2007, the OIG reported issuing 27 audit reports that contained \$5.6 million in questioned costs, \$4.6 million in unsupported costs, and \$1.9 million of FBU. During the period, management agreed to and closed recommendations in 12 reports with \$4.7 million of questioned costs, including \$2 million of unsupported costs.

**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 31 GAO reports with 79 recommendations were carried over from FY 2006. During FY 2007, GAO issued a total of 23 new reports with 29 recommendations. The Department was successful in closing 26 of the 54 reports and 41 of the 108 recommendations in tracking during FY 2007 (Figure 1-68).

FIGURE 1-67

FY 2007 DEPARTMENTAL PERFORMANCE GOAL FOR IMPLEMENTATION OF OIG AND GAO AUDIT RECOMMENDATIONS			
Agency	Recommendations Meeting Departmental Goal Criteria	Recommendations Implemented	Percentage Implemented
DOI TOTAL	490	434	89

**Audited Financial Statement Results**

As required by GMRA, Interior prepares consolidated financial statements. These financial statements have been audited by KPMG LLP, an independent public accounting firm, since FY 2001 (the OIG audited the financial statements prior to FY 2001). Additionally, certain bureaus prepare 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 2007 financial statement audit are summarized in Figure 1-65. As shown in the table, Interior again achieved an unqualified audit opinion, the eleventh in a row, for the Department’s consolidated financial statements.

In FY 2006, the Department did not agree with the auditors that Indian Trust Assets was a department-level material weakness. A variety of actions were taken in FY 2006 and 2007 to significantly improve internal controls and systems for Indian trust. An extensive amount of documentation was provided to the auditors during the FY 2007 audit cycle. As a result of these actions, the auditors have downgraded Indian Trust Assets from a department-level material weakness to a significant deficiency.

Figures 1-69 and 1-70 summarize the status of material weaknesses and noncompliance issues reported in the FY 2007 and FY 2006 financial statement audit. As noted previously, Interior reports only department-level material weaknesses and noncompliances. 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 involves a multiyear effort.

The FY 2006 auditor’s report identified 3 instances of noncompliance with laws and regulations. The Department fully concurred with only one of the findings (See Figure 1-70). During FY 2007, the Department corrected 2 noncompliance issues reported in

FIGURE 1-68

SUMMARY OF ACTIONS TAKEN IN FY 2007 ON AUDIT REPORTS ISSUED BY THE GAO				
			Number of Recommendations	Number of Reports
In tracking as of October 1, 2006			79	31
FY 2007 audits added to tracking system after October 1, 2006			29	23
Subtotal			108	54
Closed during FY 2007			41	26
In tracking as of September 30, 2007			67	28
Code	Status of final reports in tracking	Number of Recommendations	Number of Reports	
D1	Mgmt decisions < 1 yr old	42	19	
D2	Mgmt decisions > 1 yr old	25	9	
D3	Mgmt decision under formal appeal	0	0	

the FY 2006 audits. The third issue, Single Audit Act Amendments of 1996, is the only noncompliance issue carried over to the FY 2007 audit, and management concurs with it.

### 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. Appendix A presents a summary of the major management challenges identified by the OIG and GAO. Appendix B contains the Department of the Interior’s response to the challenges identified.

### Federal Information Security Management Act

FISMA provides a framework and relevant agency roles for 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 to identify minimum standards for operating information systems within the Federal Government.

Information security is an ongoing process of continuous improvement. Challenges are constantly present from evolving requirements and technologies. During FY 2007, the Department

identified the following priorities for improving its overall information security posture:

- ◆ Continuing improvements in revising Department Certification and Accreditation documentation and execution processes, to include OMB requirements for protecting personally identifiable information.
- ◆ Further improving the Department’s security configurations in accordance with emergent Security Technical Implementation Guides as directed by OMB.
- ◆ Refining the Department’s compliance effort in meeting the requirement to report system weaknesses through the Plans of Action and Milestones process.
- ◆ Implementing automated tools to verify and validate system security configurations.
- ◆ Integrating processes into life cycle management.

By focusing on these priorities, the Department was able to continue to make significant progress in improving and strengthening its overall security posture during FY 2007. In addressing the priorities listed above, the following actions were achieved:

- ◆ C&A packages were completed for 96 percent of bureau systems in the Department’s inventory. The content of C&A packages created or updated in FY 2007 was

FIGURE 1-69

FY 2007 and 2006 Audited Financial Statements Material Weakness Corrective Action Plan (as of September 30, 2007)						
			Fiscal Year			
Bureau	Material Weakness Description	Corrective Action	2006	2007	Original Target Date	Status
DEPT IA DO OST	Control Over Trust Funds	FY 2006 – Develop and implement procedures and internal controls to address the deficiencies in controls related to Indian Trust Funds.	X		11/30/07	Downgraded

FIGURE 1-70

FY 2007 and 2006 Audited Financial Statements Noncompliance Corrective Action Plan (as of September 30, 2007)						
			Fiscal Year			
Bureau	Noncompliance Description	Corrective Action	2006	2007	Original Target Date	Status
DEPT IA BLM BOR DO FWS NPS	Federal Financial Management Improvement Act (FFMIA)	FY 2006 – Improve procedures and internal controls to ensure that the financial statements and related disclosures are prepared in accordance with the federal accounting standards.	X		9/30/06	Completed
DEPT DO NBC	Potential Noncompliance with the Anti-Deficiency Act, Acquisition Regulations, and Leasing Laws and Regulations	FY 2006 – Investigate and resolve potential noncompliance with the Anti-Deficiency Act, procurement regulations, and leasing laws and regulations to ensure compliance with the Act.	X		6/30/07	Completed
DEPT DO BOR FWS NPS USGS	Single Audit Act Amendments of 1996	FY 2006 – Improve grantee monitoring processes to ensure compliance with the Single Audit Act Amendments and obtain necessary audit reports in a timely fashion to meet the requirements of the Act.  FY 2007 – Obtain Single Audit, Financial Status, Grant Performance, and Annual Reports and issue management decisions on audit findings in accordance with the requirements of the Single Audit Act Amendments.	X	X	9/30/06	Carryover

standardized along NIST Special Publication 800-37 and related standards and guidelines associated with the C&A of information systems.

- ◆ A STIG Working Group was established to coordinate and approve common, Department- wide security configurations. The working group most recently addressed: OMB guidance on standard configurations for the Windows XP Operating System based

on the Federal Desktop Core Configuration consistent with the memorandum to agency Chief Information Officers; establishment of Windows XP and VISTA Virtual Machine and *Procedures for Adopting the Federal Desktop Core Configurations*, issued by OMB on July 31, 2007; and, NIST Special Publication 800-68, *Guidance for Securing Microsoft Windows XP Systems for IT Professionals: A NIST Security Configuration Checklist*.

- ◆ The Plans of Action and Milestones process implemented last year were reviewed and found to significantly improve the involvement of senior level management, a key goal. Additional guidance was distributed to further improve the completion of corrective actions and their documentation. The guidance also helped ensure FISMA compliance.

Specific actions, initiated and/or completed, in FY 2007 include:

- ◆ **Department of the Interior IT Security and Privacy Program** – The program is in the final process of completing the Department's IT Security Policy Handbook to align Departmental policies with the NIST Special Publication 800-53 families of controls, and of implementing OMB's requirements for the protection of sensitive agency information, including personally identifiable information, by deploying appropriate encryption solutions and technology to remote laptops and workstations. Interior completed and promulgated the Department's Privacy Loss Mitigation Strategy in accordance with the OMB Memoranda on *Recommendations for Identity Theft Related Data Breach Notification*, issued on September 20, 2006, and *Safeguarding Against and Responding to the Breach of Personally Identifiable Information (M-07-16)*, issued on May 22, 2007. Interior also completed the Identity Theft Task Force charter, established the Department's ITTF, and promulgated Office of the Chief Information Officer Directive 2007-005, *Departmental Strategy to Safeguard Personally Identifiable Information and Reduce the Collection and Uses of Social Security Numbers*.
- ◆ **Certification and Accreditation Process** – In FY 2007 Interior established a Memorandum of Agreement with the Department of Justice and initiated a project to begin deploying the Cyber Security Assessment and Management solution in support of improvements to Interior's Certification and Accreditation, POA&M's and Internal Control Review processes. The DOJ is a Shared Service Center provider

under OMB's Information Systems Security Line of Business. By implementing the CSAM solution Interior expects to realize significant improvements to the C&A process through the increased standardization of C&A processes, consistency and quality of documentation, and efficiencies through integration between those three related program components. During FY 2007, Interior also re-certified and re-accredited approximately 56 percent, or 84, of its General Support Systems and Major Applications.

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 in Figure 1-71.

**Plans of Action and Milestones** – The POA&M is the OMB-required, authoritative format for tracking identified weaknesses in IT security programs and systems. Designated Approving Authorities, CIOs, and System Owners must review the POA&M and determine reasonable remediation milestones, schedules, resources, and priorities within their system release plans. The CSAM solution described above will enable automating various aspects of Interior's POA&M tracking, management, and reporting processes. This FISMA automated reporting solution will provide bureaus and offices greater simplicity in entering and managing their known security weaknesses. Department-level reporting will also be greatly enhanced to provide the most accurate reporting possible and minimize workload. This more efficient reporting mechanism enables constrained staff resources to focus on the adequacy of weakness descriptions, appropriateness of resolution plans, accuracy of corrective action status, and enable greater prioritization of resources to perform increased compliance oversight. The CSAM solution will also enable the prioritization of some of the most critical corrective actions at the Departmental level.

**Information Security Controls** – The Department established a cross-DOI Internal Security Improvement Team working group to develop an IT Security Defense-in-Depth Strategic Plan that included approximately 40 recommendations to



address risks associated with insider threats to Interior’s information and information systems. Initial recommendations from this team were provided on July 19, 2007, and Interior expects to make final decisions regarding implementation strategy by November 2007. A number of key recommendations included in that plan are being integrated into Interior’s IT Roadmap initiative to appropriately prioritize and align these initiatives with other related and planned initiatives.

As part of Interior’s self-assessments performed under annual ICRs, Interior measures the progress of implementing required security controls consistent with NIST FIPS Pub. 200 and SP 800-53, and assessed in accordance with NIST SP 800-53A, for information systems using five levels of effectiveness with the following maturity levels:

- ◆ Level 1 – control objective documented in a security policy.
- ◆ Level 2 – security controls documented as procedures.
- ◆ Level 3 – procedures have been implemented.

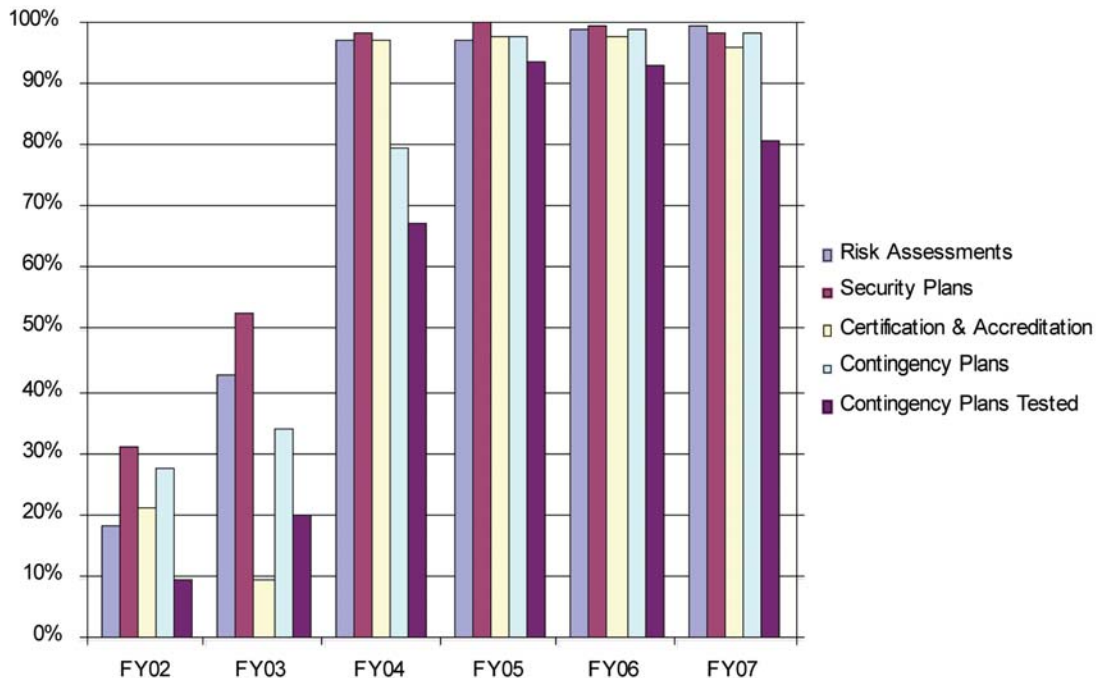
- ◆ Level 4 – procedures and security controls are tested and reviewed.
- ◆ Level 5 – procedures and security controls are fully integrated into a comprehensive program.

Based on the results of these reviews, Interior has achieved an overall Level 4.51 maturity when measured against the assessment criteria.

**Enterprise Resource Management Program –** Key goals are to align the Department’s major IT investments with its enterprise architecture, improve security through more consistent and efficient products and services, and better manage IT resources to reduce costs.

**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. This effort requires constant attention due to changes taking place in the field of information technology and requirements of OMB for standard configurations. Interior’s STIG Working Group recently adopted OMB’s STIG for the Windows XP

FIGURE 1-71  
Certification and Accreditation Activities



Operating System and will begin implementing those standard secure configurations in the first quarter of FY 2008, resulting in improved security for end-user computers and a more manageable environment.

**Portfolio Management Program** – Seventy percent of actions required in FY 2007 to attain Level 3 maturity along GAO's IT Investment Management framework will be completed. In addition, 100 percent of IT investment expenditures will be reviewed through the Capital Planning and Investment Control process and emphasis will be placed on ensuring that 95 percent of the Department's IT investments are within ten percent variance of established cost, schedule, and performance baselines. Building on these accomplishments, the program goal for 2008 is to fully attain Level 3 maturity, synchronize capital planning activities with enterprise architecture and IT security, and build upon the implementation of the Project Management Information System.

**Skilled Workforce** – Programs are not successful unless they are managed by a skilled workforce. To develop the best possible information security programs within the Department, it has developed a staffing pattern that allows for the full implementation of an Information Security Program commensurate with its size and balancing the appropriate mix of Federal employees and contractors. Several key positions have already been filled and more hiring actions are in progress to fill positions that were formerly contract employees with Federal employees.

The annual FISMA evaluations of both the OIG and CIO concluded that IT security at Interior needs improvement, risks and vulnerabilities remain, and improvements can be made. Interior believes the policies and processes in place to address those risks are present, 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 PPA, the DCIA, and the Independent Offices Appropriation Act.

Based on the results of the FY 2007 independent financial statement audit, Interior was determined to be compliant with legal and regulatory financial requirements and the USSGL components of the FFMIA. As noted earlier in this section, Figure 1-66 presents a summary of the Department's areas of compliance reported in the FY 2007 financial statement audit opinions.

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

The Department is continuing to improve performance under the requirements of the PPA and the DCIA. The PPA requires that payments be made within 30 days of receipt of invoice; otherwise, the Federal Government is required to pay interest. The DCIA requires any non-tax debt owed to the United States that has been delinquent for a period of over 180 days be turned over to the Department of the Treasury for collection. Electronic Funds Transfer, a provision of the DCIA, mandates all recipients of Federal payments, except tax refunds, receive their payments electronically.

The Department's FY 2007 performance resulted in achieving goals for the PPA (Figure 1-72), the DCIA (Figure 1-73), and payments made by EFT (Figure 1-74).

## Financial Management Improvement Initiatives

The Department is moving forward to fully comply with the *E-Gov Travel* initiative. During FY 2007, Interior began to roll out an end-to-end automated travel management system providing booking/reservations, travel authorization, and travel voucher processing services under one system. The system will be interfaced with the current finance system, Federal Financial System, and will be integrated with the Financial and Business Management System as it is deployed throughout the Department.

**Improved Cost Information**

The Department continues enhancement of the Management Cost Accounting system and its integration with the financial accounting system. This integration has focused on providing valid and useful information related to performance measurement and budgeting to all levels of management throughout the organization. This requires cost information aggregation and reconciliation that support bureau program managers as well as Departmental management's strategic goals and objectives. We have accomplished alignment in the Statement of Net Cost by building an organizational structure that captures cost transactions at the Mission Area and the End Outcome Goal level while allowing the bureaus to adopt flexible goals and activities that support these outcomes. These flexibilities have led to some criticism by GAO that we have no single integrated information system to obtain the MCA data. However, we have begun addressing this concern by implementing FBMS in two bureaus this fiscal year. Full implementation of this system will facilitate the single data source solution and ensure consistency across each entity. This fiscal year we focused on identifying representative measures within each mission area and identifying the expense data for these measures as they are built into the Statement of Net Cost model.

**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. Improving financial management systems will 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 information technology investment management principles to plan and monitor these systems. With FBMS, Interior's goal is to achieve and maintain the objective stated in OMB Circular No. A-127, *Financial Management Systems*, 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.

FIGURE 1-72  
**Prompt Payment**

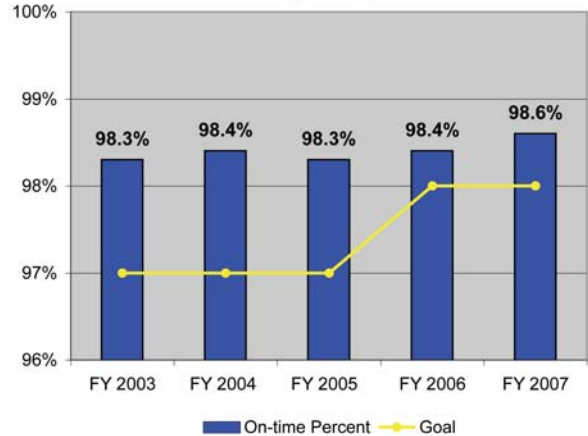


FIGURE 1-73  
**Debt Referral**

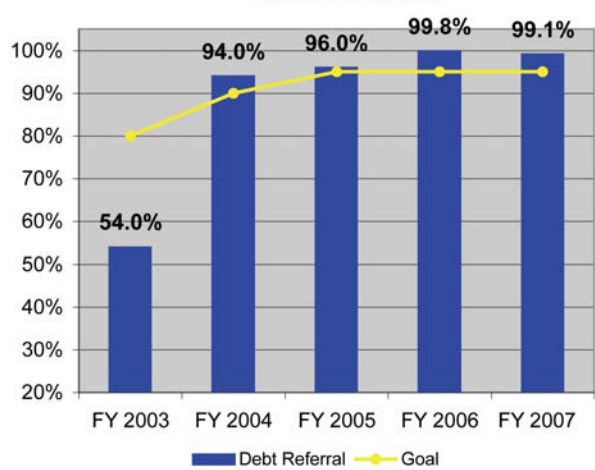
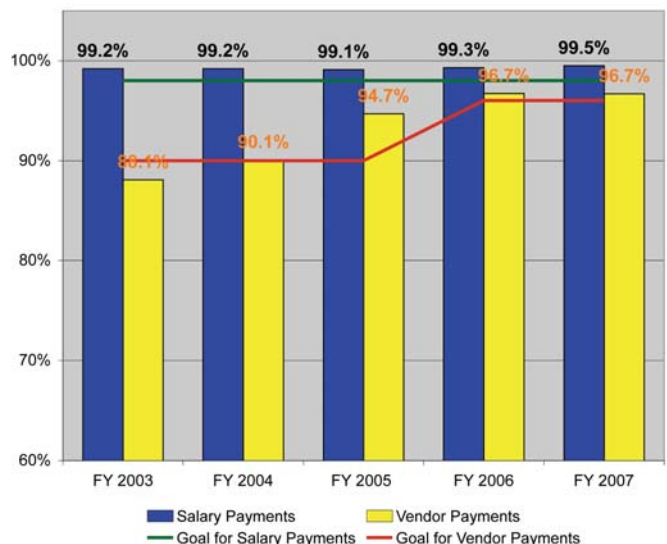


FIGURE 1-74  
**Electronic Funds Transfer**



### Financial Management Systems Improvement Strategy

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

The Department relies on financial management systems planned for, managed together, and operated 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 on which the Department relies. Collectively, they represent the Department's financial management systems architecture.

The Department has viewed the movement toward a single, integrated financial system as encompassing four interrelated elements: (1) improve internal controls; (2) eliminate redundant data entry; (3) enable end-to-end transaction processing; and (4) standardization of data for improved information quality.

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

- ◆ **FBMS.** Define, carefully plan, and implement a new generation of financial management systems to replace existing systems that are no longer supported by their software companies;
- ◆ **Critical Programmatic/Financial Management Systems.** Continue to improve certain critical bureau-based programmatic/financial management programs: Minerals Revenue Management and American Indian Trust Funds; and
- ◆ **Interior Enterprise Architecture Program.** Continue to improve the Information Technology 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.

### Financial and Business Management System

The Department of the Interior is in the third phase of implementing FBMS resulting in the Department's business transformation over the next few years. Interior has developed an Interior-wide strategic plan for the first time in the Department's history to guide efforts to deliver more programs and services in a fiscally responsible manner — and FBMS is a major component of this strategic plan. This will require Interior to operate more as one Department and work towards being able to share resources across bureaus to maximize resources.

When fully operational, FBMS will provide Interior with standard business practices supported by a single, integrated financial and administrative system for all bureaus. FBMS is an integrated suite of software applications that will help Interior 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 standardization and integration delivered by FBMS will help facilitate more collaborative relationships and establish a common approach to financial and business management. As a result, the Department will be positioned to deliver programs and services in a more efficient and effective manner. Benefits gained from implementing this suite of applications will include:

- ◆ Access to and sharing real-time, accurate business information that supports effective business decisions for mission delivery;
- ◆ Issuance of accurate financial reports and analysis of core financial, acquisition, financial assistance, and property data; and
- ◆ Retirement of outdated and legacy systems no longer supported by their software vendor.

### FY 2007 Accomplishments

Several necessary activities were accomplished to ensure the successful 2007 phase of FBMS implementation - the deployment of the acquisition functionality integrated with the November 2006 deployment of core financials; financial assistance functionality; and enterprise management information and reporting for the Office of Surface Mining and the Minerals Management Service. FBMS is being hosted by Interior's National Business Center. The NBC is an OMB-designated Shared Service Provider. Some of the activities included the following:

- ◆ Improved month-end processing now managed in a cooperative manner with the bureaus, the Project Management Office, and the NBC;
- ◆ Completed system configuration, business process procedures, and test scripts for acquisition functionality;
- ◆ Developed and tested conversion and interface programs, including external interfaces;
- ◆ Developed final FBMS cut-over plan for acquisitions from Interior Department Electronic Acquisition System to Prism;
- ◆ Conducted ongoing operation and maintenance of Deployments 1 and 2 (financial assistance, core financials, and enterprise management information system for OSM and MMS);
- ◆ Planned for the fall 2008 deployment of core financials, financial assistance, acquisition, property, and enterprise management information for the Bureau of Land Management and property for MMS and OSM.

### FY 2008 Planned Activities

Other necessary activities are planned to be accomplished to ensure successful FBMS Phase 4 deployment in the fall of 2008. Activities will include:

- ◆ Completing all system configuration, business process procedures and test scripts for core financials, financial assistance, acquisition,

personal property/fleet, and enterprise management information for BLM, and personal property/fleet for MMS and OSM;

- ◆ Developing and testing conversion and interface programs for BLM, MMS and OSM;
- ◆ Conducting integration and user acceptance testing;
- ◆ Conducting end-user training; and
- ◆ Developing the final FBMS cut-over plan for Deployment 4.

### Critical Programmatic Systems

The Department has two critical programmatic systems that process financial data. They are the Minerals Revenue Management System and the American Indian Trust Funds Systems.

#### MMS Minerals Revenue Management System

The Minerals Revenue Management 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 have averaged more than \$9 billion annually over the last five years. To ensure revenues are properly collected and disbursed, MMS utilizes a broad range of financial services and pursues a comprehensive compliance strategy that includes an automated compliance verification program to validate the accuracy and timeliness of revenues paid. MRM also administers a robust Royalty-In-Kind program, which utilizes an asset management approach to ensure the receipt of optimal value for mineral resources.

### FY 2007 Accomplishments

- ◆ MMS continues to explore opportunities for program application for the RIK program. As a result, the natural gas RIK business unit was expanded in the Gulf of Mexico and Wyoming. The crude oil business unit remained relatively static in size. In April 2007, MMS completed an analysis that examined the performance of

the RIK program during FY 2006.

A revenue gain of \$26.2 million related to both the natural gas and crude oil business units was among the highlights of the report. Combined with an additional revenue gain of \$2.6 million in additional interest earned on RIK revenues received 5 to 10 days earlier than under the royalty in value program and \$2.3 million in cost avoidance by collecting offshore oil and gas in kind instead of in value, a total revenue gain of \$31.1 million was measured for the MMS RIK program in FY 2006.

- ◆ The FY 2006 RIK Annual Report responded to Section 342(e)(2) of the Energy Policy Act of 2005, requiring the Secretary of the Interior to submit a report to Congress for each of fiscal years 2006 – 2015 that describes the performance, benefits, and savings associated with the MMS RIK program. In FY 2006, while volumes taken in kind decreased due to effects of Hurricane Katrina, total revenues to the U.S. Treasury increased when compared to the previous year. A total of 72,279,559 barrels of oil equivalent were taken in kind and sold by MMS in FY 2006. This volume is approximately 90% of the volumes taken in kind for FY 2005. The value of RIK oil and gas in FY 2006 was \$4,087,885,440, a 10% year-on-year increase in value—the increase reflecting the effect of markedly higher energy commodity prices during FY 2006. As of the end of FY 2006, MMS took in kind approximately 72% and 45% of the crude oil and natural gas royalty volumes, respectively, produced daily in the Gulf of Mexico. In April 2006, MMS, in consultation with the State of Wyoming, began taking natural gas in kind for Federal gas production in Wyoming at the rate of 30,000 Million British Thermal Units per day.
- ◆ In July 2007, MMS began deliveries of royalty oil to the Department of Energy at a rate of approximately 50,000 barrels per day for the Strategic Petroleum Reserve.
- ◆ In response to the final OIG report dated December 5, 2006, MMS formally submitted an “Action Plan to Strengthen Minerals Management Service Compliance Program operations” (Action Plan) to document the improvement actions taken and planned. The Action Plan sets forth specific actions to:
  - (i) provide reliable data for managing and reporting on Compliance and Asset Management program operations;
  - (ii) strengthen the compliance review process; and
  - (iii) improve performance measures to better reflect CAM program operations.
- ◆ MMS has completed processing the backlog of interest billings related to oil and gas leases on Federal and American Indian lands. MMS billed more than \$66 million of interest on late royalty payments and is now regularly billing lessees for late payments on a monthly basis.
- ◆ Working in partnership with the BLM, IA, the Office of the Special Trustee for American Indians, and the U.S. Geological Survey, the MMS is leading an effort to expand the number of Indian outreach sessions provided by developing Indian oil and gas training that covers all aspects of trust management including land ownership, leasing, drilling, production verification, lease inspection, royalty reporting, compliance, royalty disbursement, and financial trust accounts. The new training is tailored for tribes and Individual Indian Mineral Owners in the various regions where outreach is conducted as well as for Department of the Interior employees who are involved in Indian oil and gas activities. The additional outreach sessions and the joint agency training program will provide Indian communities and Interior employees with opportunities to gain more knowledge of the full spectrum of Indian mineral resources.
- ◆ As a result of provisions of the EPAct governing the payment of royalty on geothermal resources produced from

Federal leases and the payment of direct-use fees in lieu of royalties, the MMS published a final rule on Geothermal Valuation in May 2007. The EAct provisions amended the Geothermal Steam Act of 1970. The final rule amends the current MMS geothermal royalty valuation regulations and simplifies the royalty and direct-use fee calculations for geothermal resources for leases issued under the EAct and leases whose terms are modified under the EAct.

**FY 2008 Planned Activities**

- ◆ Implement an effective risk metrics program to quantitatively identify exposures and inform commercial decision-making within the RIK Program.
- ◆ Expand RIK portfolio through diversification, after enhancing internal controls, risk policy frameworks, and human resource skill sets.
- ◆ Establish a new risk-based compliance strategy.
- ◆ Continue to implement the Strategic Business Plan.
- ◆ Publish a proposed *Takes versus Entitlements* Rule.
- ◆ Publish a proposed rule for Prepayment of Royalties on Marginal Properties.
- ◆ Publish final rules on Indian Oil Valuation and Reporting Amendments
- ◆ Publish proposed rules on Coal Valuation and Debt Collection.

**American Indian Trust Fund Systems**

The American Indian Trust Fund Management Reform Act of 1994 identified some of the Secretary’s core responsibilities for trust fund management and established the Office of Special Trustee for American Indians. 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 which concluded that the previous reform results were not accomplishing the intended comprehensive result. 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 (constrained by beneficiary preferences on other factors);
- ◆ 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 CTMP identifies three primary business lines: (1) beneficiary trust representation, (2) trust financial management and stewardship,

and, (3) management of land and natural resources. Each business line represents a distinct group of products or services for comprehensive trust management and encompasses related processes, products, and services within its scope. Strategic goals and specific related objectives fit within these business lines.

In June 2007, the Department released the 2007 Historical Accounting Plan for Individual Indian Money accounts. The 2007 plan reflects what has been learned in 4 years of historical accounting. The Department's plan includes the provision of historical accountings for about 371,000 IIM accounts open on or after October 25, 1994, that had balances. Implementation of the plan is estimated to cost \$335 million.

### **FY 2007 Accomplishments**

Through the Office of the Special Trustee for American Indians, the Department of the Interior is in its third year of implementing the Fiduciary Trust Model. The FTM is designed to enhance beneficiary services for tribes and individuals, with better information about ownership, land and natural resource assets, trust fund assets, Indian self-governance and self-determination, and administrative services. When fully implemented, the FTM will transform current trust processes into more efficient, integrated, and fiscally-responsible business processes that better meet the needs of beneficiaries and employees.

Transitioning from the approximately 56 non-integrated Trust-related information systems to an integrated trust data environment is the cornerstone of the FTM. By the close of FY 2007, OST and IA achieved a milestone in trust management reform through conversion to a new leasing system which is integrated with the land title system and interfaces with the Trust Funds Accounting System. With the Exception of Compact/Contract Tribe encumbrance data, this conversion provides a single repository of ownership for DOI-processes Indian Trust land conveyance and encumbrance data. As of September 30, 2007, all locations were successfully converted to the new leasing system. As IA locations converted to the new

leasing system, Indian trust beneficiaries began receiving quarterly statements that include more detailed information on trust assets and trust income. Other selected accomplishments include:

- ◆ Continued implementation of the FTM, including the migration of automated systems that are integrated in order to support the FTM trust business processes and fulfill beneficiary needs and fiduciary requirements.
- ◆ Utilized information from the MRM, an MMS program for collecting, accounting for, and distributing mineral revenues from both Federal and Indian mineral leases, to disburse lease revenues to individual Indian beneficiaries at the converted agencies.
- ◆ Distributed \$21.8 million to individual Indian trust account holders who were previously on the "Whereabouts Unknown" list through collaborative efforts between OST, IA, and tribal governments.
- ◆ Safeguarded millions of Indian trust records at the American Indian Records Repository, in Lenexa, Kansas. So far, more than 162,321 boxes containing almost 406 million pages of Indian records have been electronically indexed and stored at the state-of-the-art storage facility.
- ◆ Provided records management training for 697 IA and OST records contacts and 295 tribal employees.
- ◆ Increased direct deposit by 3,508 IIM account holders, thus avoiding lost checks and providing timely delivery of funds.
- ◆ Worked with 43 tribes that performed or sought to perform OST programs and functions on behalf of their members, and worked to ensure that 75% of those tribes had program standards for the OST functions in place.



## Compliance with Legal and Regulatory Requirements

- ◆ Published informational brochures and other material for Indian trust beneficiaries to help educate and inform them about their trust accounts and assets.
- ◆ Held outreach events and attended Indian country community events, such as pow-wows and meetings, across the country to help inform Indian trust beneficiaries about their accounts and assets.
- ◆ Conducted assessments of business process workflows, integrated system support, and workforce plans at field locations.
- ◆ Incorporated regulatory initiatives into operating procedures, manuals, and handbooks.
- ◆ Revised and enhanced training curriculum for the FTM standardized processes.
- ◆ Provided quarterly trust-related training including: Trust fundamentals, orientation programs for OST Fiduciary Trust Officers and Deputy Superintendents as well as new hires, Trust Fund Accounting System, lockbox operations, and other related trust systems.
- ◆ Certified 73 Interior employees as Certified Indian Fiduciary Trust Analysts and/or Specialists.
- ◆ Aligned the Risk Management program with OMB Circulars No. A-123 and No. A-130 for all OST locations and completed a comprehensive risk management plan that identifies the schedule of internal control reviews for all OST programs over the next 3 fiscal years.
- ◆ Distributed an aligned risk management assessment tool that provides automated assessment and corrective action plan development and maintenance.
- ◆ Enhanced the lockbox operations for additional funds processing.
- ◆ Revised, implemented, and conducted training on standardized IA Handbooks and OST Desk Operating Procedures in compliance with new regulations.
- ◆ Completed analysis of probate information across all trust systems and implemented reconciliation recommendations.
- ◆ Moved decision-making on selected transactions to the local level.
- ◆ Completed Data Quality and Integrity project tasks for 50 IA agencies.
- ◆ Implemented post-quality assurance review processes at 2 IA LTRO's.
- ◆ Conducted 45 trust examinations and 42 records management assessments.
- ◆ Enhanced IT security through improvements to the vulnerability scanning process and the re-certification and accreditation of systems. OST's General Support Systems was re-accredited in FY 2007.
- ◆ Redesigned and updated the OST external Web site <<http://www.doi.gov/ost>> to be interactive and informational for Indian Trust account holders.
- ◆ Worked with a contractor to communicate with Indian trust beneficiaries about the services and products available to them and how Indian trust management reforms affect them.
- ◆ Developed and implemented Cannon Financial Institute's Certified Indian Trust Examiner certification program.
- ◆ Completed a Workforce and Diversity Plan that contributes to the achievement of program objectives by providing a basis for justifying budget allocation and workload staffing levels.

## Compliance with Legal and Regulatory Requirements

- ◆ Partnered with the Gallup Organization to conduct a Q-12 Employee Opinion Survey to gather information to create a more constructive and productive workplace.
- ◆ Created a Workforce Improvement Team comprising approximately 40 program office representatives to address areas identified in the 2006 Federal Human Capital Survey.

### FY 2008 Planned Activities

- ◆ Certify additional Interior employees as Certified Indian Fiduciary Trust Analysts and/or Specialists.
- ◆ Develop and provide job-specific training to Interior and tribal employees in FTM business processes (e.g., lockbox; tribal self-governance and self-determination; and trust accounting).
- ◆ Respond to 90 percent of inquiries to the Trust Beneficiary Call Center within 2 business days and the balance of inquiries within 30 days.
- ◆ Use the Indian Trust Appraisal Request Tracking System to accurately track and project Office of Appraisal Services cost and performance data.
- ◆ Strengthen the risk management program by: (1) increasing the frequency of self-assessment cycles; (2) improving OST staff expertise through additional risk management training; (3) expanding the Risk Management Assessment Tool to include a section that addresses risks and associated internal controls at the senior management level; and, (4) aligning RM-PLUS with regulatory and legislative requirements, in particular OMB Circular No. A-123.
- ◆ Continue to work with other Interior bureaus and offices on regulatory initiatives.
- ◆ Obtain appraisal backlog information from compacted and contracted tribes and ensure that reporting requirements are incorporated into annual Memoranda of Understanding.
- ◆ Assist compact/contract tribes that are seeking access to the Department's TrustNet.
- ◆ Align Activity-Based Cost/Management System activity codes and outputs with projected budgetary funding levels.
- ◆ Expand the scope of trust examinations to all Department offices performing trust functions, including the MMS and the BLM.
- ◆ Complete 45 record management assessments and 38 trust examinations.
- ◆ Collect and index 10,000 boxes of inactive records and continue to maintain the Box Index Search System (BISS) that allows for record retrieval on an as-needed basis for over 200,000 boxes of inactive records.
- ◆ Assist the National Indian Programs Training Center in designing curriculum, hosting, and presenting courses for Indian and tribal staff.
- ◆ Resolve 25 percent of "Whereabouts Unknown" accounts.
- ◆ Conduct post quality assurance review on the encoding of Trust Asset Accounting Management System leasing module data to ensure accuracy as well as timely interface with TFAS and the TAAMS title module.
- ◆ Use Re-engineering Continuous Improvement Teams to identify the need for revised business processes, enhanced data systems, standard operating procedures, handbooks, validating metrics, desk operating manuals, and new skills training.
- ◆ Interact with at least 300 tribal, individual Indian and Alaska Native beneficiaries through local community outreach

programs regarding asset management and trust reform initiatives.

- ◆ Actively engage tribal and individual Indian beneficiaries in the management of trust assets.
- ◆ Advocate the importance of estate planning for individual Indian beneficiaries to reduce the impact on fractionation of trust land holdings.

### Interior Enterprise Architecture Program

For the last three years, Interior's Enterprise Architecture program exceeded established maturity thresholds and therefore, achieved a rating of *green* from OMB. In 2007, the IEA program was recognized as one of the top five enterprise architecture programs across all Federal agencies. Agencies were evaluated on three factors of their EA Program: completeness, use, and results.

At the end of FY 2006, Interior achieved the highest rating from GAO in an assessment of 28 Federal agencies against the GAO Enterprise Architecture Management Maturity Framework. This rating indicated the IEA had fully achieved more of the evaluation criteria, (i.e., 97%) than any of the other agencies assessed.

The IEA program has proven that its approach is indeed a valid one by demonstrating tangible results from the program. In fact, in 2006, the President's Management Agenda Initiative Recreation One Stop, took a major step forward with the implementation and deployment of the National Recreation Reservation Service. The NRRS is featured at the all new *Recreation.gov* and provides one-stop shopping for the citizen's recreation needs. This is a direct result of implementing Interior's Recreation Modernization Blueprint.

Interior has completed two new modernization blueprints — one for Human Resources Management and another for the cross-cutting mission function of Land Management Planning and National Environmental Policy Act. Both modernization blueprints were approved by the Interior Investment Review Board in accordance with the IEA Governance Plan. In addition to recommendations to improve DOI's business

processes and information sharing, blueprints identify gaps and redundancies in Interior's existing IT portfolio that hamper successful achievement of strategic and programmatic goals.

IEA also issued a policy on data resource management which defines roles and responsibilities for data standardization and stewardship. IEA issued an associated procedures document for data standardization, which provides a consistent methodology for defining data standards to meet the broadest organizational needs.

In efforts to further formalize data standardization, IEA has implemented performance measures for data quality for the Departmental Enterprise Architecture Repository. These measures will be used to conduct quarterly evaluations of all bureau enterprise architecture programs.

The Deputy Secretary of the Interior approved an EA Governance Plan that describes the decision-making processes used during the development of segment architectures for Interior's business areas. The Deputy Secretary also approved the annually-updated Interior Enterprise Transition Strategy. The ETS defines the sequencing for all modernization efforts across Interior. It also consolidates and coordinates the changes proposed in modernization blueprints.

The Methodology for Business Transformation has been revised and updated to MBT 1.5. MBT provides guidance on the approach Interior uses for conducting segment architecture analyses and developing modernization blueprints. The new MBT 1.5 has been enhanced to include specific guidance integrating capital planners and appropriate EA governance bodies in the process of creating the proposed investments for modernization blueprints.

In addition to OMB scores and internal recognitions, the IEA program was also noted externally by:

- ◆ 4th Annual E-Gov Institute as winner for the 2006 Excellence in Enterprise Architecture for Leadership in EA;
- ◆ Cited by the OMB Federal Enterprise Architecture Program Management Office as a best practice for other Federal agencies to leverage in developing segment architectures;

- ◆ By request, the DOI Chief Architect and members of the staff regularly speak about DOI's EA program at the Federal Enterprise Architecture Certification Institute National Defense University's CIO and EA certification courses and the U.S. Department of Agriculture Graduate School; and
- ◆ Outreach and information sharing sessions with over 25 Federal, state, and local government agencies, as well as five foreign governments, for sharing best practices and helping the EA community.

### FY 2007 Accomplishments

- ◆ Interior achieved the highest rating from the GAO in an assessment of 28 Federal agencies against the GAO Enterprise Architecture Management Maturity Framework. This rating indicated the IEA program had fully achieved more of the evaluation criteria than any of the other agencies assessed.
- ◆ Two IEA blueprints, Human Resources and Management Planning NEPA were approved by the IRB in June 2007.
- ◆ Interior's EA Program generated international interest. The IEA program has provided information sharing sessions on its methods and achievements to representatives from Singapore and South Korea. Interior's Chief Architect has also been the keynote speaker at EA conferences sponsored by government agencies.
- ◆ MBT and DEAR Training - Training sessions in the Denver, Colorado, and Washington, DC, metro areas were held to train architects and other stakeholders on using MBT and DEAR.
- ◆ Improved EA Governance and Management oversight by instituting semi-annual reporting of Bureau EA Maturity Assessments.

### FY 2008 Planned Activities

The main focus for the IEA in 2008 is on developing an IT infrastructure modernization blueprint. The goal is to optimize Interior's IT infrastructure assets and improve overall management, operations, and

security. The Department currently spends about \$500 million on IT infrastructure investments per year. Interior will take a two-pronged planning approach that will result in a tactical roadmap and a strategic IT infrastructure modernization blueprint. At the same time, Interior will be aligning its planning initiatives to comply with the OMB lead IT infrastructure Line of Business. The ITI LoB will establish benchmarks for cost and performance that all Federal agencies are expected to meet. Some of the areas that will be reviewed are end-user computing, desktop and support services, data centers, networks and telecommunications. Security concerns for all of these areas will also be addressed along with asset management.

As with all blueprints, the IEA program will work closely with the appropriate business and IT representatives across Interior in the development and eventual implementation of the IT infrastructure roadmap and blueprint.

## Financial Management Human Capital

The Department of the Interior's financial management community continues to face major workforce challenges. The decade of the 1990s brought significant legislation and increased responsibilities for the entire Federal financial management community. The need to expand knowledge and expertise by the financial community continued with the requirements of the PMA, and, more recently, OMB's revised Circular No. A-123, Appendix A. In addition to the Governmentwide initiatives, Interior is also engaged in a Departmentwide effort to implement a fully integrated FBMS.

It is imperative that Interior have an adequate number of highly qualified financial management personnel. These individuals must have the competencies required to successfully transition to and implement FBMS, as well as the ability to lead a world-class finance organization in the future. The need for a highly-qualified financial management workforce comes at the same time that many "baby boomer" supervisors, managers, and executives reach retirement age.

A financial management workforce plan was completed and published at the end of 2004. Interior's Chief Financial Officer Council approved the plan's major recommendations and established a Workforce Steering Committee in early 2005. The workforce plan's four major recommendations are:

- ◆ 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.

Interior established the R. Schuyler Leshner Financial Management Career Intern Program in 2002 to recruit and train entry-level professionals in accounting and financial analysis for the Department and the bureaus. Each year Interior's financial management community partners with DOI University to recruit a new class of high potential entry-level accountants and financial analysts to participate in this career development program.

### **FY 2007 Accomplishments for the Intern Program**

- ◆ Recruited 6 new interns for the Class of 2007;
- ◆ Completed the first year of training and development for the 2006 FMCIP Intern class (five interns);
- ◆ Graduated the FMCIP Class of 2005 (four members);
- ◆ Conducted outreach activities at geographically dispersed colleges and universities with diverse student populations. Recruited at career fairs in the South (Texas), the West (Colorado), the Southeast (Florida), Mid-Atlantic (DC and Virginia), the Northeast (New Jersey);

- ◆ Executed a Fall 2006/Spring 2007 recruitment strategy;
- ◆ Participated in Office of Personnel Management forum on best practices in recruitment; and
- ◆ Led panel on acquisition intern programs at the Federal Acquisition Conference and Exposition.

The 2005 intern classes completed the following courses:

- ◆ Auditing Fundamentals
- ◆ Critical Thinking Problem Solving
- ◆ Internal Control
- ◆ Essentials of Analysis
- ◆ Congressional Operations Seminar
- ◆ Leading and Managing Change
- ◆ Leadership Skills & Techniques
- ◆ Briefing & Presentation Skills

The 2006 intern classes completed the following courses:

- ◆ Dollars and Sense
- ◆ Government Budget & Accounting
- ◆ Multi-generational Workforce
- ◆ Mentoring
- ◆ Budget Analyst's Guide for Formulation
- ◆ Auditing Fundamentals
- ◆ Basic USSGL
- ◆ Appropriations Law
- ◆ Briefing & Presentation Skills
- ◆ Government Environment

### **FY 2008 Planned Actions for the Intern Program**

- ◆ Increase the number of participating Interior bureaus in the FMCIP Class of 2008
- ◆ Recruit a new class of interns; and
- ◆ Continue providing training opportunities for the class of 2007 and 2006.

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

The other critical component of Financial Management Human Capital is to provide appropriate training and professional development opportunities to existing financial management personnel so that they are prepared to carry out their growing responsibilities. The Financial Management 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.

The Financial Management Workforce Plan recommends a comprehensive financial management career path program, with career paths defined at multiple levels. Interior has already implemented an entry-level phase of the Financial Management Career Paths Program with the FMCIP. Initial work has begun on the design and development of a competency model. The competency model will be used to develop and implement the mid-level, senior-level, and executive-level components of this comprehensive program.

Due to budget constraints the Business Management Conference was not held in FY 2007. This conference allows the financial community to discuss issues that cross bureau lines and meet face-to-face with those individuals that they normally only hear as a voice on a conference call. The Conference is planned to be held in FY 2008 which will afford financial management staff with an opportunity to network, attend sessions on subjects of common interest, and discuss common issues among themselves.

Many of the individuals active in the implementation of the Financial Management Workforce Plan are from the "baby boomer" era and several retired during FY 2007. New individuals have been named to assist in the effort to implement the Plan.

### FY 2007 Accomplishments

- ◆ Completed a Departmentwide financial management skills gap analysis based on the Financial Management Competency Model.
- ◆ Department of the Interior University sponsored the following finance-related courses:
  - Basic Standard General Ledger Accounting;
  - Federal Appropriations Law;
  - Intermediate Standard General Ledger;
  - Internal Controls; and
  - Understanding Budget Formulation and Execution.

### FY 2008 Planned Actions

- ◆ Conduct a Financial Management needs assessment
- ◆ Begin to design the Financial Management Career Paths curriculum

### Financial Data Stewardship

Financial data stewardship is the process of managing information needed to support program and financial managers, and ensures 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 are created, recorded, and reported in compliance with definitions; and, (3) feedback is 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 provides overall coordination of data stewardship functions for financial data in Interior. The data stewardship function involves two levels of activities: (1) participating in setting Government-wide financial data standards; and (2) setting financial data standards in coordination with the bureaus' finance operations.

PFM participates in Government-wide financial data standard setting activities and coordinates with the Standard Accounting Classification Advisory Team on setting standards for financial data for use throughout Interior. PFM monitors the Departmentwide 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 it is inadequate to meet user needs. In addition, PFM participates in the development and implementation of the FBMS and Activity Based Costing/Management. This function also coordinates Departmental financial data definitions with the three key Government-wide financial data standard setting groups—the Financial Management Service's USSGL Board, the Federal Accounting Standards Advisory Board, and OMB.

To coordinate the establishment and implementation of financial data standards in Interior, 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 USSGL issues that relate to accounting policy and procedures, reporting requirements, internal controls, and SGL maintenance.

In addition to the SACAT, Interior has developed a Financial Statement Guidance Team. The FSGT is comprised of the various bureaus of the Department and deals with issues and concerns related to the preparation of the performance and accountability report and implementation of OMB Circular No. A-136, *Financial Reporting Requirements*.

### FY 2007 Accomplishments

- ◆ Established project team to review bureau revenue source codes, standardize codes, and create a handbook for transition to FBMS.
- ◆ Reviewed existing Budget Object Class designations and User Product Codes to prepare for revision of Handbook in 2008.
- ◆ Revised the Inter/Intra Agency Handbook to reflect the changes in Treasury business rules.
- ◆ Provided support to BLM and NBC in reviews of their internal processes to identify areas of opportunity for strengthened financial management.
- ◆ Published multiple issue papers to facilitate the issuance of new or improved financial management and accounting policies for intra-governmental activity.
- ◆ Published issue paper to facilitate Parent/Child reporting due to the changes in OMB Circular No. A-136.
- ◆ Prepared Department responses to Federal Accounting Standards Advisory Board issues related to Oil and Gas reporting, National Aeronautics and Space Administration Research and Development Reporting, Inter-Entity Costs, and Heritage Asset and Stewardship Land Reporting,
- ◆ Established Condition Assessment Guidelines for U.S. Department of the Interior Library Collections.
- ◆ Participated in FASAB's Inter-Entity Cost Task Force to develop a draft technical release in support of Statements of Federal Financial Accounting Standards #4, *Managerial Cost Accounting Concepts and Standards*, and SFFAS #30, *Inter-Entity Cost Implementation*.
- ◆ Continued 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.

## Compliance with Legal and Regulatory Requirements

- ◆ Coordinated the reconciliation of intra-Interior financial balances and the reconciliation of Interior transaction balances with other Federal agencies to ensure compliance with new Intragovernmental Business Rules.
- ◆ Worked closely with the FBMS Executive 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.
- ◆ Worked with Department of Homeland Security in conjunction with the United States Coast Guard, and U.S. Army Corps of Engineers to resolve reporting issues related to the Sport Fish Restoration Boating Trust Fund to ensure compliance with OMB Circular No. A-136.
- ◆ Continued to communicate with several agencies on elimination issues (Department of Energy, Agency for International Development, Department of Defense, Department of Labor, Department of Commerce, The Smithsonian Institution, and National Aeronautics and Space Administration).

### FY 2008 Planned Activities

- ◆ Continue to analyze and enhance the reporting process to support performance reporting under 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-Interior financial balances and the reconciliation of Interior transaction balances with other Federal agencies.
- ◆ Continue to work closely with the FBMS Executive 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.
- ◆ Continue to work with bureaus to fully implement ABC/M throughout the Department.



# Analysis of Financial Statements

Interior received, for the 11<sup>th</sup> consecutive year, an unqualified audit opinion on its financial statements. The statements were audited by the independent accounting firm of KPMG LLP. Preparing the financial statements is part of Interior's goal to improve financial management and to provide accurate and reliable information that is useful for assessing financial performance and allocating resources. Interior management is responsible for the integrity and objectivity of the financial information presented in the financial statements.

The financial statements and financial data presented in this Report have been prepared from Interior's accounting records in conformity with generally accepted accounting principles. GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board.

Information provided in the financial statements, the opinion presented as a result of the independent audit, and other disclosures and information provided in this Report provide assurance to the public that the information is accurate, reliable, and useful for decisionmaking.

The Department expects that balances of line items will fluctuate in the normal course of business. Therefore, while Interior notes these variances, any fluctuations of 10 percent or less are considered normal and will not be detailed specifically in this analysis.

## Overview of Financial Position

### Assets

At the end of FY 2007, Interior's assets totaled \$66,984 million. This is an increase of \$1,551 million or 2 percent over the previous year's assets, which totaled \$65,433 million. Interior's assets reflected in the Balance Sheet are summarized in Figure 1- 75.

Interior's assets are primarily composed of the Fund Balance with Treasury and General Property, Plant, and Equipment. The Fund Balance with Treasury is money that Interior is authorized to pay liabilities resulting from operational activity and consists of funds received from direct appropriations, transfers, offsetting receipts, recoveries, and funds held in budget clearing accounts.

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 Interior's structures and facilities are composed of dams, power, and irrigation facilities managed by BOR. The remainder consists of buildings and facilities used in Interior's operations (e.g., visitor centers, fish hatcheries, and IA schools).

The Department seeks to explain any variances exceeding 10 percent of the previous year's line item total. From FY 2006 to FY 2007, the Accounts and Interest Receivable line item had a significant variation, increasing by \$450 million (15 percent) due to changes in FWS and MMS. FWS has an increase of approximately \$1 billion in FY 2007 resulting from the implementation of OMB Guidance, which changed the reporting responsibilities for Treasury Managed Trust Funds with multiple component entities. In FY 2006, the FWS was only required to present the SFRA portion of the SFRBTF. The FY 2007 statements reflect a receivable of \$1 billion from the U.S. Coast Guard, representing funds due to FWS for its portion of the SFRBTF. This increase is partially offset by a \$500 million reduction in MMS accounts receivable due to the maturation of long-term coal lease deferred bonuses and an increase in allowances, which reduce accounts receivable, for aging Deepwater Royalty Relief receivables.

### Liabilities

In FY 2007, Interior's liabilities totaled \$10,979 million. This is a decrease of \$959 million or 8 percent from the previous year's liabilities of \$11,938 million. Interior's liabilities reflected in the Balance Sheet are summarized in Figure 1- 76.

FIGURE 1-75

(dollars in thousands)	FY 2007	FY 2006
Fund Balance with Treasury	\$ 34,776,671	\$ 33,409,382
Investments, Net	7,485,899	8,282,933
General Property, Plant, and Equipment, Net	17,930,798	17,491,901
Accounts and Interest Receivable, Net	3,368,896	2,918,547
Cash and Other Assets	3,421,256	3,330,224
<b>Total Assets</b>	<b>\$ 66,983,520</b>	<b>\$ 65,432,987</b>

FIGURE 1-76

(dollars in thousands)	FY 2007	FY 2006
Accounts Payable	\$ 1,667,800	\$ 1,154,601
Debt	858,007	1,056,572
Loan Guarantee Liability	41,434	92,380
Federal Employee and Veteran Benefits	1,363,633	1,387,423
Environmental and Disposal Liabilities	147,514	153,466
Other Liabilities	6,900,526	8,093,533
<b>Total Liabilities</b>	<b>\$ 10,978,914</b>	<b>\$ 11,937,975</b>

FIGURE 1- 77

(dollars in thousands)	FY 2007	FY 2006
Resource Protection	\$ 3,666,109	\$ 2,810,075
Resource Use	2,144,299	2,615,472
Recreation	2,255,035	1,410,049
Serving Communities	4,636,522	5,614,166
Reimbursable Activity and Other	936,721	954,780
<b>Net Cost of Operations</b>	<b>\$ 13,638,686</b>	<b>\$ 13,404,542</b>

Interior's liabilities are primarily composed of Accounts Payable, Debt, Federal Employee and Veteran Benefits, and Other Liabilities. Other Liabilities is primarily composed of Resources Payable to Treasury, and Custodial Liabilities.

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. Interior's unfunded liabilities consist primarily of Environmental and Legal Contingent Liabilities and unfunded employee compensation costs, which include Federal Employment and Compensation Act and annual leave amounts. These liabilities will be paid from funds made available to the Interior in future years. The associated expense is recognized in the period in which the liability is established, regardless of budgetary funding considerations.

In FY 2007, the Department had several liability line items with variances meeting the threshold for analysis. Accounts Payable showed a change of approximately \$513 million (44 percent) due, in most part, to FWS changing reporting to follow SFFAS 27. The FY 2007 statements reflect the portion of the SFRBTF due for distribution to the U.S. Coast Guard and U.S. Corps of Engineers as a payable. FY 2006 does not reflect the payable, as the OMB requirements were not in effect until FY 2007.

Total debt decreased for the year by \$199 million (19 percent) due to repayments to BPD by IA, BOR, Departmental Offices and BLM. The bulk of the change was due to the BLM annual repayment of \$150 million of Helium related debt.

The decrease of \$51 million in Loan Guarantee liability is attributable to IA. In FY 2007, IA implemented the Balances Approach Reestimate Calculator spreadsheet tool to calculate the subsidy

reestimate based on OMB's recommendation. IA booked changes to estimates in the Loan Guarantee liability account, at the end of the year.

The Other Liabilities line item, as presented in this summary statement, is a composite of all remaining liabilities in the Department not chosen for emphasis here. The large change (decrease) of \$1.2 billion (15 percent) is, therefore, a result of many smaller changes to liability accounts in the fund. The most significant component causing the change is a decrease in the Departmental Offices' Advances and Deferred Revenue line of \$500 million due to a new cap on DOD contracts and the subsequent return of funds from the Department's Interior Franchise Fund to DOD. MMS also contributed to the decrease in the overall other liabilities. MMS Contingent Liabilities decreased by \$216 million due to a change in the estimate of loss. MMS Custodial Liabilities also decreased by \$382 million due to the maturation of long-term coal lease deferred bonuses, a reduction in the number of new coal leases awarded, and an ongoing effort to match and liquidate royalty related receivables.

### Net Position

Interior's Net Position at the end of 2007, disclosed in the Balance Sheet and the Statement of Changes in Net Position, was \$56,005 million, an increase of about \$2,510 million or 5 percent from the previous year.

Interior's Net Position consists of the sum of Unexpended Appropriations of \$4,110 million and Cumulative Results of Operations of \$51,895 million.

### Results of Operations

Interior's net cost of operations for FY 2007 was \$13,639 million. This is an increase of \$234 million or 2 percent from the previous year's net cost of

\$13,405 million. Interior's net cost of operations as reflected in the Statement of Net Cost is summarized in Figure 1- 77.

Most costs incurred by Interior are directly related to providing services to the public. The Consolidated Statement of Net Cost is divided into the following five major program segments: Resource Protection; Resource Use; Recreation; Serving Communities; and Reimbursable Activity and Other. Serving Communities represents 34 percent of the Department's net cost of operations.

### Revenue

During FY 2007, Interior earned approximately \$2,035 million in revenue from the public and approximately \$2,536 million in revenue from other Federal entities, for a total of \$4,571 million. This is a decrease of about \$1,509 million from September 30, 2006. In FY 2006, approximately \$2,911 million was earned in revenue from the public and approximately \$3,169 million was earned in revenue from other Federal entities, for a total of \$6,080 million.

Interior classifies revenue as exchange or non-exchange revenue. Exchange revenues are those that derive from transactions in which 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 Departmental operations. Revenue collected from other Federal agencies consists of reimbursable activities such as construction, engineering, and other technical services. Most of the revenue received from Federal agencies is received from Interior Franchise Fund and National Business Center operations that provide shared administrative services. Interior 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.

Interior collects various non-exchange revenues. Examples of non-exchange revenue 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.

Overall Department revenues decreased for the year by \$1.5 billion. The bulk of the decrease was in the BLM. The BLM had a decrease of \$760 million due to fewer SNPLMA land sales in 2007. The remainder of the decrease was due to the change in several bureaus, significantly in IA, of parent/child reporting. IA had revenue in FY 2006 related to accounts where IA was the child of another agency; revenues for those accounts are not reported by DOI as revenue in FY 2007. The balance of the decrease is due to this reduced business activity in several FWS and IA funds.

### Budgetary Resources

Interior receives most of its funding from general government funds administered by the U.S. Treasury and appropriated for Interior's use by the Congress. These resources consist of the balance at the beginning of the year, appropriations received during the year, and spending authority from offsetting collections, as well as other sources of budgetary resources. 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 Statement of Budgetary Resources provides information on how budgetary resources and nonbudgetary credit program financing were made available to Interior for the year and their status at fiscal year-end. Obligations of \$20,963 million and \$21,447 million were incurred as of September 30, 2007, and 2006, respectively on total budgetary resources in FY 2007 of \$26,799 million, and in FY 2006, of \$27,741.

### Custodial Activity

In accordance with Federal accounting standards, receipts from mineral leasing revenue are presented in Interior's Statement of Custodial Activity, since the collections are considered to be revenue of the Federal Government as a whole rather than Interior. Mineral leasing revenue was \$10,984 million and \$11,867 million as of September 30, 2007, and 2006, respectively, and include Outer Continental Shelf and onshore oil, gas, and mineral sales and royalties.

Interior collects a portion of revenue as royalties in kind for transfer to the Strategic Petroleum Reserve. The current Strategic Petroleum Reserve initiative began in July 2007. The current estimated value of this initiative is \$306 million which was reported as custodial revenue.

**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. Each bureau within Interior that administers stewardship lands serves to preserve, conserve, protect, and interpret how best to manage the Nation’s natural, cultural, and recreational resources. Some of these stewardship lands have been designated as multiple use, which Congress defines as management of both the land and use of the land in a combination that will best meet the present and future needs of the American people. The stewardship assets managed by Interior generally remain constant.

Stewardship investments represent expenses charged to current operations that are expected to benefit the Nation over time. Interior’s Stewardship Investments include research and development programs, investments in human capital, and the purchase or construction of assets for which State, local, or tribal governments and insular areas retain title.

Stewardship land and investments are summarized in the following tables: Figures 1- 78 and 1- 79.

In FY 2007, Interior made a change in accounting principle resulting in a decrease in FY 2007 stewardship investments in the Investment in Human Capital and the Non-Federal Physical Property lines. Job Corps and Highway/Road programs are no longer reported by Interior due to OMB Circular No. A-136 revisions which require parent agencies to report all activity for the funds they administer. Interior is a child to the Department of Labor and the Department of Transportation which administer these programs.

Interior’s reported values for Property, Plant, and Equipment exclude stewardship assets because they are considered priceless and do not have an

FIGURE 1- 78

STEWARDSHIP LAND (FEDERAL UNITS)				
	Beginning Units	Additions	Withdrawals	Ending Units
BLM	126	0	0	126
NPS	390	1	0	391
FWS	670	2	0	672
BOR	145	0	0	145
BIA	221	0	3	218
Other	1	0	0	1
Total	1,553	3	3	1,553

FIGURE 1- 79

STEWARDSHIP INVESTMENTS (IN MILLIONS)				
	FY 2007	FY 2006	Change	% Change
Non-Federal Physical Property	\$559.7	\$664.5	\$104.8	19%
Research and Development	866.0	857.0	9.0	1%
Human Capital	\$565.1	\$605.0	\$39.9	7%

identifiable value. Therefore, monetary amounts cannot be assigned. An in-depth discussion of these assets is presented in the Notes to the Financial Statements Section and the Required Supplementary 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 generally accepted accounting principles and formats prescribed in OMB Circular No. 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.



**PART TWO**

**Performance Data  
and Analysis  
(Unaudited)**





# Department of the Interior Performance

The FY 2007 Performance and Data Analysis section documents the performance of the Department of the Interior against the FY 2007-2012 Government Performance and Results Act Strategic Plan. The Performance and Data Analysis section is organized according to Interior's four areas of mission responsibility and their accompanying end outcome and intermediate outcome goals. These goals provide a framework for the strategic plans of Interior's bureaus. The mission areas are as follows:

- ◆ **Resource Protection** – Protect the Nation's natural, cultural and heritage resources
- ◆ **Resource Use** – Improve resource management to assure responsible use and sustain a dynamic economy
- ◆ **Recreation** – Improve recreational opportunities for America
- ◆ **Serving Communities** – Improve protection of lives, property and assets, advance the use of scientific knowledge, and improve the quality of life for communities we serve

A fifth area, **Management Excellence**, provides the enabling framework within which we carry out these mission responsibilities to manage the Department to be highly skilled, accountable, modern, functionally integrated, citizen-centered, and results-oriented.

These goals and their measures provide the basis for assessments of the Department's effectiveness in this section.

# What Counts, and How We Count It

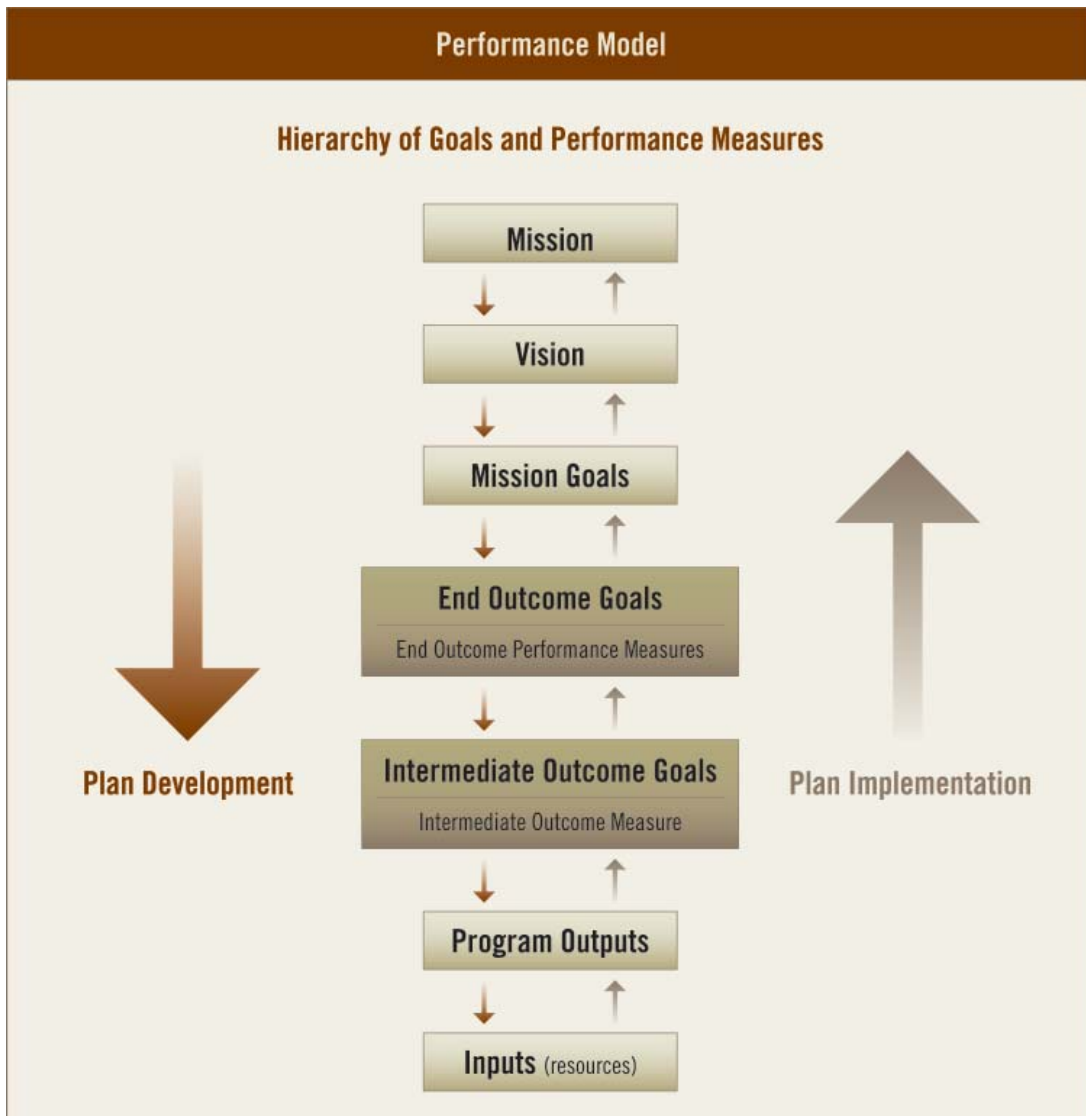
Our GPRA Plan provides a high-level overview of performance, setting large mission goals and broad program objectives. Its greatest value, day-by-day, comes from our ability to connect that larger view with each day's ground-level activities, whether that work is focused on rehabilitating a wetland clogged with the invasive purple loosestrife, improving a visitor center at a national park, monitoring the rehabilitation of a played out mine, helping an American Indian child become a better reader, or adding real-time capability to a flood warning system.

Because the plan identifies a clear hierarchy of goals and measures, we can see exactly how our work contributes to Interior's end results. And because it sets targets at every level, it gives us numerical measures by which we can judge what we have accomplished.

The plan structure focuses on end outcomes, selected high-priority intermediate outcomes, and on measures that will verify progress toward outcome achievement. Each mission area has its own end outcome goals and performance measures. Supporting those, in turn, are intermediate outcomes and measures and, ancillary to the plan, program outputs and inputs (see the Figure 2-1 on the next page – Hierarchy of Goals and Performance Measures).

The outcome goals and their performance measures maintain our focus on the bottom line – specific results we must achieve to successfully accomplish our mission. To progress toward these goals, we identify a series of intermediate outcome goals that support, promote, and serve as a vehicle for achieving results. Performance measures are also applied to intermediate outcome goals to help assess their effectiveness. Engaging these actions, in turn, requires an array of program level activities and their associated outputs. Outputs are typically quantifiable units of accomplishment that are a consequence of work conducted to execute our GPRA plan (such outputs might be acres treated for hazardous fuels or park safety programs implemented). Activity-based costing lets us connect outputs to costs, creating a powerful management tool that helps us recognize superior performance, focus attention on achievement and innovation, and move more quickly to spread best practices throughout the organization.

FIGURE 2-1



In our GPRA Plan, the outcome goals are cast in a long-term context – typically covering the duration of the GPRA Plan. These goals and measures are annualized to demonstrate incremental progress toward achieving long-term targets. There are instances in which we may adopt outcome measures that appear output-like because they use units of measurement, such as acres restored or permits issued, that have output connotations. However, the context in which the measure is applied remains outcome focused. In some cases, a true outcome measure may be too far beyond the control of our programs to provide a useful gauge of the agency’s effectiveness in meeting its program responsibilities. In such cases, Interior uses the best indicator it can develop to assess its contribution and progress toward that goal.

Selected high-priority intermediate outcome goals and measures appear in both the GPRA Plan and bureau or departmental office operating plans. The balance of the intermediate goals and specific work outputs will appear only in bureau or office operating plans. This category of goals is used to link budgets to performance.

Although departmental planning now centers on high-level outcome-oriented goals and performance measures, performance information will be tracked and evaluated at various levels within the organization.

Linking key programs and outcomes of individual efforts, programs and bureaus reinforce the Department’s combined stewardship of our critical

resources. This is especially important in light of increasing developmental pressures, growing public demand, and accelerating changes in science and technology. Doing this gives us a set of consistent goals and a common agenda. It gives us the means to increase our focus on performance results, helps make our managers more accountable, and creates a springboard for communication, collaboration, and coordination in the service of conservation with interested citizens, organizations, and communities.

We believe the adoption of our original integrated plan marked a significant step forward in the

Department's ongoing efforts to improve its reporting performance under the Government Performance and Results Act. Our new system and measures in the new plan will make our reporting more transparent, more exact, and easier to evaluate. When employed and examined as a whole, our plan tells the story of the Department's work and provides support to various budgetary and programmatic initiatives which are key to achieving the goals of the program. It establishes performance measures that act like stepping stones, keeping the programs on track, on time, and on budget.

# Reading the Numbers for Yourself

**T**he Department's GPRA measures should give readers a clear picture of our expectations and ambitions for the future. It is meant to be transparent and easy to understand. By following the hierarchy from mission goals through end outcome goals to intermediate outcome goals, the reader can see our intended results and the steps we will undertake to get there. Notice that the performance measures are not usually written to include words such as "increase" or "reduce". There may be periods in which desired progress plateaus due to various operational constraints. Consequently, more neutral wording has been chosen.

## Data Validation and Verification

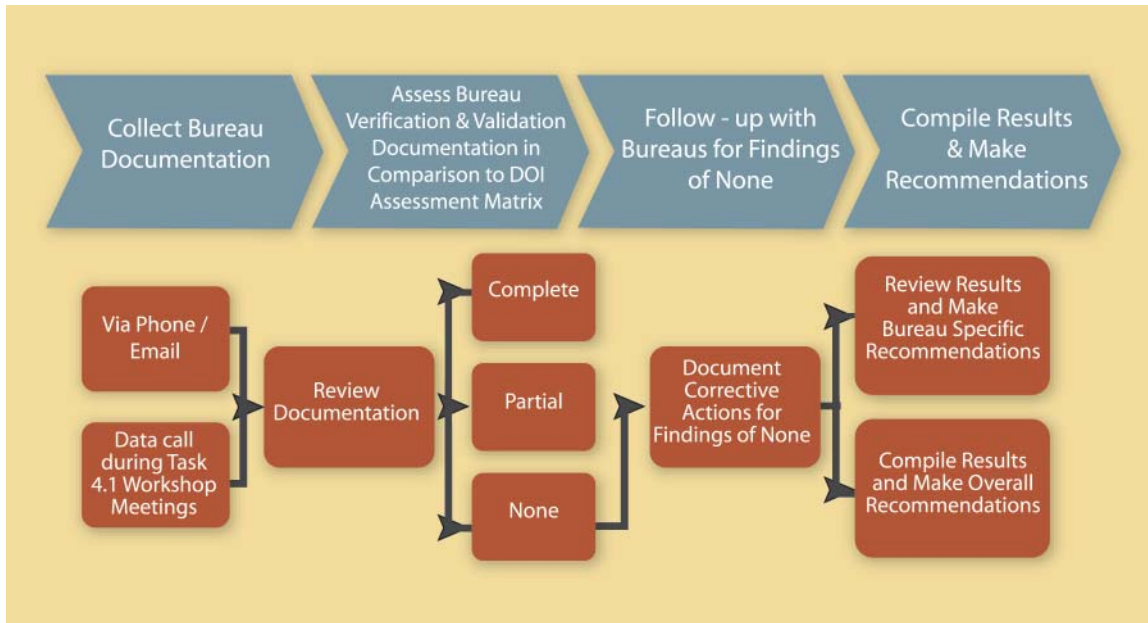
To credibly report progress toward intended results and to enable performance informed decision-making, Interior needs to ensure that its performance information is sufficiently accurate, reliable, and sound. GPRA requires agencies to describe the means used to verify and validate measured performance as part of annual performance reports. Verification includes assessing data completeness, accuracy, and consistency and related quality control practices. Validation is the assessment of whether the data are appropriate to measure performance.

The Department of the Interior requires the full implementation of data verification and validation criteria to ensure that information is properly collected, recorded, processed, and aggregated for reporting and use by decisionmakers. Since 2003, the Department has required bureaus and offices collecting and reporting performance data to develop and use an effective data verification and validation process. A data V&V assessment matrix, developed in cooperation with departmental bureaus and offices, including the Office of Inspector General, was issued in January 2003 to serve as a minimum standard for data V&V. The matrix has been used successfully as a tool to elevate data V&V procedures to an acceptable functional level and to detect potential problem areas in well-established bureau or office data V&V systems.

In 2006, Interior contracted Grant Thornton to evaluate each of the bureau's data verification and validation processes, report findings on compliance,

and identify areas for improvement. Grant Thornton used the following framework to structure the analysis:

FIGURE 2-2



As a result of this assessment, DOI gained a greater insight into how individual bureaus comply with the data V&V protocols and identified areas for improvement in the verification and validation processes to ensure the data reported meets, and exceeds, quality standards.

In 2007, the Department requested that bureaus review their compliance with Department data V&V standards and assess their implementation of recommended improvement actions contained in the Grant Thornton report. Bureaus and Offices that found standards or recommendations that had not been fully implemented were required to submit plans to bring their procedures into compliance prior to submission of 2007 performance data.

Interior uses four categories of performance data throughout its performance verification and validation process:

1. **Final.** All data are available, verified, and validated for the measure. Actual numbers are reported. Performance analysis can be completed. This includes the characterization of data as “goal met,” “exceeded,” or “not met,” along with comparing the result with the target and describing why the result meets, exceeds, or falls short of the target. It is Interior’s policy to report a measure as “goal met” if the actual or estimated performance result is from 95% to 105% of the performance target.

2. **Estimated.** Some data are unavailable, unverified, or not validated for the measure. A reasonable methodology should be developed and applied to estimate the annual performance. Once the estimation methodology is documented and is proven repeatable and valid, estimated data can be factored into the “goal met,” “exceeded,” or “not met” aggregation.
3. **Preliminary.** All data are available but are not verified and validated for the measure. No analysis should be conducted (i.e. these data reports are considered similar to a “no report” in that the data are not verifiable either directly or through a valid, documented, repeatable estimation methodology, and therefore cannot be factored as either “goal met,” “exceeded,” or “not met”); these data are reported as preliminary.
4. **No Data.** Data are unavailable and there are insufficient sources to develop a reasonable estimate. No report on the measure can be made.

## Data Sources

A key element in reporting valid, accurate, and reliable performance data is ensuring that sources of data are documented and available. Interior bureaus and offices are continuing to improve their data management processes by developing better sources of data and by linking with current data sources that already have reporting, verification, and validation procedures in place. Data sources for each of Interior’s measures are shown in the following tables as an additional row.

FIGURE 2-3

**MISSION: RESOURCE PROTECTION**

*Protect the nation's natural, cultural and heritage resources*

**GOAL: Improve health of watersheds, landscapes, and marine resources that are DOI managed or influenced consistent with obligations and state law regarding the allocation and use of water**

		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?	
1614	Percent of DOI stream/shoreline miles that have achieved desired conditions where condition is known and as specified in management plans	Totals:	90.50%	88.00%	86.00%	87.80%	87.6% (E)	✓
		Performance Explanation:	Goal Met. Estimated Data.					
		Data Source:	BLM - Performance Management Data System FWS - Refuges Annual Performance Plan NPS - Performance Data Management System					
1465	Percent of DOI acres that have achieved desired conditions where condition is known and as specified in management plans	Totals:	45.30%	48.30%	58.10%	60.60%	61.60%	✓
		Performance Explanation:	Goal Met.					
		Data Source:	BLM - Performance Management Data System FWS - Refuges Annual Performance plan NPS - Performance Management Data System					
1466	Number of non-DOI stream/shoreline miles that have achieved watershed and landscape goals as specified in watershed or landscape management plans or agreements that involve DOI	Totals:	593	851	1,217	798	1,522	✓
		Performance Explanation:	Goal Exceeded. The goal was exceeded because more non-DOI stream/shoreline enhancement projects were completed during FY 2007 than were anticipated. In many instances priorities and schedules for completing these projects was beyond the control of DOI.					
		Data Source:	FWS - Habitat Information Tracking System					
1467	Number of non-DOI acres that have achieved watershed and landscape goals as specified in watershed or landscape management plans or agreements that involve DOI	Totals:	1,453,090	1,865,569	4,948,766	1,902,750	50,401,063 (E)	✓
		Performance Explanation:	Goal Exceeded. Estimated Data. Target exceeded expectations primarily because a very large area of waterfowl habitat in Alaska was brought under the protection of a lead shot ban for bird hunting. Although the area has been under study for years, it was not anticipated that a lead shot ban would be imposed in FY 2007.					
		Data Source:	FWS - Habitat Information Tracking System					
1468	Number of Federal, private and tribal land and surface water acres reclaimed or mitigated from the effects of natural resource degradation from past coal mining	Totals:	6,965	6,533	6,983	6,900	6,658	✓
		Performance Explanation:	Goal Met.					
		Data Source:	Abandoned Mine Land Inventory System (AMLIS)					
1469	Number of treated burned acres that achieve the desired condition	Totals:	No Report	No Report	No Report	126,000	1,713,773 (E)	✓
		Performance Explanation:	Goal Exceeded. Estimated Data. Target developed using historical data from 2003-06. However, fires that occurred during FY 2006 were so severe, and so many acres burned, that using historical average to predict the number of acres to be treated in FY 2007 understated the true need. While the variability is difficult to predict in advance, more accurate targets may be developed that are sensitive to the natural fire season variability.					
		Data Source:	Annual Work Plan Accomplishment Report					
1470	Percent of treated burned acres that have achieved the desired condition	Totals:	No Report	No Report	No Report	70%	43% (E)	✓
		Performance Explanation:	Goal Not Met. Estimated Data. Target developed using historical data from 2003-06. However, fires that occurred during FY 2006 were so severe, and so many acres burned, that using historical average to predict the number of acres to be treated in FY 2007 understated the true need.					
		Steps to Improve:	While the variability is difficult to predict in advance, more accurate targets may be developed that are sensitive to the natural fire season variability.					
652	Percent of surface water miles (stream/shoreline) managed by DOI that meet State (EPA approved) water quality standards	Totals:	89%	95%	95%	81%	80% (E)	✓
		Performance Explanation:	Goal Met. Estimated Data. [Reported 70% (E) in 2006 PAR]					
		Data Source:	BLM - Environmental Protection Agency's (EPA) Storage and Retrieval (STORET) national water quality database FWS - Refuges Annual Performance Plan					
807	Percent of surface water acres managed by DOI that meet State (EPA approved) water quality standards.	Totals:	Baseline Established	82%	69%	92%	92% (E)	✓
		Performance Explanation:	Goal Met. Estimated Data. [Reported 95% (E) in 2006 PAR]					
		Data Source:	BLM - Environmental Protection Agency's (EPA) Storage and Retrieval (STORET) national water quality database FWS - Refuges Annual Performance Plan					
1634	Number of surface and ground water systems directly managed or influenced by DOI that are protected and/or restored, as specified in management plans and by working with State and local resource managers, as appropriate, to meet ecological needs	Totals:	No Report	No Report	No Report	1,456	1,538 (E)	✓
		Performance Explanation:	Goal Exceeded. Estimated Data. The result slightly exceeded the target because it includes some water systems associated with recently acquired refuge lands.					
		Data Source:	NPS - Performance Management Data System FWS - Refuges Annual Performance Plan					



Intermediate Outcome: Restore watersheds and landscapes								
		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?	
1471	Number of DOI riparian (stream/shoreline) miles restored to the condition specified in management plans	Totals:	No Report	80	97	571	658	✓
		Performance Explanation:	Goal Exceeded. FY 2007 is the first year for reporting this measure. Actual performance exceeded the target because the target was set too low. The currently available historic data for the measure did not become available until after the deadline for setting a FY 2007 target had passed. Outyear targets will account for this history and the FY 2007 result.					
		Data Source:	BLM - Performance Management Data System FWS - Refuges Annual Performance Plan NPS - Performance Data Management System					
1472	Number of DOI wetland acres restored to the condition specified in management plans	Totals:	89,262	40,027	49,765	35,316	24,889	
		Performance Explanation:	Goal Not Met. DOI wetland restoration fell short of the target for three reasons: heavy spring rains and summer flooding prevented restoration activities; paperwork delays made it impossible to secure the anticipated non-Federal restoration funding in a timely manner; and the needed water control structures were not installed in time to support FY 2007 restoration efforts.					
		Steps to Improve: Data Source:	FWS - Refuges Annual Performance Plan					
1473	Number of DOI coastal and marine acres restored to the condition specified in management plans	Totals:	310,073	214,428	5,903	13,554	7,159	
		Performance Explanation:	Goal Not Met. The target coastal and marine restoration performance level was not achieved in FY 2007 because some of the anticipated non-Federal restoration funds did not become available.					
		Steps to Improve: Data Source:	FWS - Refuges Annual Performance Plan					
1474	Number of DOI upland acres restored to the condition specified in management plans	Totals:	264,522	174,421	198,663	663,705	927,423 (E)	✓
		Performance Explanation:	Goal Exceeded. Estimated Data. FY 2007 is the first year for reporting this measure. The principal reason actual performance exceeded the target is that the target was set too low. Most of the currently available historic data for the measure did not become available until after the deadline for setting a FY 2007 target had passed. Outyear targets will account for this history and the FY 2007 result.					
		Data Source:	BLM - Performance Management Data System FWS - Refuges Annual Performance Plan NPS - Performance Data Management System					
1475	Number of non-DOI riparian (stream/shoreline) miles restored, including miles restored through partnerships, as specified in management plans or agreements that involve DOI	Totals:	593	851	1,217	798	1,522	✓
		Performance Explanation:	Goal Exceeded. The goal was exceeded for two principal reasons, and both relate to the riparian restoration contributions made by DOI's conservation partners. In some cases the leveraged value of partner support was greater than expected. In other cases, more funds were received from partners than was anticipated.					
		Data Source:	FWS - Refuges Annual Performance Plan					
1476	Number of non-DOI wetland acres restored, including acres restored through partnerships, as specified in management plans or agreements that involve DOI	Totals:	395,146	410,605	593,996	554,355	607,289 (E)	✓
		Performance Explanation:	Goal Exceeded. Estimated Data. The goal was exceeded for three principal reasons. Two relate to the wetland restoration contributions made by DOI's conservation partners. In some cases, the leveraged value of partner support was greater than expected. In other cases, more funds were received from partners than was anticipated. The third reason that wetland restoration exceeded expectations is that the environmental conditions in existence during the restoration work were unusually favorable.					
		Data Source:	FWS - Refuges Annual Performance Plan					
1477	Number of non-DOI coastal and marine acres restored, including acres restored through partnerships, as specified in management plans or agreements that involve DOI	Totals:	1,634	5,771	41,009	4,787	55,175	✓
		Performance Explanation:	Goal Exceeded. The Department exceeded its target due to higher than anticipated partner funding, grants awarded late in the year that funded additional restoration, the completion of some projects with prior year funding, and unanticipated one-time or other funding received that cannot be guaranteed on an annual basis.					
		Data Source:	FWS - Refuges Annual Performance Plan					
1478	Number of non-DOI upland acres restored, including acres restored through partnerships, as specified in management plans or agreements that involve DOI	Totals:	262,931	348,362	284,898	226,952	425,596	✓
		Performance Explanation:	Goal Exceeded. The non-DOI upland restoration goal was exceeded because of unexpectedly high leveraging of partnership money and unusually favorable weather conditions.					
		Data Source:	FWS - Refuges Annual Performance Plan					
1479	Percent of natural ignitions, occurring in areas designated for wildland fire use or consistent with wildland fire use strategies, that are managed for resource protection benefits (i.e. "allowed to burn")	Totals:	No Report	No Report	No Report	1%	0% (P)	
		Performance Explanation: Steps to Improve:	No Report. Preliminary Data.					
		Data Source:	Wildland Fire Management Information (WFMI) DI-1202 Fire Report System and the Fish and Wildlife Service Fire Report System					

## Performance Data and Analysis

		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?	
1480	Percent of acres treated which are moved toward desired condition	<b>Totals:</b>	No Report	No Report	No Report	67%	54% (E)	
		Performance Explanation:	Goal Not Met. Estimated Data. Targets were initially estimated based on a higher success rate for overall treatment objectives.					
		Steps to Improve:	Corrective actions: Baseline data collected in FY 2007 will be further analyzed in relation to the initial target set in 2006. Users entering data for this measure will receive targeted training to ensure data definitions are applied consistently to treatments entered in the database. Data collected during FY 2008 will be monitored to determine that data is being accurately entered in the database, and that the initial target was set accurately, and if not, re-calculated.					
		Data Source:	DOI - National Fire Plan Operations and Reporting System					
1481	Percent of acres treated which are maintained in desired condition	<b>Totals:</b>	No Report	No Report	No Report	15%	12% (E)	
		Performance Explanation:	Goal Not Met. Estimated Data. Targets were initially estimated based on a higher success rate for overall treatment objectives.					
		Steps to Improve:	Corrective actions: Baseline data collected in FY 2007 will be further analyzed in relation to the initial target set in 2006. Users entering data for this measure will receive targeted training to ensure data definitions are applied consistently to treatments entered in the database. Data collected during FY 2008 will be monitored to determine that data is being accurately entered in the database, and that the initial target was set accurately, and if not, re-calculated.					
		Data Source:	National Fire Plan Operations & Reporting System (NFPORS)					
394	Percent of known contaminated sites remediated on DOI-managed land	<b>Totals:</b>	10.60%	20.40%	21.10%	6.60%	8.8% (E)	✓
		Performance Explanation:	Goal Exceeded. Estimated Data. Remediation of contaminated sites can span several years. Target was exceeded because additional sites were completed ahead of schedule. [Reported 21% (E) in 2006 PAR]					
		Data Source:	BLM - State/Field Office case files and final reports. FWS - Refuges Annual Performance Plan					
535	Tons of salt loading prevented	<b>Totals:</b>	26,680	22,200	22,000	21,000	21,000	✓
		Performance Explanation:	Goal Met.					
		Data Source:	BOR - Cooperative Agreements.					
<b>Intermediate Outcome: Manage and protect watersheds and landscapes</b>								
1482	Number of DOI riparian (stream/shoreline) miles managed or protected to maintain desired condition as specified in management plans	<b>Totals:</b>	No Report	No Report	5,144	58,327	59,125	✓
		Performance Explanation:	Goal Met.					
		Data Source:	FWS - Refuges Annual Performance Plan					
1483	Number of DOI wetland acres managed or protected to maintain desired condition as specified in management plans	<b>Totals:</b>	1,053,918	1,150,276	21,357,697	21,450,067	21,624,566	✓
		Performance Explanation:	Goal Met.					
		Data Source:	FWS - Refuges Annual Performance Plan					
1484	Number of DOI coastal and marine acres managed or protected to maintain desired condition as specified in management plans	<b>Totals:</b>	126,645	174,586	2,359,228	2,411,988	2,366,041	✓
		Performance Explanation:	Goal Met.					
		Data Source:	FWS - Refuges Annual Performance Plan					
1485	Number of DOI upland acres managed or protected to maintain desired condition as specified in management plans	<b>Totals:</b>	2,081,140	2,502,152	52,791,511	52,901,557	52,689,376	✓
		Performance Explanation:	Goal Met.					
		Data Source:	FWS - Refuges Annual Performance Plan					
1486	Number of non-DOI riparian (stream/shoreline) miles managed or protected to maintain desired condition, including miles managed or protected through partnerships, as specified in management plans or agreements that involve DOI	<b>Totals:</b>	38	5,837	5,828	2,907	6,997	✓
		Performance Explanation:	Goal Exceeded. The goal for this measure was exceeded because the number and nature of the opportunities DOI had for engaging in waterway protection planning exceeded what was anticipated.					
		Data Source:	FWS - Habitat Information Tracking System					
1487	Number of non-DOI wetland acres managed or protected to maintain desired condition, including acres managed or protected through partnerships, as specified in management plans or agreements that involve DOI	<b>Totals:</b>	455,340	555,457	3,685,608	1,061,301	31,171,865 (E)	✓
		Performance Explanation:	Goal Exceeded. Estimated Data. The goal for this measure was vastly exceeded for two principal reasons. First, in consideration of extensive DOI research and community outreach on the effects of lead on waterfowl, the State of Alaska banned the use of lead shot in a large portion of the wetlands in northern Alaska. Second, many states are now more specifically reporting the wetland protection benefits of sport fish and wildlife conservation grants administered by DOI.					
		Data Source:	FWS - Habitat Information Tracking System					
1488	Number of non-DOI coastal and marine acres managed or protected to maintain desired condition, including acres managed or protected through partnerships, as specified in management plans or agreements that involve DOI	<b>Totals:</b>	338,039	381,809	14,143	40,443	99,961	✓
		Performance Explanation:	Goal Exceeded. The 2007 target was exceeded due to the unplanned transfer of Johnston Atoll to the FWS.					
		Data Source:	FWS - Habitat Information Tracking System					

		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?	
1489	Number of non-DOI upland acres managed or protected to maintain desired condition, including acres managed or protected through partnerships, as specified in management plans or agreements that involve DOI	Totals:	No Report	163,565	329,112	14,923	18,041,177	✓
		Performance Explanation:	Goal Exceeded. The goal for this measure was exceeded because the State of Alaska, in consideration of extensive DOI research and community outreach on the effects of lead on waterfowl, banned the use of lead shot in a large portion of the northern Alaska uplands.					
		Data Source:	FWS - Habitat Information Tracking System					
<b>GOAL: Sustain biological communities on DOI managed and influenced lands and waters consistent with obligations and state law regarding the allocation and use of water</b>								
1490	Percent of fish species of management concern that are managed to self-sustaining levels, in cooperation with affected States and others, as defined in approved management documents	Totals:	No Report	No Report	No Report	42%	42%	✓
		Performance Explanation:	Goal Met.					
		Data Source:	FWS - Fisheries Information System					
1491	Percent of all migratory bird species that are at healthy and sustainable levels	Totals:	61.40%	61.40%	61.40%	61.70%	61.50%	✓
		Performance Explanation:	Goal Met.					
		Data Source:	FWS - Service's Permit Issuance and Tracking System (SPITS)					
1695	Percent of threatened or endangered species that are stabilized or improved	Totals:	32.99%	35.19%	41.13%	47.17%	45.15%	✓
		Performance Explanation:	Goal Met.					
		Data Source:	FWS - Threatened and Endangered Species Database; Environmental Conservation Online System					
390	Percent of candidate species where listing is unnecessary as a result of conservation actions, or including actions taken through agreements	Totals:	1.20%	1.20%	1.40%	1.10%	1.10%	✓
		Performance Explanation:	Goal Met.					
		Data Source:	FWS - Environmental Conservation Online System; Threatened and Endangered Species database					
444	Percent of baseline acres infested with invasive plant species that are controlled	Totals:	9.10%	1.50%	1.60%	1.50%	1.7% (E)	✓
		Performance Explanation:	Goal Exceeded. Estimated Data. Target exceeded as a result of additional funds and partners, as well as increased staff with the expertise and skills to address invasive plants. [Reported 2% (E) in 2006 PAR]					
		Data Source:	BLM - State/Field Office case files and final reports. Performance Management Data System (PMDS) NPS - Performance Management Data System (PMDS); FWS - Refuges Annual Performance Plan (RAPP)					
541	Percent of invasive animal species populations that are controlled	Totals:	No Report	Baseline Established	6.00%	7.80%	7.4% (E)	
		Performance Explanation:	Goal Not Met. Estimated Data. The target was not met because for some invasive animal species (e.g., feral hogs, fire ants, roof rats) the Department misjudged how difficult it is to achieve population control. Possible response options include dedicating more resources to control efforts, developing more efficient and effective control strategies, and using recent performance data to better project what can be accomplished with available funding and control strategies. [Reported 7.9% (E) in 2006 PAR]					
		Steps to Improve:	For FY 2008 the Department hopes to use a mix of these options to improve both its performance and its target-setting capabilities.					
Data Source:	FWS - Refuges Annual Performance Plan NPS - Species Database; National Park records							
<b>Intermediate Outcome: Provide habitat for biological communities to flourish</b>								
1595	Number of acres of habitat restored or enhanced that directly support ESA-listed and Bureau sensitive species conservation or recovery	Totals:	No Report	No Report	No Report	107,000	217,608	✓
		Performance Explanation:	Goal Exceeded. The target was exceeded because the Department is increasing the focus on ESA and Bureau sensitive species.					
		Data Source:	BLM - Performance Management Data System (PMDS)					
1594	Number of stream/shoreline miles of habitat restored or enhanced that directly support ESA-listed and Bureau sensitive species conservation or recovery	Totals:	No Report	No Report	No Report	150	214	✓
		Performance Explanation:	Goal Exceeded. The target was exceeded because the Department is increasing the focus on ESA and Bureau sensitive species.					
		Data Source:	BLM - Performance Management Data System (PMDS)					
<b>Intermediate Outcome: Manage populations to self-sustaining levels for specific species</b>								
1493	Percent of populations of species of management concern that are managed to desired condition	Totals:	50%	40%	67%	13%	14% (E)	✓
		Performance Explanation:	Goal Met. Estimated Data. Estimated data based on reported and expected performance.					
		Data Source:	BLM - Performance Management Data System FWS - Fisheries Information System NPS - Performance Management Data System					
1494	Number of international species of management concern whose status has been improved in cooperation with affected countries	Totals:	No Report	249	271	271	271	✓
		Performance Explanation:	Goal Met.					
		Data Source:	Service Permits Issuance and Tracking System (SPITS) and the International Conservation Database for Tracking Grants					

## Performance Data and Analysis

GOAL: Protect cultural and natural heritage resources								
		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?	
1495	Percent of archaeological sites on DOI inventory in good condition	Totals:	69%	71%	69%	66%	68% (E)	✓
		Performance Explanation:	Goal Met. Estimated Data.					
		Data Source:	BIA - BLM - Performance Management Data System FWS - Refuges Annual Performance Plan (RAPP), Fisheries Information System, Condition Assessment Data NPS - Archeological Sites Management Information System					
1496	Percent of historic structures on DOI inventory in good condition	Totals:	46%	47%	52%	46%	56% (E)	✓
		Performance Explanation:	Goal Exceeded. Estimated Data. Target exceeded due to increased focus on this important area.					
		Data Source:	BIA - BLM - Performance Management Data System FWS - Refuges Annual Performance Plan (RAPP), Fisheries Information System, Condition Assessment Data; NPS - List of Classified Structures					
1576	Percent of cultural landscapes on DOI inventory in good condition	Totals:	33%	37%	42%	38%	38% (E)	✓
		Performance Explanation:	Goal Met. Estimated Data.					
		Data Source:	NPS - Cultural Landscapes Automated Inventory Management System					
462	Percent of collections in DOI inventory in good condition (i.e., maintained according to DOI museum property management collection standards)	Totals:	43%	41%	33%	37%	37% (E)	✓
		Performance Explanation:	Goal Met. Estimated Data. [Reported 33% (E) in 2006 PAR]					
		Data Source:	BIA - BLM - Performance Management Data System FWS - Refuges Annual Performance Plan (RAPP), Fisheries Information System, Condition Assessment Data, 411 DM Checklists; NPS - Automated National Catalog System (ANCS+ database), Collections Management Report					
461	Percent of paleontological localities in DOI inventory in good condition.	Totals:	41%	57%	85%	83%	84% (E)	✓
		Performance Explanation:	Goal Met. Estimated Data. [Reported 85% (E) in 2006 PAR]					
		Data Source:	BLM - Performance Management Data System FWS - Refuges Annual Performance Plan NPS - Performance Management Data System					
1597	Percent of acres of Wilderness Areas and other Special Management Areas under DOI management meeting their heritage resource objectives under the authorizing legislation	Totals:	94%	88%	76%	78%	80% (E)	✓
		Performance Explanation:	Goal Met. Estimated Data.					
		Data Source:	BLM - Performance Management Data System FWS - Refuges Annual Performance Plan NPS - Performance Management Data System					
1596	Percent of miles of National Historic Trails, Wild and Scenic Rivers, and other linear Special Management Areas under DOI management meeting their heritage resource objectives under the authorizing legislation	Totals:	67%	65%	65%	61%	69% (E)	✓
		Performance Explanation:	Goal Exceeded. Estimated Data. FY 2007 is the first year for reporting this measure. Actual performance exceeded the target because the target was set too low. The currently available historic data for the measure did not become available until after the deadline for setting a FY 2007 target had passed. Outyear targets will account for this history and the FY 2007 result.					
		Data Source:	BLM - Performance Management Data System FWS - Refuges Annual Performance Plan NPS - Performance Management Data System					
Intermediate Outcome: Improve the condition of cultural and natural heritage resources								
460	Percent of participating cultural properties owned by others that are in good condition.	Totals:	5%	5%	5%	5%	5% (E)	✓
		Performance Explanation:	Goal Met. Estimated Data. [Reported 5% (E) in 2006 PAR]					
		Data Source:	NPS - National Historical Landmarks Database					
GOAL: Improve the understanding of national ecosystems and resources through integrated interdisciplinary assessment								
1508	Percent of targeted science products that are used by partners for land or resource management decision making	Totals:	85%	90%	93%	90%	93%	✓
		Performance Explanation:	Goal Met. This measure is tracked by survey of customers and partners. The target is a threshold below which performance would indicate a problem and would mean that some sort of corrective action is needed. So long as the actual result is above the target level, the process is under control and no corrective action is needed.					
		Data Source:	Products surveyed					
Intermediate Outcome: Ensure availability of long-term environmental and natural resource information, data, and systematic analyses needed by land and resource managers for informed decision making								
1498	Percent of river basins that have stream flow stations	Totals:	77%	82%	81%	84%	81%	✓
		Performance Explanation:	Goal Met.					
		Data Source:	Plot of active streamgages over a map of basins defined by 8-digit hydrologic unit codes. Data are collected through an annual inventory of the USGS water science centers that operate the streamflow stations, through a Web interface.					

		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?	
1499	Percent of the Nation's 65 principal aquifers with monitoring wells used to measure responses of water levels to drought and climatic variations to provide information needed for water-supply decision making	Totals:	60%	62%	62%	60%	60%	✓
		Performance Explanation:	Goal Met.					
		Data Source:	Principal Aquifer Map, USGS National Water Information System					
1500	Percent of US land surface area with contemporary land cover data available for major environmental monitoring and assessment programs	Totals:	45.00%	65.00%	75.00%	95.30%	95.30%	✓
		Performance Explanation:	Goal Met.					
		Data Source:	USGS - National Land Cover Data completed and available over the internet.					
1501	Percent of the surface area of the conterminous United States for which high resolution geospatial datasets are cataloged, managed, and available through The National Map	Totals:	No Report	No Report	No Report	83%	100%	✓
		Performance Explanation:	Goal Exceeded. Greater than planned performance due to an unexpected donation of nearly all "man-made structures" layer from another Federal agency.					
		Data Source:	USGS - ArcInfo data in The National Map					
1502	Percent of North American migratory birds for which scientific information on their status and trend are available	Totals:	No Report	26%	26%	26%	27%	✓
		Performance Explanation:	Goal Met.					
		Data Source:	NBII Bird Conservation Node					
1503	Percent of targeted fish and aquatic populations for which information is available regarding limiting factors	Totals:	No Report	31.00%	31.00%	36.97%	38.66%	✓
		Performance Explanation:	Goal Met.					
		Data Source:	BASIS+					
1504	Percent of targeted invasive species for which scientific information and decision support models are available to improve early detection (including risk assessments) and invasive species management	Totals:	No Report	51.60%	51.60%	52.50%	54.17%	✓
		Performance Explanation:	Goal Met.					
		Data Source:	BASIS+					
1505	Percent of targeted contaminants for which methods are developed to assess potential environmental health significance	Totals:	10.00%	20.00%	85.00%	32.74%	41.71%	✓
		Performance Explanation:	Goal Exceeded. A target contaminant is considered to have developed methods at the time they are published for peer review. In that sense results are somewhat dependent on the publication schedules. The unexpectedly high result for FY 2007 resulted from an accelerated publishing schedule.					
		Data Source:	Publications database					
<b>Intermediate Outcome: Ensure the quality and relevance of science information and data to support decision making</b>								
1506	Percent of studies validated through appropriate peer review or independent review	Totals:	100%	100%	100%	100%	100%	✓
		Performance Explanation:	Goal Met.					
		Data Source:	Publications database					
1507	Percent satisfaction with scientific and technical products and assistance for environment and natural resource decision making	Totals:	90%	96%	91%	90%	90%	✓
		Performance Explanation:	Goal Met. Goal Met. Customer satisfaction measures are a type of statistical quality control - with the target being the threshold level. That is, an actual result below the target might indicate a possible problem, which may require some sort of corrective action. So long as the actual result is above the target level, the process is under control and no corrective action is indicated.					
		Data Source:	Products surveyed					

FIGURE 2-4

**MISSION: RESOURCE USE**

*Improve resource management to assure responsible use and sustain a dynamic economy*

**GOAL: Manage or influence resource use to enhance public benefit, responsible development, and economic value : Energy (Fossil Fuels)**

		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?	
1509	Percent of fluid mineral leases with approved applications for permits to drill.	Totals:	48%	52%	47%	47%	44%	
		Performance Explanation:	Goal Not Met. The target was not met because lessees and operators did not file oil and gas leases applications as estimated at the beginning of the year due to unexpected adverse product pricing during the year.					
		Steps to Improve:	Out year targets will be adjusted to reflect a reduced level of customer demand, though volatile world market pricing may have an impact on final performance for this measure.					
		Data Source:	Performance Management Data System, LR2000 case recordation					
1510	Number of onshore federal acres under lease for coal development	Totals:	456,578	453,442	466,652	464,500	466,943	✓
		Performance Explanation:	Goal Met.					
		Data Source:	PMDS, LR2000, and affected State Data Calls					
1588	Number of offshore lease sales held consistent with the Secretary's 2007-2012 Five Year Program.	Totals:	4	4	2	2	2	✓
		Performance Explanation:	Goal Met.					
		Data Source:	Schedule of sales in the final Five Year Program. Final Notices of Sale in the Federal Register.					
364	Average acreage disturbed per permitted energy exploration or development activity	Totals:	2.3	2.3	2.3	2.1	2.1	✓
		Performance Explanation:	Goal Met.					
		Data Source:	BLM - Automated Fluid Mineral Support System (AFMSS).					
455	Percent of active coal mining sites that are free of off-site impacts	Totals:	92.60%	89.20%	91.50%	93.00%	90.20%	✓
		Performance Explanation:	Goal Met.					
		Data Source:	Information is reported annually by States for the evaluation period of July 1 - June 30. Results are then calculated by subtracting quarterly data (July 1 - September 30 of the first year) and adding the quarterly data from July 1 - September 30 of the second year. Federal data is for the Federal fiscal year of October 1 - September 30.					
1525	Percent of mined acreage reclaimed	Totals:	No Report	47.60%	47.60%	45.00%	53.40%	✓
		Performance Explanation:	Goal Exceeded. Calculated values: State, Tribes, and federal programs provide data for this measure. Mined acreage reclaimed: In collaborative consultation with States and Tribes, a new performance measure was developed with new data reporting requirements established. OSM will revise this target as trend data becomes available to improve targeting accuracy.					
		Data Source:	Information is reported annually by States for the evaluation period of July 1 - June 30. Results are then calculated by subtracting quarterly data (July 1 - September 30 of the first year) and adding the quarterly data from July 1 - September 30 of the second year. Federal data is for the Federal fiscal year of October 1 - September 30.					
1676	Percent of acres reclaimed to appropriate final land condition.	Totals:	No Report	No Report	No Report	Establish Baseline	Baseline Established	✓
		Performance Explanation:	Goal Met. Baseline Established.					
		Data Source:	Performance Management Data System (PMDS)					
493	Percent of federal and Indian revenues disbursed on a timely basis per statute.	Totals:	95.50%	98.40%	94.50%	97.00%	96.30%	✓
		Performance Explanation:	Goal Met.					
		Data Source:	Federal Revenues: the ZDI440R1 report; Indian Revenues: PeopleSoft table queries.					
<b>Intermediate Outcome: Effectively manage and provide for efficient access and development</b>								
1513	Percent of fluid mineral permit and lease applications processed (APDs--applications for permits to drill).	Totals:	105%	63%	62%	95%	107%	✓
		Performance Explanation:	Goal Exceeded. The FY 2007 target was exceeded because fewer applications were received than anticipated, allowing some backlogged applications to be processed. Consequently, performance exceeded 100% of the targeted amount.					
		Data Source:	Performance Management Data System, AFMSS					
1514	Percent of coal lease applications processed.	Totals:	13%	31%	20%	26%	14%	
		Performance Explanation:	Goal Not Met. The target was not met due to delays from scheduling conflicts and the need to gather additional information from customers.					
		Steps to Improve:	Program managers will work closer with customers to avoid future delays.					
		Data Source:	PMDS, LR2000, and affected SO Data Calls.					

		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?	
1532	Percent of available offshore oil and gas resources offered for leasing compared to what was planned in the Secretary's Five-Year Plan.	<b>Totals:</b>	89%	99%	98%	30%	36%	✓
		Performance Explanation:	Goal Exceeded. The Target was slightly exceeded as the planned performance estimate was made more difficult due to two lease sales, one in the Central Gulf of Mexico (GOM) region and one for the ChuckChi Sea, that were postponed until FY 2008 to address litigation brought by the State of Louisiana. Additionally, previous concerns raised by industry regarding the total amount of resources being offered in a sale added more uncertainty in the planning process. Because the Central Region contains over 50% of the resources available, the exclusion of the Central Region sale resulted in the Department setting a lower 2007 target relative to historical data for this measure.					
		Data Source:	Data is obtained from the Resource Evaluation branches in the applicable MMS Regions and the National Resource Assessment. Denominator data is from the 5-Year Program supporting documents and the National Resource Assessment.					
1515	Develop a commercial oil shale leasing program by FY2008.	<b>Totals:</b>	No Report	No Report	No Report	Establish Baseline	Baseline Established	✓
		Performance Explanation:	Goal Met. Baseline Established.					
		Data Source:	BLM - WO320-Staff					
1516	Percent of pending cases of rights-of-way permits and grant applications in backlog status.	<b>Totals:</b>	28%	30%	31%	30%	47%	
		Performance Explanation:	Goal Not Met. The increased backlog can be attributed to an increase in oil and gas pipeline, electric transmission line, and renewable energy rights-of-way applications.					
		Steps to Improve:	Program managers will evaluate adding staff to address the increased workload.					
		LR2000 and Performance Management Data System (PMDS)						
<b>Intermediate Outcome: Enhance responsible use management practices</b>								
425	Amount (in barrels) of offshore oil spilled per million barrels produced	<b>Totals:</b>	8	30	1	5	2 (E)	✓
		Performance Explanation:	Goal Exceeded. Estimated Data. Petroleum spillage resulting from offshore oil and gas activities in FY 2007 was small enough to bring this metric in at approximately half the goal. There were no major hurricanes and the largest oil spill, which is still under investigation, is projected to be approximately 600 barrels. The combination of MMS' improved and continuous inspection of operator components to ensure safety and a low occurrence of external incidents led to the final results. [Reported 0.9 (E) in 2006 PAR]					
		Data Source:	Oil spill data comes from required operator reports to MMS; MMS Pollution, Incident Investigation and Panel Reports; reports to the National Response Center; other U.S. Coast Guard reports; and any outside data that is available. OCS crude oil and condensate production data is provided by MMS' Minerals Revenue Management.					
1517	Percent of required fluid minerals inspection and enforcement reviews completed.	<b>Totals:</b>	108%	97%	84%	69%	81%	✓
		Performance Explanation:	Goal Exceeded. The Department increased its focus on these inspections during the year and contracted with the U.S. Forest Service to conduct additional inspections.					
		Data Source:	BLM-Performance Management Data System (PMDS), AFMSS					
1518	Percent of required coal inspection and enforcement reviews completed.	<b>Totals:</b>	99%	111%	109%	96%	103%	✓
		Performance Explanation:	Goal Exceeded. The Department has an Inspection and Enforcement Strategy for this measure that lays out the required number of inspections/enforcement reviews each year, so this measure's target to achieve 100% of these inspections. The target was exceeded due to additional inspections that arose during the year.					
		Data Source:	LR2000, PMDS, and affected SO Data Calls.					
1531	Composite accident severity ratio	<b>Totals:</b>	0.08	0.03	0.05	0.07	0.08 (E)	
		Performance Explanation:	Goal Not Met. Estimated Data. The composite accident severity ratio is an index of the cumulative composite accident severity value and the total number of components operated. During FY 2007, the methodology for calculating the accident severity score was changed to provide a better indication of the relative severity of the incidents in accordance with new incident reporting regulations. For example, with the revised methodology the number of points assigned for an incident that resulted in death would be multiplied by the number of deaths occurring. In the old methodology, an incident resulting in more than 1 deaths would have had the same number of points assigned with no multiplier for the number of fatalities. Other effects of these new regulations are an increase in the number of injury incidents reported and the receipt of information that gives us the ability to categorize the severity of the injury based on the number of days of lost time/restricted work/job transfer.					
		Steps to Improve:	This year's performance slightly exceeded the tolerance range of the current target, however, the FY07 target was established using the old methodology. We will be reviewing the impact of the revised methodology on metric results to determine if target adjustments need to be made in the future.					
		Data Source: OCS accident and incident data - MMS Technical Information Management System (TIMS). Severity values are assigned per the ASVM. Component counts are obtained from the MMS TIMS system which is updated from operator permit submissions and onsite offshore inspections.						

# Performance Data and Analysis

		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?	
1694	Percent of fluid mineral safety violations (incidents of non-compliance) corrected by operators with first notice.	Totals:	96%	96%	96%	96%	96%	✓
		Performance Explanation:	Goal Met.					
		Data Source:	BLM-Performance Management Data System, and AFMSS					
<b>Intermediate Outcome: Appropriate value through effective lease and permit management</b>								
1534	% Late Disbursements	Totals:	0.77%	0.34%	1.13%	3.00%	0.74% (E)	✓
		Performance Explanation:	Goal Exceeded. Estimated Data. 2007 actual results were significantly below the target because a new methodology for determining late disbursements was implemented during FY 2007. Targets in out years will be adjusted accordingly. MRM's focus in recent years on significantly reducing open receivables also contributed to the success in reducing late disbursements. (Note: the published FY07 results are estimated. Actual FY 2007 results will be available 11/30/2007.)					
		Data Source:	Federal late disbursements: the ZD1440R1 report; Indian late disbursements: PeopleSoft table queries; total disbursements: MMS Statistical Reporting System (MSR)					
1533	Percent of federal and Indian royalties compliance work completed within the 3-year compliance cycle	Totals:	69%	71%	73%	65%	65%	✓
		Performance Explanation:	Goal Met.					
		Data Source:	N1 - This is a subset of the denominator, containing values for property/payor/product/sales month for which MMS has completed compliance work. After reviewing the work of the Analyst, Supervisors update the tracking tool as work is completed, through the order stage, through a compliance review or audit. In addition, designated managers update the status of assignments the States and Tribes complete under our 202/205 delegated and cooperative audit agreements. Updates are made at the property/product/payor/sales month level. The summary worksheet automatically adds the royalty dollars for the completed work to the totals. D1 - This value is accessed through MRM system queries which identify the total of Royalties Paid (after allowance deductions) from all Federal and Indian leases for the production year. MMS extracts the royalty data from the Brio data warehouse and populates the database used to track progress annually.					
1535	Net return (in millions of dollars) to the government through royalties-in-kind (RIK)	Totals:	19.7	36	67.1	51.8	67.1	✓
		Performance Explanation:	Goal Exceeded. As of the end of FY06, the cumulative net return to the Government through RIK was \$67.1 million. This includes cumulative revenue gains over fair market value of \$57 million, incremental interest revenue of \$4.1 million and cost avoidance of \$6 million. In FY06, although volumes decreased by approximately 10% from FY05, values increased by 10% due to increases in natural gas and crude oil prices. Additionally, much of the revenue gains were due to negotiations on existing and new processing and transportation agreements resulting in discounts for those costs. Revenue gains will be variable and future gains or losses are difficult to predict. Conservative new targets have been established for RIK in succeeding years to incorporate the actual net return and estimates for those years.					
		Data Source:	RIK Risk and Performance Module (RPM) + spreadsheet Spreadsheet computation based on accounts receivable reports and treasury cost of funds MMS ABC System and Spreadsheet methodology					
<b>GOAL: Manage or influence resource use to enhance public benefit, responsible development, and economic value : Energy (Renewables)</b>								
1511	Number of megawatts of installed capacity authorized on public land for renewable energy development	Totals:	No Report	No Report	No Report	Establish Baseline	Baseline Established	✓
		Performance Explanation:	Goal Met. Baseline Established.					
		Data Source:	LR2000 and Performance Management Data System (PMDS)					
1512	Percent of wind farms incorporating best management practices (BMP) for protecting raptors and other birds and bats.	Totals:	No Report	No Report	28%	38%	59%	✓
		Performance Explanation:	Goal Exceeded. All new grants for site testing and wind farm rights-of-way are required to incorporate best management practices. Out year targets will be increased to reflect the increase in demand.					
		Data Source:	LR2000 and Performance Management Data System (PMDS)					
<b>GOAL: Manage or influence resource use to enhance public benefit, responsible development, and economic value : Energy (Hydropower)</b>								
<b>Intermediate Outcome: Improve power generation management to maximize supply</b>								
956	Percent of time that Bureau of Reclamation hydroelectric generating units are available to the interconnected Western electrical system during daily peak demand periods.	Totals:	92%	93%	93%	92%	92% (E)	✓
		Performance Explanation:	Goal Met. Estimated Data.					
		Data Source:	BOR - Monthly PO&M 59 Reports submitted by regions.					
1526	Number of megawatts of hydropower delivered annually.	Totals:	12,861	12,475	12,944	12,362	12,760 (E)	✓
		Performance Explanation:	Goal Met. Estimated Data.					
		Data Source:	The facility managers at each power plant track and record facility and system operations and report time available and nameplate capacity in monthly Power Operations and Maintenance (PO&M59) reports. Data reports are sent to and compiled by the Power Resources Office.					



Intermediate Outcome: Operate and maintain reliable, safe, and secure power facilities							
		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?
362	Hydropower facilities are in fair to good condition as measured by the Facilities Reliability Rating.	Totals: 100%	98%	100%	93%	98%	✓
	Performance Explanation:	Goal Exceeded. The condition of hydroelectric power equipment is very difficult to predict due to facility age. The targeting methodology predicted fewer than one power plant per region would be categorized as poor. As a result of highly successful preventative maintenance this year, only one facility systemwide was rated poor. A review of the targeting methodology is planned to reduce planning variation.					
	Data Source:	Database of facility condition ratings, indices, etc., maintained by the regional/area office.					
336	Percent of time in forced outage	Totals: 0.70%	0.41%	1.20%	1.90%	1.90% (E)	✓
	Performance Explanation:	Goal Met. Estimated Data.					
	Data Source:	Monthly PO&M 59 reports submitted by the regions					
1398	Percent of base operation and maintenance cost for power compared to the 5-year rolling average cost expressed as \$/MW.	Totals: -2.62%	-0.12%	-4.30%	7.21%	7.21% (E)	✓
	Performance Explanation:	Goal Met. Estimated Data. [Reported 7.15% (E) in 2006 PAR]					
	Data Source:	PO&M 59 reports					
GOAL: Manage or influence resource use to enhance public benefit, responsible development, and economic value : Forage							
1519	Percent of grazing permits and leases processed as planned consistent with applicable resource management plans.	Totals: 108%	117%	103%	100%	79%	
	Performance Explanation:	Goal Not Met. This goal was not met because wildland firefighting and restoration became greater priorities during the year and appeals and litigation caused additional delays in issuing permits.					
	Steps to Improve:	The BLM will work to resolve the litigation issues.					
	Data Source:	Performance Management Data System (PMDS), Range Administration System (RAS)					
GOAL: Deliver water consistent with applicable State and Federal law, in an environmentally responsible and cost-efficient manner							
Intermediate Outcome: Address environmental/resource stewardship concerns							
911	Percent of environmental audit findings and reviews addressed (results pertain to both water and hydropower facilities).	Totals: 56%	77%	89%	82%	95%	✓
	Performance Explanation:	Goal Exceeded. Program managers were able to engage successfully with third parties to correct several complex audit findings from previous years. Management anticipates continuing the third party relationships and expects to be able to more accurately target performance in the future.					
	Data Source:	BOR - Hazardous materials audits are kept in a Denver database.					
Intermediate Outcome: Complete construction projects to increase delivery infrastructure and water availability							
458	Potential acre-feet made available through completion of projects.	Totals: 103,598	51,720	47,739	24,839	37,047	✓
	Performance Explanation:	Goal Exceeded. Funds provided by cost-sharing partners are difficult to anticipate due to several uncontrollable variables. This year, unanticipated cost-sharing by water districts caused the target to be exceeded. A review of the targeting methodology is planned to improve targeting accuracy.					
	Data Source:	BOR - Water records, documentation with districts.					
GOAL: Manage or influence resource use to enhance public benefit, responsible development, and economic value : Forage							
Intermediate Outcome: Enhance responsible use management practices							
1522	Percent of range improvement projects completed as planned	Totals: No Report	No Report	No Report	100.00%	104.30%	✓
	Performance Explanation:	Goal Met.					
	Data Source:	Management Information System (MIS), Rangeland Improvement Project Summary (RIPS)					
GOAL: Deliver water consistent with applicable State and Federal law, in an environmentally responsible and cost-efficient manner							
450	Acre-feet of water delivered consistent with applicable substantive and procedural requirements of Federal and State water law (Million Acre-Feet)	Totals: 29	28	31	28	31	✓
	Performance Explanation:	Goal Exceeded.					
	Data Source:	Water records and databases are used to record water delivery. Each region uses several methods of recording water delivery because of the varied ages of the equipment and facilities.					

## Performance Data and Analysis

Intermediate Outcome: Operate and maintain a safe and reliable water infrastructure							
		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?
909	Water infrastructure is in fair to good condition as measured by the Facilities Reliability Rating.	Totals: 97%	96%	98%	91%	99%	✓
	Performance Explanation:	Goal Exceeded. Fifty percent of Reclamation's dams were built between 1900 and 1950. Management's continues its emphasis on maintaining and operating facilities at the highest possible condition level to ensure the intended mission is met. A significant number of outstanding repair recommendations were completed this year, which raised some facility scores from poor to fair and also kept some facilities from falling into the poor condition category. A concerted effort is underway to refine the target-setting process to improve the accuracy of planned performance targets.					
	Data Source:	BOR - Database of facility condition ratings, etc. maintained by the regional/area offices.					
Intermediate Outcome: Effective water management to optimize supply							
		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?
1536	Improvement in water supply (acre-feet per year) resulting from management agreements and partnerships	Totals: No Report	No Report	No Report	Establish Baseline	Baseline Established	✓
	Performance Explanation:	Goal Met. Baseline Established.					
	Data Source:	Water Records					
GOAL: Manage or influence resource use to enhance public benefit, responsible development, and economic value : Forage							
Intermediate Outcome: Provide access for grazing							
		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?
412	Permit Processing: Average time (average reduction, number of days) for processing and issuance of grazing permits and leases (lower number is good)	Totals: 215	207	204	204	116	✓
	Performance Explanation:	Goal Exceeded. The target was exceeded due to streamlining the permitting process and increases in efficiency that reduced the time needed to issue a grazing permit.					
	Data Source:	Performance Management Data System (PMDS)					
1520	Cost per grazing permit/lease for processing and issuing grazing permits/leases.	Totals: 4,227	4,088	4,956	5,000	5,178	✓
	Performance Explanation:	Goal Met.					
	Data Source:	Performance Management Data System (PMDS), Range Administration System (RAS), Cost Management System					
GOAL: Deliver water consistent with applicable State and Federal law, in an environmentally responsible and cost-efficient manner							
		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?
451	Amount of acre-feet of restricted capacity (lower # is good)	Totals: 16,831	16,831	410,412	410,412	410,412	✓
	Performance Explanation:	Goal Met.					
	Data Source:	Safety of Dams reports.					
452	Percent of water facilities that do not receive Federal or State notices of violation under environmental requirements as defined by Federal and State law.	Totals: 100%	100%	100%	97%	99%	✓
	Performance Explanation:	Goal Met.					
	Data Source:	Notices of violation, memorandum from regulatory agencies, cease and desist orders, court orders, etc.					
1399	Percent change in cost to operate and maintain water storage infrastructure compared to the five-year rolling average.	Totals: No Report	No Report	Baseline Not Established	Establish Baseline	Baseline Not Established	
	Performance Explanation:	Goal Not Met. Baseline Not Established. Cost data was available only beginning in FY 06. It has not been possible to compare current year cost data to a previous 5-yr. rolling average to date. As a result, it has not been possible to firmly establish a target for FY 08 or the outyears. Based on actual cost data for FY 06 and 07, Reclamation has developed a methodology to establish future targets in the absence of data from all five years.					
	Steps to Improve:	Based on actual cost data for FY 06 and 07, Reclamation has developed methodology to possibly establish future targets in the absence of data from all five years. Towards the end of FY 08, this methodology will be reevaluated to determine whether three years of data (FY 06 through FY 08) will be sufficient in establishing a FY 09 target. In subsequent years, this methodology will continue to be reevaluated, and revised as necessary, until future targets can be firmly established.					
	Data Source:	Cost - Financial Records; Capacity - Reservoir Capacity Allocation					
GOAL: Manage or influence resource use to enhance public benefit, responsible development, and economic value : Forest Products							
Intermediate Outcome: Enhance responsible use management practices							
		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?
murp	Percent of forestry improvements (acres) completed as planned.	Totals: 102%	104%	112%	100%	112%	✓
	Performance Explanation:	Goal Exceeded. The target was exceeded because lower costs on some projects allowed the BLM to complete more projects.					
	Data Source:	BLM - SO/Field Office Case Files, Performance Management Data System					

		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?	
1562	Percent of allowable sale quantity timber offered for sale consistent with applicable resource management plans (O&C--Oregon and California--only)	<b>Totals:</b>	69%	98%	80%	82%	68%	
		Performance Explanation:	Goal Not Met. The target was not met because the Department was required to remove about one-third of the timber sale plan offerings as a result of increased litigation and the loss of several court cases invalidating critical biological opinions needed for the timber sales.					
		Steps to Improve:	The Department and the regulatory agencies are working to replace the rescinded biological opinions so the planned sales can proceed in the future.					
		Data Source:	BLM - Performance Management Data System (PMDS), Timber sale Information System (TSIS) and Stewardship Contracting Information Database (SCID)					
419	Volume of wood products offered consistent with applicable management plans.	<b>Totals:</b>	187	257	243	276	255	
		Performance Explanation:	Goal Not Met. The FY 2007 target was not met because the Department was required to remove about one-fourth of the timber sale plan offerings as a result of increased litigation and the loss of several court cases invalidating critical biological opinions that impacted the volume of wood products offered.					
		Steps to Improve:	The Department and the regulatory agencies are working to replace the rescinded biological opinions so the planned sales can proceed in the future and the volume of wood products offered will meet targets.					
		Data Source:	BLM - SO/Field Office Case Files, Timber sale Information System (TSIS) and Stewardship Contracting Information Database (SCID)					
421	Administrative cost per thousand board feet of timber offered for sale	<b>Totals:</b>	176	105	135	190	190	✓
		Performance Explanation:	Goal Met.					
		Data Source:	BLM - Performance Management Data System (PMDS), Timber sale Information System (TSIS) and Stewardship Contracting Information Database (SCID), Management Information System (MIS)					
<b>GOAL: Manage or influence resource use to enhance public benefit, responsible development, and economic value : Non-energy Minerals</b>								
<b>Intermediate Outcome: Effectively manage and provide for efficient access and production</b>								
1524	Average time for processing plans of operation for locatable minerals.	<b>Totals:</b>	18	18	17	17	14	✓
		Performance Explanation:	Goal Exceeded. The FY 2007 target was exceeded due to increases in efficiency that allowed BLM to reduce the time needed for approval of plans.					
		Data Source:	BLM - LR2000					
1521	Number of onshore federal acres under lease or contract for non-energy mineral exploration and development (leaseable and saleable minerals).	<b>Totals:</b>	No Report	No Report	No Report	883,826	520,291	
		Performance Explanation:	Goal Not Met. The target was not met because of an error in what was included in this measure--it incorrectly included non-lease acres.					
		Steps to Improve:	Targets will be adjusted to reflect this clarification to the definition.					
		Data Source:	Performance Management Data System (PMDS), LR2000					
366	Number of acres reclaimed to appropriate land condition and water quality standards.	<b>Totals:</b>	1,786.00	12,131.00	4,151.00	4,000.00	3,750.00	
		Performance Explanation:	Goal Not Met. The actual number of acres reclaimed depends on many interrelated variables, such as commodity price, deposit grade, and worldwide supply and demand for the commodity. Demand for all commodities remained high in 2007, so the target was not met because fewer mining sites were reclaimed and closed as previously projected.					
		Steps to Improve:	Out year targets will be adjusted annually to reflect shifts in demand.					
		Data Source:	BLM - Automated Fluid Mineral Support System (AFMSS). SO/Field Office case files.					
<b>GOAL: Improve the understanding of energy and mineral resources to promote responsible use and sustain the Nation's dynamic economy</b>								
<b>Intermediate Outcome: Ensure availability of energy and mineral resource information and systematic analyses needed by land and resource managers for informed decision making</b>								
436	Number of targeted basins/areas with energy resource assessments available to support management decisions	<b>Totals:</b>	5	7	6	5	5	✓
		Performance Explanation:	Goal Met.					
		Data Source:	Publications database					
1527	Percent of targeted science products that are used by partners or customers for land or resource management decision making	<b>Totals:</b>	80%	87%	88%	80%	99%	✓
		Performance Explanation:	Goal Met. This measure is tracked by survey of customers and partners. The target is a threshold below which performance would indicate a possible problem and might mean that some sort of corrective action may be needed. So long as the actual result is above the target level, the process is considered under control and no corrective action is indicated.					
		Data Source:	Products surveyed					

## Performance Data and Analysis

Intermediate Outcome: Ensure the quality and relevance of science information and data to support decision making								
		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?	
1529	Percent of studies validated through appropriate peer review or independent review	Totals:	100%	100%	100%	100%	100%	✓
		Performance Explanation:	Goal Met.					
		Data Source:	Publication database					
Intermediate Outcome: Ensure availability of energy and mineral resource information and systematic analyses needed by land and resource managers for informed decision making								
		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?	
1530	Percent satisfaction with scientific and technical products and assistance for natural resource decision making	Totals:	89%	98%	98%	80%	97%	✓
		Performance Explanation:	Goal Exceeded. Customer satisfaction measures are a type of statistical quality control - with the target being the threshold level. That is, an actual result below the target might indicate a possible problem, which may require some sort of corrective action. So long as the actual result is above the target level, the process is under control and no corrective action is indicated.					
		Data Source:	Products surveyed					
Intermediate Outcome: Ensure availability of energy and mineral resource information and systematic analyses needed by land and resource managers for informed decision making								
		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?	
1528	Percent of targeted non-fuel mineral commodities for which up-to-date deposit models are available to support decision making	Totals:	No Report	No Report	No Report	Establish Baseline	Baseline Established	✓
		Performance Explanation:	Goal Met. Baseline Established.					
		Data Source:	Mineral Resources Program database files.					

FIGURE 2-5

MISSION: RECREATION							
Improve recreation opportunities for America							
GOAL: Improve the quality and diversity of recreation experiences and visitor enjoyment on DOI lands							
		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?
554	Percent of visitors satisfied with the quality of experience	Totals: 94%	94%	93%	91%	91% (E)	✓
	Performance Explanation:	Goal Met. Estimated Data. [Reported 93% (E) in 2006 PAR].					
	Data Source:	NPS - Visitor Survey Card (survey conducted under contract with Univ of Idaho); FWS - Visitor Service Survey (stored in Service's Operational Plan) BLM - System-wide Visitor Survey (survey conducted under contract with Univ of Idaho)					
Intermediate Outcome: Provide recreational opportunities							
1563	Percent of recreation units with current management plan	Totals: No Report	18%	25%	22%	28%	✓
	Performance Explanation:	Goal Exceeded. This is a new measure. The target was exceeded because it was set too low and will be adjusted in the future.					
	Data Source:	NPS - Land Resources Division Database and State Grants Program Database; FWS - Refuges Annual Performance Plan (RAPP) BLM - Recreation Management Information System (RMIS)					
Intermediate Outcome: Improve capacities to provide recreation, where appropriate							
1674	Overall condition of trails and campgrounds as determined by the Facilities Condition Index	Totals: No Report	No Report	No Report	Establish Baseline	Baseline Established	✓
	Performance Explanation:	Goal Met. Baseline Established.					
	Data Source:	BLM - Recreation Management Information System (RMIS), Facility Asset Management System (FAMS) FWS - Refuges Annual Performance Plan					
1565	Percent of priority recreation facilities that meet applicable accessibility standards	Totals: 8%	14%	28% (E)	28%	29% (E)	✓
	Performance Explanation:	Goal Met. Estimated Data.					
	Data Source:	NPS - Facility Management Software System (FMSS); FWS - Accessibility Data Management System (ADMS), Refuges Annual Performance Plan (RAPP) BLM - ADAMS, Recreation Management Information System (RMIS) BOR - Accessibility Data Management System (ADMS)					
Intermediate Outcome: Provide effective interpretation and education programs							
1567	Percent satisfaction among visitors served by facilitated programs	Totals: 95%	No Report	92%	93%	88% (E)	
	Performance Explanation:	Goal Not Met. Estimated Data. This is a new measure. The FY 2007 target was overestimated based on historical data for another satisfaction measure, customer satisfaction rating for visitor experience.					
	Steps to Improve:	Out year targets will be adjusted to reflect 2007 actuals for this measure.					
	Data Source:	BLM - Bureau wide Visitor Survey					
Intermediate Outcome: Manage and protect recreational resources and users							
1568	Number of serious injuries per 100,000 visitors	Totals: Baseline Established	0.3	0.3 (E)	2.1	1.7 (E)	✓
	Performance Explanation:	Goal Exceeded. Estimated Data. The target was exceeded because of enhancements in visitor safety on public lands.					
	Data Source:	FWS - Significant Activity Report (SAR); BLM - LAWNET for number of serious injuries. Recreation Management Information System (RMIS) for visitation numbers; NPS - Incident Management Analysis and Reporting System (IMARS)					
1569	Number of fatalities per 100,000 visitors	Totals: Baseline Established	0.057	0.058	0.07	0.058 (E)	✓
	Performance Explanation:	Goal Exceeded. Estimated Data. The target was exceeded because of enhancements in visitor safety on public lands.					
	Data Source:	FWS - Significant Activity Report (SAR); BLM - LAWNET for number of fatalities. Recreation Management Information System (RMIS) for visitation numbers; NPS - Incident Management Analysis and Reporting System (IMARS) will be the source for this informat					
1571	Percent of visitors satisfied with services provided by commercial recreational operations	Totals: 72%	77%	75%	75%	75% (E)	✓
	Performance Explanation:	Goal Met. Estimated Data.					
	Data Source:	NPS - Visitor Survey Card BLM - System-wide Visitor Survey					
Intermediate Outcome: Provide for and receive fair value in recreation							
560	Percent of customers satisfied with the value for fee paid	Totals: No Report	89%	87%	89%	88% (E)	✓
	Performance Explanation:	Goal Met. Estimated Data. [Reported 87% (E) in 2006 PAR]					
	Data Source:	FWS - Refuge Annual Performance Plan (RAPP); NPS - Visitor Survey Card BLM - System-wide Visitor Survey RPP					

## Performance Data and Analysis

		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?	
1078	Percent of recreation fee program receipts spent on fee collection	Totals:	22%	17%	18%	20%	18% (E)	✓
		Performance Explanation:	Goal Exceeded. Estimated Data. Directives and standards were not finalized in time to gather data for this measure for all bureaus and are scheduled to be finalized not later than 10/31/07. [Reported 20% (E) in 2006 PAR]					
		Data Source:	FWS - Refuge Annual Performance Plan (RAPP); Fee Management Program, Fee site collection reports BLM - Management Information System (MIS) BOR -					
<b>GOAL: Expand seamless recreation opportunities with partners</b>								
1573	Number of non-DOI acres made available for recreation through financial support and technical assistance	Totals:	886,714	962,237	1,026,929	15,271,729	36,286,428 (E)	✓
		Performance Explanation:	Goal Exceeded. Estimated Data. Performance exceeded target due to improved data collection and reporting efforts resulting in more complete performance information.					
		Data Source:	FAIMS					
1572	Number of non-DOI river, shoreline and trail miles made available for recreation through financial support and technical assistance	Totals:	15,211	16,989	18,515	1,575	1,497 (E)	✓
		Performance Explanation:	Goal Met. Estimated Data.					
		Data Source:	FAIMS					
1675	Number of waters where recreational fishing opportunities are provided	Totals:	No Report	221	221	221	221 (E)	✓
		Performance Explanation:	Goal Met. Estimated Data.					
		Data Source:	FWS - Fisheries Information System					

FIGURE 2-6

**MISSION: SERVING COMMUNITIES**

*Improve protection of lives, property and assets, advance the use of scientific knowledge, and improve the quality of life for communities we serve*

**GOAL: Improve protection of lives, resources and property**

		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?	
1539	Percent change from the 10-year average in the number of acres burned by unplanned and unwanted wildland fires on DOI lands.	<b>Totals:</b>	No Report	No Report	No Report	-2%	-14% (P)	
		Performance Explanation:	No Report. Preliminary Data.					
		Data Source:	Wildland Fire Management Information (WFMI) DI-1202 Fire Report System and the Fish and Wildlife Service Fire Report System					
1574	Increase the percentage of facilities meeting the minimum Departmental physical security guidelines.	<b>Totals:</b>	No Report	No Report	No Report	Establish Baseline	Baseline Not Established	
		Performance Explanation:	Goal Not Met. Baseline Not Established. Although physical security evaluation procedures exist in each of the Department's bureaus there was no standardized format in place. Interior has policy for minimum physical security standards at our facilities, which was developed in 1999 and taken from the U.S. Department of Justice study entitled A Vulnerability Assessment of Federal Facilities (June 1995). The DHS Interagency Security Committee has been revising this document and Interior was awaiting the revision before updating our policy.					
		Steps to Improve:	To date the necessary policy revision has not been completed and a determination was made to move forward with the existing standards (1999) and conduct assessments. Therefore a baseline will be established as soon as possible, but no later than the end of FY08.					
	Data Source:	Individual physical security assessments conducted at facilities						
1577	Level of emergency preparedness as measured by the Interior Readiness (I-READ) Index	<b>Totals:</b>	No Report	No Report	No Report	Establish Baseline	Baseline Not Established	
		Performance Explanation:	Goal Not Met. Baseline Not Established. FY 07 presented a number of high priority projects that impeded our efforts to make progress on this measure. These projects included a comprehensive revision of the DOI Continuity of Operations Plan, the last publication of which was in 1999, to ensure the Department could continue its mission essential functions during emergency situations; responding to the required actions outlined in the White House report: The Federal Response to Hurricane Katrina: Lessons Learned; the development and final publication of the DOI Pandemic Influenza Plan; and working with the Department of Homeland Security on the revision of the National Response Plan.					
		Steps to Improve:	The baseline for the I-READ Index will be defined in FY 08.					
	Data Source:							
1566	Percent change in Part I offenses that occur on DOI lands or under DOI jurisdiction (BLM, FWS, NPS, BIA, BOR)	<b>Totals:</b>	No Report	No Report	No Report	Establish Baseline	Baseline Established	✓
		Performance Explanation:	Goal Met. Baseline Established.					
		Data Source:	BIA - OLES-Stats (Lotus Notes Based Summary UCR data only), BLM - Lawnet, FWS - Law Enforcement Management Information System (LEMIS) and LEIMAGS (This is a pilot in DC only), NPS - Case Incident Reporting System (CIRS) and "CRIMES"					
1677	Percent change in Part II offenses that occur on DOI lands or under DOI jurisdiction (BLM, FWS, NPS, BIA, BOR)	<b>Totals:</b>	No Report	No Report	No Report	Establish Baseline	Baseline Established	✓
		Performance Explanation:	Goal Met. Baseline Established.					
		Data Source:	BIA - OLES-Stats (Lotus Notes Based Summary UCR data only), BLM - Lawnet, FWS - Law Enforcement Management Information System (LEMIS) and LEIMAGS (This is a pilot in DC only), NPS - Case Incident Reporting System (CIRS) and "CRIMES"					
1678	Percent change in natural, cultural, and heritage resource crimes that occur on DOI lands or under DOI jurisdiction (BLM, FWS, NPS, BIA, BOR)	<b>Totals:</b>	No Report	No Report	No Report	Establish Baseline	Baseline Established	✓
		Performance Explanation:	Goal Met. Baseline Established.					
		Data Source:	BIA - OLES-Stats (Lotus Notes Based Summary UCR data only), BLM - Lawnet, FWS - Law Enforcement Management Information System (LEMIS) and LEIMAGS (This is a pilot in DC only), NPS - Case Incident Reporting System (CIRS) and "CRIMES"					
<b>Intermediate Outcome: Improve fire management</b>								
788	Percent of unplanned and unwanted wildland fires on DOI land controlled during initial attack	<b>Totals:</b>	98%	97%	96%	95%	97% (E)	✓
		Performance Explanation:	Goal Met. Estimated Data. [Reported 98% (E) in 2006 PAR]					
		Data Source:	Wildland Fire Management Information (WFMI) DI-1202 Fire Report System and the Fish and Wildlife Service Fire Report System					

## Performance Data and Analysis

		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?	
1540	Percent of acres treated which achieve fire management objectives as identified in applicable management plans	Totals:	No Report	No Report	No Report	90%	66% (E)	
		Performance Explanation:	Goal Not Met. Estimated Data. Targets were initially estimated based on a high success rate for overall treatment objectives.					
		Steps to Improve:	Baseline data collected in FY 2007 will be further analyzed in relation to the initial target set in 2006. Users entering data for this measure will receive targeted training to ensure data definitions are applied consistently to treatments entered in the database. Data collected during FY 2008 will be monitored to determine: that data is being accurately entered in the database, and that the initial target was set accurately, and if not, re-calculated.					
		Data Source:	National Fire Plan Operations and Reporting System (NFPORS)					
1542	Percent of treated Wildland-Urban Interface (WUI) acres that are identified in Community Wildfire Protection Plans or other applicable collaboratively developed plans.	Totals:	No Report	No Report	63%	65%	69% (E)	✓
		Performance Explanation:	Goal Exceeded. Estimated Data. Target developed using historical data. As collaboration is a key element of the National Fire Plan, future targets may need to be re-evaluated. Data will be monitored in FY 2008 to evaluate the need to reset future targets.					
		Data Source:	National Fire Plan Operations and Reporting System (NFPORS)					
1541	Number of treated Wildland-Urban Interface (WUI) acres that are identified in Community Wildfire Protection Plans or other applicable collaboratively developed plans.	Totals:	No Report	No Report	334,323	315,250	401,271 (E)	✓
		Performance Explanation:	Goal Exceeded. Estimated Data. Target developed using historical data. As collaboration is a key element of the National Fire Plan, future targets may need to be re-evaluated. Data will be monitored in FY 2008 to evaluate the need to reset future targets.					
		Data Source:	National Fire Plan Operations and Reporting System (NFPORS)					
486	Number of acres in WUI treated per million dollars gross investment	Totals:	4,248	4,092	4,025	3,760	4,391	✓
		Performance Explanation:	Goal Exceeded. Total acres treated exceeded target due to favorable environmental conditions in the fall of FY 2006. Additional carryover funds from the 2006 fire season also contributed to exceeding the target. [Reported 3,985 (E) in 2006 PAR]					
		Data Source:	Bureau accounting systems and NFPORS					
<b>Intermediate Outcome: Improve public safety and security and protect public resources from damage</b>								
1543	Percent of physical and chemical hazards mitigated in appropriate time to ensure visitor or public safety	Totals:	Baseline Established	69%	57% (E)	55%	56% (E)	✓
		Performance Explanation:	Goal Met. Estimated Data.					
		Data Source:	BLM - Performance Management Data System FWS - Refuge Annual Performance Plan (RAPP); Environmental Cleanup Liability (ECL) report on DOI/OMB; Dam Safety Program report					
1579	Per cent change in physical security vulnerabilities identified at DOI facilities	Totals:	No Report	No Report	No Report	Establish Baseline	Baseline Not Established	
		Performance Explanation:	Goal Not Met. Baseline Not Established. To date the policy revision has not been completed and a determination was made to move forward with the existing 1999 standards and conduct assessments.					
		Steps to Improve:	A baseline will be established as soon as possible, but no later than the end of FY2008.					
		Data Source:	Individual security assessments conducted at facilities					
1570	Percent of incidents/investigations closed for Part I, Part II, and natural, cultural, and heritage resources offenses (BLM, FWS, NPS, BIA, BOR).	Totals:	No Report	No Report	No Report	Establish Baseline	Baseline Established	✓
		Performance Explanation:	Goal Met. Baseline Established.					
		Data Source:	Various incident reporting databases					
1654	Percent of DOI public lands management units where travel management plans or equivalent regulatory or policy documents are completed.	Totals:	No Report	No Report	No Report	Establish Baseline	Baseline Established	✓
		Performance Explanation:	Goal Met. Baseline Established.					
		Data Source:	BLM: Performance Management Data System (PMDS), and RMIS					
<b>Intermediate Outcome: Promote respect for private property</b>								
1581	Percent of open complaints received from property owners, concerning DOI actions affecting status of their private property, resolved within one year	Totals:	No Report	No Report	No Report	Establish Baseline	Baseline Established	✓
		Performance Explanation:	Goal Met. Baseline Established.					
		Data Source:						
<b>Intermediate Outcome: Provide prompt response to requests for administrative action</b>								
1544	Hearings and Appeals: Number of non-probate cases concluded	Totals:	No Report	No Report	No Report	930	1,008	✓
		Performance Explanation:	Goal Exceeded. Performance beyond the targeted level was made possible by factors that are unlikely to recur: the Office of Hearings and Appeals was able to dismiss three blocks of cases totaling 59 cases, without having to conduct hearings and render decisions.					
		Data Source:	Case tracking systems maintained by OHA.					



**GOAL: Improve understanding, prediction, and monitoring of natural hazards to inform decisions by civil authorities and the public to plan for, manage, and mitigate the effects of hazard events on people and property**

		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?
446	Percent of communities/Tribes using DOI science on hazard mitigation, preparedness and avoidance for each hazard management activity	Totals: 43%	45%	48%	51%	50%	✓
	Performance Explanation:	Goal Met.					
	Data Source:	Program Coordinators for Earthquakes, Volcanoes, and Landslides maintain data files					

**Intermediate Outcome: Provide information to assist communities in managing risks from natural hazards**

		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?
1545	Number of areas for which detailed hazard assessments are completed	Totals: No Report	No Report	No Report	51	51	✓
	Performance Explanation:	Goal Met.					
	Data Source:	Assessments are tracked by the program offices of the Earthquake Hazards, Landslide Hazards and Volcano Hazards Programs. These programs maintain a database of publications corroborated by USGS publications database.					

		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?
1546	Number of metropolitan regions where ShakeMap is incorporated into emergency procedures (USGS)	Totals: 5	5	5	5	5	✓
	Performance Explanation:	Goal Met.					
	Data Source:	Program Coordinator for Earthquakes maintains data files					

		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?
1547	Percent of potentially hazardous volcanoes with published hazard assessments	Totals: 61%	63%	64%	66%	66%	✓
	Performance Explanation:	Goal Met.					
	Data Source:	Program Coordinator for Volcanoes maintains data files					

**Intermediate Outcome: Ensure the quality and relevance of science information and data to support decision making**

		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?
352	Percent of studies validated through peer review or other independent review, as appropriate	Totals: 100%	100%	100%	100%	100%	✓
	Performance Explanation:	Goal Met.					
	Data Source:	Publications database					

		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?
1548	Percent satisfaction with scientific and technical products and assistance for natural hazard planning, mitigation, and emergency response	Totals: 98%	99%	100%	80%	87%	✓
	Performance Explanation:	Goal Met. Customer satisfaction measures are a type of statistical quality control - with the target being the threshold level. That is, an actual result below the target might indicate a possible problem and may mean that some sort of corrective action is needed. So long as the actual result is above the target level, the process is under control and no corrective action is indicated.					
	Data Source:	Products surveyed					

**GOAL: Fulfill Indian fiduciary trust responsibilities**

		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?
322	Beneficiary Services: Percent of financial information accurately processed in Trust beneficiaries accounts	Totals: 17.76%	99.70%	99.70%	98.00%	99.76%	✓
	Performance Explanation:	Goal Met.					
	Data Source:	Error log, Trust Fund Accounting System					

		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?
488	Beneficiary Services: Percent timeliness of financial account information provided to Trust beneficiaries	Totals: 97.12%	99.10%	100.00%	99.50%	92.02%	
	Performance Explanation:	Goal Not Met. An inadvertent delay of one day in transporting beneficiary statements to the local post office occurred during the third quarter, causing the target to be missed for the year.					
	Steps to Improve:	Corrective action has been taken to preclude this procedural flaw from reoccurring.					
	Data Source:	Trust Fund Accounting System, manual log kept with number of statements mailed and dates of mailings					

		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?
1549	Trust Fund Accountability: Percent of risk mitigated on Corrective Action Plans based on Federal Managers Financial Integrity Act control plans.	Totals: 90.91%	97.37%	100.00%	97.00%	96.55%	✓
	Performance Explanation:	Goal Met.					
	Data Source:	RM-Plus Technology System					

		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?
1550	Percent of total annual allowable harvest offered for sale.	Totals: 81%	81%	72%	80%	62% (E)	
	Performance Explanation:	Goal Not Met. Estimated Data. Only 45% of the allowable harvest was offered for sale in fiscal year 2007 Quarters 1-3, and the fourth quarter was not expected to make up the difference. While harvesting is traditionally more active in the last half of the fiscal year, it is affected by the fire season as staff is diverted to assist with forest fires. The reduction in performance is based upon a level V fire season in FY07 which diverted resources.					
	Steps to Improve:	Because critical wildland fire response is a priority, timber sale performance may be adversely affected without recourse. A relatively normal fire season should not interfere with future efforts to achieve specified allowable harvesting sale targets.					
	Data Source:	Agency GPRA coordinators to Regional GPRA coordinators to Central Office GPRA coordinator					

		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?
1551	Percent of total acres of agricultural and grazing land that have resource management plans completed.	Totals: No Report	14%	20%	25%	25% (E)	✓
	Performance Explanation:	Goal Met. Estimated Data.					
	Data Source:	Agency GPRA coordinators to Regional GPRA coordinators to Central Office GPRA coordinator					

# Performance Data and Analysis

		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?
1552	Percent of agricultural and range acres under lease where lease proceeds exceed administrative cost of the leased acres base	Totals:	No Report	No Report	No Report	Establish Baseline	Baseline Established
		Performance Explanation:	Goal Met. Baseline Established.				
		Data Source:	QuickTime and Trust Asset Accounting Management System (TAAMS).				
<b>Intermediate Outcome: Ownership information that is accurate, timely, and reliable</b>							
1553	Percent of estates closed.	Totals:	No Report	No Report	No Report	100%	89% (E)
		Performance Explanation:	Goal Not Met. Estimated Data. The measure definition was changed at the beginning of fiscal year 2007 as a result of the Department's fiscal year 2007-2012 strategic planning efforts. The program did not meet its target due to increased emphasis on case preparation in the 3rd and 4th quarters of FY 07. Note that the eligibility of estates included in this measure begins on the first day of the fourth quarter of the prior reporting year and ends on the last day of the third quarter of the current year.				
		Steps to Improve: Data Source:	ProTrac, Probate Tracking System; TAAMS and TFAS for verification				
1554	Percent of Whereabouts Unknown accounts resolved	Totals:	51%	36%	33%	25%	37%
		Performance Explanation:	Goal Exceeded. The target was exceeded because OST's financial trust officers and contractors became more experienced in applying effective search methods in locating WAU accountholders including better targeted outreach activities, better utilization of on-line proprietary and public databases, and increased phone searches and field investigations.				
		Data Source:	TFAS ODR Tables				
1555	Land Acquisitions: Number of fractionated interests acquired	Totals:	48,470	72,547	77,577	37,800	99,840
		Performance Explanation:	Goal Exceeded. The target was greatly exceeded due to the following reasons: a. There was a change in strategy to target highly fractionated tracts. b. The implementation of standardized procedures and a new data system increased productivity and efficiency. c. Increased public awareness of the program resulted in a higher response rate. d. The FY 2007 target was based on an old strategy and higher cost-per-interest data.				
		Data Source:	LCTS, TFAS, Document Library, TAAMS				
<b>Intermediate Outcome: Land and natural resources management that maximizes return</b>							
939	Ensure Timeliness of Mineral Revenue Payments to American Indians: Percent of revenue recorded in the Trust Financial Accounting System within 24 hours of receipt	Totals:	98.66%	100.00%	99.80%	98.50%	100.00%
		Performance Explanation:	Goal Met.				
		Data Source:	Facsimile from MMS into TFAS. Process is tracked via Access database.				
<b>GOAL: Advance quality communities for Tribes and Alaska Natives</b>							
1556	Percent of BIE funded schools achieving Adequate Yearly Progress (AYP).	Totals:	No Report	30%	30%	34%	31% (E)
		Performance Explanation:	Goal Not Met. Estimated Data. The fiscal year 2007 performance of 30% making AYP falls short of the FY 2007 target due in part to a court-imposed freeze on hiring, and to infrastructure problems.				
		Steps to Improve: Data Source:	To improve progress toward AYP for FY 2008, BIE has designated 14 schools as Focus Schools to improve reading, which has the most significant impact on improving overall AYP scores. Note that the data being used is for school year 2005/ 2006. BIE Annual School Report Card collected by Division of Contract Management and Administration (DCMA)				
457	Part I violent crime incidents per 100,000 Indian Country inhabitants receiving law enforcement services	Totals:	Baseline Re-established in 2006		492	492	374 (E)
		Performance Explanation:	Goal Exceeded. Estimated Data. The fiscal year 2007 estimate is an extrapolation of the 183 violent crime incidents in the 1st two quarters. Assumes that the level of incidents in the 3rd and 4th quarters of fiscal year 2007 will increase at the same rate as 3rd and 4th quarters of fiscal year 2006 due to seasonal patterns in increased crime.				
		Data Source:	BIA and Tribal Law Enforcement Programs.				
<b>Intermediate Outcome: Improve education for Indian Tribes</b>							
1715	Percent of BIA/BIE school facilities in acceptable condition, as measured by the Facilities Condition Index (lower FCI number is good).	Totals:	No Report	36.96%	34.78%	51.09%	38.59%
		Performance Explanation:	Goal Not Met. The fiscal year 2007 Plan number reflects the information contained in the DOI ABC/M system, the official source of performance information for DOI. The FY 2007 target for school construction originally classified school condition based upon the year the funds were obligated. However, the Department revised the method of classifying school condition based upon the year in which a school was ready for occupancy. Based upon Q1-Q4 actual performance against an internal revised target of 37%, the program met its target. However, due to the published (original) target of 51%, the program reports goal not met.				
		Steps to Improve: Data Source:	The correction of the target setting methodology is expected to rectify the problem. Facilities Management Information System (FMIS)				

		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?	
318	Percent of teachers that are highly qualified in select subject areas.	<b>Totals:</b>	Baseline Established	94%	90%	94%	90%	✓
		Performance Explanation:	Goal Met. Most BIE data are reported on a school year, not a fiscal year. For the 2006 - 2007 school year just completed in June 2007, therefore, currently available data are from the 2005 - 2006 school year. During school year 2005-2006, the BIE employed 3,227 teachers of which 2,904 (90%) met the highly qualified teacher provisions of the No Child Left Behind Act. [Reported 90% (E) in 2006 PAR]					
		Data Source:	BIE School Annual Report					
1557	Percent of BIE schools not making AYP that improved in reading.	<b>Totals:</b>	No Report	23%	18%	21%	20% (E)	
		Performance Explanation:	Goal Not Met. Estimated Data. The program fell slightly short of meeting its target due to hiring and infrastructure issues.					
		Steps to Improve:	To improve performance for FY 2008, BIE has designated 14 schools as Focus Schools to improve reading.					
		Data Source:	BIE Annual School Report Card collected by Division of Contract Management and Administration (DCMA)					
1558	Percent of BIE schools not making AYP that improved in math.	<b>Totals:</b>	No Report	18%	23%	27%	27%	✓
		Performance Explanation:	Goal Met.					
		Data Source:	BIE Annual School Report Card collected by Division of Contract Management and Administration (DCMA)					
<b>Intermediate Outcome: Enhance public safety</b>								
576	Percent of BIA-funded Tribal judicial systems receiving an acceptable rating under independent Tribal judicial system reviews.	<b>Totals:</b>	1%	16%	15%	42%	16%	
		Performance Explanation:	Goal Not Met. Baseline was established in fiscal year 2006. The target is not expected to be met because the program expects to complete only two reviews this year due to delays in funding and in the contracting process. There are a total of 156 funded tribal courts that are reviewed. There were 23 acceptable reviews in fiscal year 2006 and two anticipated reviews in fiscal year 2007 that OJS hopes to have acceptable ratings for. Therefore, 25/ 156 = 16%. In previous years, the total population equaled the number of courts reviewed in that year. This was changed to equal the total number of courts. The program incorrectly reported in the FY 06 PAR that 24 reviews were performed and all 24 received acceptable ratings.					
		Steps to Improve:	Error in prior year reporting and FY 2007 target setting has been rectified.					
		Data Source:	Final Tribal judicial system reviews.					
1735	Percent of law enforcement facilities that are in acceptable condition as measured by the Facilities Condition Index	<b>Totals:</b>	56.90%	49.02%	50.98%	54.90%	64.00%	✓
		Performance Explanation:	Goal Exceeded. Backlogged orders were filled quicker than anticipated. After further inspection at repair time, the facilities were found to be in better condition than expected. We are seeing more accurate data entered and in this case, when work is accomplished with funds received for minor improvement and repair and recorded as complete, the FCI improves based on work entered and accounted for in the data base system. Funds are also focused on those facilities with the greatest need, as indicated by FCI.					
		Data Source:	Facility Management Information System					
1559	Percent of miles of road in acceptable condition based on the Service Level Index	<b>Totals:</b>	Baseline Established	21%	17% (E)	14%	14% (P)	
		Performance Explanation:	No Report. Preliminary Data.					
		Steps to Improve:						
		Data Source:	BIA Regional Transportation Programs - Inventory of Indian Reservation Roads					
1560	Percent of bridges in acceptable condition based on the Service Level Index	<b>Totals:</b>	Baseline Established	52%	62%	44%	55% (P)	
		Performance Explanation:	No Report. Preliminary Data.					
		Steps to Improve:						
		Data Source:	BIA Regional Transportation Programs - Inventory of Indian Reservations Roads					
<b>GOAL: Increase economic self-sufficiency of insular areas</b>								
320	Federal Assistance as a percentage of GDP for insular economies (lower number is good)	<b>Totals:</b>	26%	25%	28%	28%	30%	
		Performance Explanation:	Goal Not Met. The insular areas continue to face economic challenges. OIA facilitates discussions and programs to alleviate stress from the economic challenges, but in the end OIA has little control over the inputs of the proxy measure. Because the insular areas are experiencing economic hardships, revenues outside of Federal assistance have not kept up with Federal grants to the insular areas which has created the missed target.					
		Steps to Improve:	OIA will continue to work with the insular areas and other Federal agencies to help improve the financial condition of the islands by closely monitoring financial reporting performance and encouraging the islands to provide the environment necessary for economic growth.					
		Data Source:	Single Audit reports					

## Performance Data and Analysis




Intermediate Outcome: Improve insular governments financial management practices							
		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?
321	Timeliness of Financial Statements: Total average months late for all insular general fund financial statements	Totals: 8	19	12	5	2	
	Performance Explanation:	Goal Exceeded. In recent years, OIA has focused efforts on encouraging the insular areas to submit the Single Audit reports on time. Consequently, almost all of the insular areas submitted the Single Audit on time this year.					
	Data Source:	Submission data to Federal Audit Clearinghouse					
Intermediate Outcome: Increase economic development							
		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?
492	Private Sector Employment: Ratio of private sector jobs to total employment	Totals: 0.76	0.72	No Report	0.71	0.72	
	Performance Explanation:	Goal Met.					
	Data Source:	Single Audit reports					
Intermediate Outcome: Increased federal responsiveness to unique needs of island communities striving for economic self-sufficiency							
		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?
1561	Satisfaction and Confidence Rating: Numerical improvement in insular areas satisfaction with and confidence in Interior responsiveness to their needs	Totals: 70%	72%	No Report	74%	84%	
	Performance Explanation:	Goal Exceeded. Since OIA was unable to receive OMB approval for the customer satisfaction survey this year due to low response rate, a focus group was conducted to enable the office to report on this measure and to gain further understanding on how to improve future survey response rates.					
	Data Source:	Survey					

FIGURE 2-7

MISSION: MANAGEMENT EXCELLENCE							
<i>Manage the Department to be highly skilled, accountable, modern, functionally integrated, citizen-centered and result-oriented</i>							
GOAL: Increase Accountability							
		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?
1575	Percentage of reporting entities with unqualified audits	Totals: 100%	100%	100% (E)	100%	100% (E)	✓
	Performance Explanation:	Goal Met. Estimated Data.					
	Data Source:	PFM - Inspector General's Audit Opinion.					
1378	Percent of bureaus and offices that establish and maintain effective, risk-based internal control environment as defined by the Federal Managers Financial Integrity Act (FMFIA) and revised OMB Circular A-123	Totals: No Report	No Report	Baseline Established	100%	100%	✓
	Performance Explanation:	Goal Met.					
	Data Source:	Bureaus and offices programs risk ratings and assessments scorecard					
Intermediate Outcome: Improve financial management							
1418	Percent of material weaknesses and non-compliance issues that are corrected on schedule	Totals: No Report	No Report	90%	100%	100% (E)	✓
	Performance Explanation:	Goal Met. Estimated Data. [Reported 65.6% (E) in 2006 PAR]					
	Data Source:	Bureaus and offices monthly and quarterly status reports.					
1419	Percent of established targets in Financial Performance Metrics met as defined in FAM No. 2003-015	Totals: No Report	No Report	100%	100%	100% (E)	✓
	Performance Explanation:	Goal Met. Estimated Data. [Reported 100.0% (E) in 2006 PAR]					
	Data Source:	Bureau and Departmental offices, and Hyperion					
GOAL: Advance Modernization / Integration							
498	Percent of time that networks are operational for all users	Totals: 99.8%	99.9%	99.9%	99.5%	99.9%	✓
	Performance Explanation:	Goal Met.					
	Data Source:	Network Trouble Tickets and MTR Tickets Time (open vs. closed)					
1453	Percentage of completed IT projects for which customers report objectives were met	Totals: No Report	No Report	No Report	86%	88%	✓
	Performance Explanation:	Goal Met.					
	Data Source:	OCIO - Agency Compilation.					
1537	Percent of systems and lines of businesses/functional areas associated with an approved modernization blueprint that are managed consistent with that blueprint.	Totals: No Report	No Report	No Report	75%	No Report	
	Performance Explanation:	No Report. No Data. The OCIO was unable to report on this measure since the MS Project Management Reporting mechanism/initiative was not funded during 2007 as originally anticipated.					
	Data Source:	DOI Enterprise Transition Plan and other relevant project/program plans and artifacts					
1062	Percent of identified skill gaps across the workforce that are closed.	Totals: No Report	Baseline Established	3% (P)	3%	7%	✓
	Performance Explanation:	Goal Exceeded. The goal was exceeded because the measurement year ended in the midst of seasonal hiring, and the number of employees on board can vary significantly during seasonal hiring. [Reported 3% (P) in 2006 PAR]					
	Data Source:	Federal Personnel and Payroll System					
499	Percent of IT systems that are Certified and Accredited (C&A) and are maintaining C&A status	Totals: 98%	98%	98%	100%	96%	✓
	Performance Explanation:	Goal Met. Four of the six systems not C&A'd are in the process of de-activating/retiring. They are not in use but have not yet finished the paperwork approval process for removal from DEAR. The C&A process for the remaining two systems were not completed in time to meet annual end-of-year reporting deadlines.					
	Data Source:	Departmental Enterprise Architecture Repository (DEAR)					
Intermediate Outcome: E-Government and information technology management							
1455	Score achieved on the OMB Enterprise Architecture Framework	Totals: 2.44	4.06	4.13	3.3	4.43	✓
	Performance Explanation:	Goal Exceeded. For the past three years, DOI's EA Program exceeded the minimum requirements for a "green" rating by OMB.					
	Data Source:	OMB Federal EA Program Management Office					

## Performance Data and Analysis

		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?	
1456	Stage achieved of the GAO IT Investment Management Framework	Totals:	No Report	No Report	20%	100%	80%	
		Performance Explanation:	Goal Not Met. Two Bureaus/Offices did not achieve the goal of implementing 70% of Stage 3 ITIM Maturity key practices by the end of fiscal year 2007. However, both offices remain on track at this time to achieve the GPRA 2008 performance goal of implementing 100% of Stage 3 ITIM maturity practices by the end of fiscal year 2008.					
		Steps to Improve:	OCIO-Portfolio Management Division will work with the two organizations that did not achieve the 2007 goal to ensure that the 2008 goal is achieved. Progress in achieving the goal will continue to be monitored and reported on a quarterly basis.					
		Data Source:	OCIO - Agency Compilation.					
1457	Score achieved on the NIST Federal IT Security Assessment Framework	Totals:	No Report	No Report	No Report	3.5	4.5	✓
		Performance Explanation:	Goal Exceeded. This year the maturity level on which all departmental information systems were rated was increased from 4.0 to 5.0, the highest level of maturity for security controls. Level 5 was believed to be the hardest level to attain. However it was discovered that an action to raise the maturity level on one control could also be applied to many other controls, thereby decreasing the overall level of effort for the requirement.					
		Data Source:	Self assessments performed by the individual bureaus and offices.					
828	Percent of all bureaus and offices developing consistent records management policy	Totals:	30%	30%	100%	100%	100%	✓
		Performance Explanation:	Goal Met.					
		Data Source:	OCIO - Agency Compilation.					
1538	Percentage of electronic records managed through an approved electronic records management system.	Totals:	No Report	No Report	No Report	Establish Baseline	Baseline Not Established	
		Performance Explanation:	Goal Not Met. Baseline Not Established. Currently the Department of the Interior has no official Electronic Records Initiative. There is no funding for this initiative. A request for \$1 million in start up funds was included in the FY2008 budget request.					
		Steps to Improve:	In FY2007 the Office of the Secretary will be working with the OCIO, Bureau Records Officers, and National Archives and Records Administration to define goals and objectives for an Electronic Records Initiative, finalize an Exhibit 300, prepare for contract award, and determine the effective use of the requested FY 2008 funding.					
		Data Source:	Bureau OES - Agency Compilation.					
<b>Intermediate Outcome: Human capital management</b>								
1454	Percent of employees who have resolved competency gaps for specified occupational groups representing Department-wide skill needs.	Totals:	No Report	No Report	No Report	3%	7%	✓
		Performance Explanation:	Goal Exceeded. The goal was exceeded because the measurement year ended in the midst of seasonal hiring, and the number of employees on board can vary significantly during seasonal hiring.					
		Data Source:	Federal Personnel and Payroll System (FPPS) and from the learning management system (DOI LEARN)					
1061	Percent change in Lost Production Days (LPD)	Totals:	No Report	-3%	-5%	-1%	9%	
		Performance Explanation:	Goal Not Met. Reason for greater than expected success - Bureau safety and health program efforts have lead to less severe work-related injuries and illnesses. With strong management support, NPS, in particular, continues to take program actions to reduce injuries and illnesses. Additionally, NPS has an active workers compensation program focused on returning injured employees to duty in some capacity, as soon as medically feasible.					
		Steps to Improve:						
		Data Source:	U.S. Department of Labor and FPPS.					
1458	Percent change in the number of employees on workers' compensation rolls.	Totals:	No Report	No Report	No Report	-3%	-2%	
		Performance Explanation:	Goal Not Met. Supervisors and managers are not being held accountable for ensuring injured employees are returned to work.					
		Steps to Improve:	(1) Identify resources to implement an effective program; (2) encourage department management to develop light duty positions for returning injured employees to work; (3) develop increased bureau accountability for monitoring OWCP program.					
		Data Source:	Department of Labor Chargeback Reports, AQS and SMIS.					
1100	Percent annual change in the injury incidence rate at DOI	Totals:	No Report	Baseline Established	-5%	-3%	-2% (E)	
		Performance Explanation:	Goal Not Met. Estimated Data. Injury rates for the 4th quarter, normally higher than the other quarters due to DOI's increased field and wildland firefighting activities, affected the rate of decrease in the overall FY 2007 incident rate. While the Department may fall short of the 3% rate reduction called for in the President's SHARE Initiative, the 2% projected reduction is still positive progress. DOI has achieved significant reductions in this measure since the Initiative began in FY 2004.					
		Steps to Improve:	Continued top management emphasis and support for the Safety and Occupational Health Program are essential if the Department is to meet its goals under the SHARE Initiative, which will continue through FY 2009.					
		Data Source:	DOI Safety Management Information System (SMIS) and U.S. Department of Labor.					

		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?	
1459	Increase in the percentage of qualified, highly skilled, diverse candidates hired as a result of implementing specified requirements of the DOI Strategic Plan for Achieving and Maintaining a Highly Skilled and Diverse Workforce, FY2005-2009.	<b>Totals:</b>	1.6%	1.5%	-2.3%	1.0%	2.5%	✓
		Performance Explanation:	Goal Exceeded.					
		Data Source:	Federal Personnel & Payroll System database					
510	Number of volunteer hours per year supporting DOI mission activities	<b>Totals:</b>	9,130,000	9,467,427	9,030,251	10,469,000	9,199,729	
		Performance Explanation:	Goal Not Met. The target was not met due to varied accounting practices, and lack of automation.					
		Steps to Improve:	The Volunteer Record of Time Tracking System (RTTS) is nearing completion. The RTTS is an automated, web-based system that will allow for the automated generation of award notifications for the America the Beautiful National Parks and Federal Lands Recreational Passes when key volunteer hour thresholds of 500 hours of service are reached. The system will be operational the beginning of the new calendar year and will be the first planned stage of systematizing the data call for the DOI agencies.					
	Data Source:	Take Pride in America Agency Compilation.						
1582	Cooperative Conservation Internal Capacity: Percent of organizations that have trained and developed skills for employees in collaboration and partnering competencies	<b>Totals:</b>	No Report	No Report	No Report	Establish Baseline	Baseline Established	✓
		Performance Explanation:	Goal Met. Baseline Established.					
		Data Source:	Cooperation Conservation Team (CC) - Agency Compilation. CC representatives will enter actual data into the ABC/M performance module.					
1583	Cooperative Conservation External Capacity: Percent of conservation projects that actively involve the use of skills and knowledge of people in the area, and local resources, in priority setting, planning, and implementation processes	<b>Totals:</b>	No Report	No Report	No Report	Establish Baseline	Baseline Established	✓
		Performance Explanation:	Goal Met. Baseline Established.					
		Data Source:	Cooperation Conservation Team (CC) - Agency Compilation. CC representatives will enter actual data into the ABC/M performance module.					
1452	Number of facilities with multi-agency use/occupancy that coordinate services	<b>Totals:</b>	No Report	No Report	No Report	Establish Baseline	Baseline Established	✓
		Performance Explanation:	Goal Met. Baseline Established.					
		Data Source:	5-Year Space Management Plan from each bureau/office					
<b>Intermediate Outcome: Organizational reviews and acquisitions</b>								
520	Number of FTE in competitive sourcing studies completed	<b>Totals:</b>	402	198	645	450	467	✓
		Performance Explanation:	Goal Met.					
		Data Source:	FPPS and organizational charts for specific offices involved in competitions.					
1460	Percent savings compared to relevant GSA Federal Supply Schedule prices for contracts awarded through Strategic Sourcing	<b>Totals:</b>	No Report	No Report	No Report	2%	13%	✓
		Performance Explanation:	Goal Exceeded. The Department of the Interior has exceeded its goal for Strategic Sourcing. By collaborating across the Department, we have streamlined the procurement process, reduced administrative and commodity costs, improved management efficiency, while maintaining our commitment to Small Business and Environmental goals. The following commodities were covered: IT Equipment, Office Supplies, Relocation Services, Domestic Delivery and Wireless Equipment and Services, resulting in savings of more than 13%, to date.					
		Data Source:	Departmentwide contract generation system, Federal Procurement Desktop System-Next Generation (FPDS-NG), and charge card program.					
1461	Percent of eligible service contract actions over \$25,000 awarded as performance-based acquisitions.	<b>Totals:</b>	No Report	No Report	No Report	45%	21%	
		Performance Explanation:	Goal Not Met. Target was not met due to coding and reporting problems in the tracking system. Plan has been developed to address future problems. However, we are among the top 25 Federal agencies with more than 900 actions in implementing PBSA goals.					
		Steps to Improve:	The Office of Federal Procurement Policy (at OMB) offers a PBA training session. We will invite them to give their presentation in central procurement locations, such as Washington and Denver, as well as at the Business Management Conference, should one be held next year. A link to the Seven Steps of Effective PBA Performance will be added to the PAM website. The Acquisition Managers' Partnership will develop "best practice" language for the Bureau Procurement Chiefs' performance plans.					
	Data Source:	Federal Procurement Data System - Next Generation						
1584	Efficiencies (in dollars) achieved through utilization of core operation principles	<b>Totals:</b>	No Report	No Report	No Report	Establish Baseline	Baseline Not Established	
		Performance Explanation:	Goal Not Met. Baseline Not Established. The budget office was unable to develop a baseline because of challenges associated with determining whether a single measure can capture how the bureaus capture and define efficiencies. Currently the bureaus have different processes for core operations and not all involve calculating efficiencies.					
		Steps to Improve:	Significant progress had been made to evaluate bureau programs that use core operations processes in order to develop a baseline for a new measure. The Budget Office will continue to work with the bureaus to gather best practices so that a baseline can be developed in FY 2008.					
	Data Source:	Department and Bureaus budget justifications and decisions.						

## Performance Data and Analysis

Intermediate Outcome: Performance-budget integration								
		FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Plan	FY2007 Actual	Goal Met?	
1585	Percent of programs with demonstrated use of performance measures in budget justifications and decisions	Totals: No Report	No Report	No Report	Establish Baseline	Baseline Established	✓	
	Performance Explanation:	Goal Met. Baseline Established.						
	Data Source:	Department and Bureaus budget justifications and decisions.						
1587	Percent of programs that can estimate marginal cost of changing of performance	Totals: No Report	No Report	No Report	Establish Baseline	Baseline Established	✓	
	Performance Explanation:	Goal Met. Baseline Established.						
	Data Source:	Department and Bureaus budget justifications and decisions.						
Intermediate Outcome: Facilities improvement								
1450	Overall condition of buildings and of structures (as measured by the FCI) that are mission critical and mission dependent (as measured by the API), with the emphasis on improving the condition of assets with critical health and safety needs	Totals: No Report	No Report	Baseline Established	0.09	0.06	✓	
	Performance Explanation:	Goal Exceeded.						
	Data Source:	PAM - Federal Real Property Profile						
1679	Percent change in the Operating Costs (operations and maintenance costs) per square foot of buildings that are "Not-Mission Dependent" as reported in the Federal Real Property Profile (FRPP) in the current fiscal year compared to the previous fiscal year	Totals: No Report	No Report	Baseline Established	-2%	2.2%		
	Performance Explanation:	Goal Not Met. The target was premature. FY 2007 is the baseline year. The measurement was affected by improved accuracy and completeness of bureau data between FY 2006 and FY 2007.						
	Steps to Improve:	The measurement will continue to be affected by the improved accuracy and completeness of bureau data between FY 2007 and FY 2008. However, the bureaus should carry out actions and make management decisions to improve operating efficiency through the implementation of DOI and bureau-specific asset management plans and use of asset business plans, Federal Real Property Profile inventory data and performance metrics including operating costs, condition index, mission criticality and utilization. In addition, they are required to continue to construct and rehabilitate constructed assets with more durable and sustainable products incorporating energy- and water-saving technology and practices. They are expected to reduce funding of the operating cost for non-mission dependent assets and, as appropriate, redirect funding to mission-critical and mission dependent assets.						
	Data Source:	PAM - Federal Real Property Profile						
1680	Percent change in the total number of buildings (office, warehouse, laboratory, and housing) reported as "Under Utilized" or "Not Utilized" in the Federal Real Property Profile (FRPP) in the current fiscal year compared to the previous fiscal year	Totals: No Report	No Report	Baseline Established	-5%	-8%	✓	
	Performance Explanation:	Goal Exceeded.						
	Data Source:	PAM - Federal Real Property Profile						
1451	Percent of assets targeted for disposal that were disposed	Totals: No Report	No Report	Baseline Established	50.00%	51.40%	✓	
	Performance Explanation:	Goal Met.						
	Data Source:	PAM - Federal Real Property Profile and existing bureau reporting						



# Program Evaluations

**P**rogram evaluations are an important tool in analyzing the effectiveness and efficiency of Interior's programs, and in evaluating whether the programs are meeting their intended objectives. Interior's programs are evaluated through a variety of means, including performance audits, the Program Assessment Rating Tool, financial audits, internal control reviews, and external reviews from Congress, the Office of Management and Budget, the Office of Inspector General, and other organizations, such as the National Academy of Public Administration and the National Academy of Sciences. Interior uses self-assessments to verify that performance information and measurement systems are accurate and support the Department's strategic direction and goals. Data collection and reporting processes are further reviewed and improved through the use of customer and internal surveys.

Examples of some of the program evaluations conducted for each Interior bureau during FY 2007 follow in Figure 2-8. PART reviews are reported with Performance-Budget Integration in Figure 1-62 of Management's Discussion and Analysis.

Copies of specific program reviews can be obtained by writing the Department of the Interior, Office of Planning and Performance Management, Mail Stop 5258, 1849 C Street, NW, Washington, DC 20240. Please be specific regarding the program review of interest.

FIGURE 2-8

Bureau	Title of Program	Strategic Plan Mission Area	Purpose of Program Evaluation	Actions Taken/Planned in Response to Evaluation	For Copy Contact
BIA	Boarding School Review	Serving Communities - Advance Quality Communities for Tribes and Alaska Natives	To determine if BIE had adequate policies and procedures/internal controls to ensure safety/welfare of BIE boarding school students.	BIE has taken and/or planned corrective actions in response to 42 recommended actions.	Michael Oliva, Director, Office of Internal Evaluation and Assessment, michael.oliva@bia.gov, 703-390-6537
BIA	FY 2007 Internal Control Review (ICR) of the GPRA Performance Management function	Resource Protection, Serving Communities, Management Excellence	To identify high risk areas within this function and test for material weaknesses or significant deficiencies. No material weaknesses or significant deficiencies were found during the review.	No action necessary.	Fawn Freeman, Director, Office of Planning & Policy Analysis, 703-390-6526
BLM	Engineering	Resource Use	To assess compliance with adherence with National Bridge Inspection Standards when conducting bridge inspection.	States to develop and action plan to address areas identified for improvement.	D. Williams (202) 452-7727
BLM	Noxious Weeds	Resource Protection	Evaluate effectiveness and efficiency of the Invasive Species & Noxious Weed Program.	Identified 31 recommendation to implement the program. State to develop corrective action plan.	D. Brown (202) 452-7738
BLM	Arizona Law Enforcement	Resource Protection	Assess compliance with Law Enforcement program requirements.	Developed recommendation on 17 topic areas. The Arizona State Director to report quarterly on progress.	K. Aller (202) 208-4819
BLM	Colorado Fire & Aviation	Resource Protection	Assess & improve operational preparedness of the fire management program.	Assigned six recommendation to Colorado State Director for implementation in FY 2007 & 2008.	L. Boody (202) 452-7742
BOR	Water Management Program; Dam Safety Program	Resource Use	Dam Safety program evaluations are an assessment of the overall effectiveness of the basic components of the Dam Safety Program (monitoring and surveillance; periodic reviews; and actions to reduce risk) and technical and administrative practices that support those components.	Dam Safety Program assessments are conducted annually as required by Reclamation Directive & Standards. In accordance with Reclamation Manual, Policy FAC P02, "Decisions Related to Dam Safety Issues," a decision document is prepared to formally respond to Safety of Dams recommendations. In FY06, 85 decision documents were written, compared to 98 in FY05. This resulted in an 18 percent decrease in the number of incomplete Safety of Dam recommendations (from 414 to 341), even though 49 new recommendations were added. Action plans for improving performance were developed. These action plans addressed follow-up actions for enhancing project beneficiary involvement; integrating performance results into budget requests; tracking and accomplish performance targets; evaluating the National Research Council's Report as it relates to the Safety of Dam Program.	Keith Clark, Business Analysis Division, Management Services Office, Denver, BOR (303) 445-2756
BOR	Water Management Program: Value Engineering/Value Study	Resource Use	To ensure realistic budgets, identify and remove nonessential capital and operating costs, and improve and maintain optimum quality of program and acquisition functions per OMB Circular A-131; Departmental Manual Part 369 (369 DM 1); and P.L 104-106	In FY2006, the Value Engineering Program identified cost savings (\$8 M) and cost avoidance(\$35M) actions associated with 44 contracts. This resulted in return on investment of \$56.52 for every \$1 invested in Value Program.	Keith Clark, Business Analysis Division, Management Services Office, Denver, BOR (303) 445-2756
BOR	Hydropower	Resource Use	The purpose of the evaluation is to assess the effectiveness of Power O&M Program and practices to ensure Reclamation's Powerplants are operating effectively and efficiently per requirements of the Directive & Standards FAC 04-01.	In FY 2006 and FY 2007, Comprehensive Facility Reviews were conducted in 12 Hydropower facilities. The PRO&M identified opportunities to improve Power O&M and management practices.	Keith Clark, Business Analysis Division, Management Services Office, Denver, BOR (303) 445-2756

Bureau	Title of Program	Strategic Plan Mission Area	Purpose of Program Evaluation	Actions Taken/Planned in Response to Evaluation	For Copy Contact
FWS	USDA Conservation Programs: Stakeholder Views on Participation and Coordination to Benefit Threatened and Endangered Species and Their Habitats, GAO-07-35, November 15, 2006	Resource Protection	The report recommends that NRCS and FWS work with AFWA to enhance coordination at USDA's and FWS's local and State offices to benefit endangered, threatened, and at-risk species, and to include FSA as an additional partner in coordinating these activities.	Implement a national monitoring and reporting system for tracking coordination progress, annual meetings of agency contacts to review performance and provide recommendations, and regular progress reports of agency heads.	www.gao.gov
FWS	Department of the Interior, Fish and Wildlife Service: Migratory Bird Hunting; Regulations on Certain Federal Indian Reservations and Ceded Lands for the 2006-07 Late Season, GAO-07-122R, October 16, 2006	Resource Protection	The GAO review indicates that the Service complied with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the major rule entitled "Migratory Bird Hunting; Regulations on Certain Federal Indian Reservations and Ceded Lands for the 2006-07 Late Season."	No actions are planned or have been taken in response to this review.	www.gao.gov
FWS	Opportunities Remain to Improve Oversight and Management of Oil and Gas Activities on National Wildlife Refuges, GAO-07-829R June 29, 2007	Resource Protection Resource Use	This report (GAO-07-829R), referencing an earlier report (GAO-03-17), states that the GAO still considers most of the elements of the first report open except for Element A3 pertaining to training.	The Service has made efforts to complete all the recommendations (A1 through B2) of the GAO, such as evaluating ways to collect better data (A1); conducting a staffing assessment (A2); working on guidance for land acquisition (A4); and working with the Solicitor to determine existing authorities (B1). Relative to the last element (B2), FWS is considering proposing legislation that would give the Refuge System authority to collect fees to cover the costs of permitting oil and gas activities on refuges.	www.gao.gov
FWS	FY2007 Annual Assurance Statement on Internal Control	Resource Protection Resource Use - Endangered Species	Review was completed by July 19, 2007. No material weaknesses were found in the design or operation of the internal controls.	No action necessary.	Bryan Arroyo, Acting Assistant Director, Endangered Species, Bryan_Arroyo@fws.gov, 202-208-4646
FWS	FY 2007 Internal Control Review (ICR) Self-Assessment Certification (ECOS)	Resource Protection Resource Use - Endangered Species	No material weaknesses were identified from the IT system security assessments that were conducted of the Environmental Conservation Online System (ECOS) and all associated applications.	No action necessary.	Bryan Arroyo, Acting Assistant Director, Endangered Species, Bryan_Arroyo@fws.gov, 202-208-4646
FWS	FY 2007 Risk Assessment for Improper Payments	Resource Protection Resource Use - Endangered Species	No significant weaknesses were found regarding payments through the Cooperative Endangered Species Conservation Fund (CESCF) or the use of Endangered Species – Resource Management funds.	No action necessary.	Bryan Arroyo, Acting Assistant Director, Endangered Species, Bryan_Arroyo@fws.gov, 202-208-4646

## Program Evaluations

Bureau	Title of Program	Strategic Plan Mission Area	Purpose of Program Evaluation	Actions Taken/Planned in Response to Evaluation	For Copy Contact
FWS	Review of management and operations	Resource Protection, Sustain Biological Communities - Office of Law Enforcement	OIG report was issued in February 2007. 12 recommendations issued.	Nine of the 12 recommendations have been implemented; the remaining three will be completed during FY 2008.	Benito A. Perez, Acting Chief, Office of Law Enforcement Benito_Perez@fws.gov 202-208-3809
FWS	PART Re-assessment 2007	Resource Protection, Recreation, Serving Communities, Management Excellence - National Wildlife Refuge System	Re-assessment was completed in June 2007. NWRS score improved from "Results Not Demonstrated" to "Adequate."	New performance measures and improvement plan were developed for next PART re-assessment.	Geoff Haskett, Assistant Director, National Wildlife Refuge System, geoff_haskett@fws.gov, 202-208-5333
FWS	Independent Evaluation by Management Systems International	Resource Protection, Recreation, Serving Communities, Management Excellence - National Wildlife Refuge System	Evaluation was completed by September 2007.	A variety of recommendations will be implemented by NWRS divisions over the coming year.	Geoff Haskett, Assistant Director, National Wildlife Refuge System, geoff_haskett@fws.gov, 202-208-5333
MMS	Internal Administrative Management Assistance Review (AMAR) of the Gulf of Mexico Outer Continental Shelf (OCS) Region and the Southern Administrative Service Center (SASC) in New Orleans, Louisiana	Management Excellence	The AMAR (1) assessed the effectiveness of administrative functions, including those delegated to the programs, while measuring policy implementation, and compliance; (2) ensured that the most cost-effective management controls were in place for all of our administrative functions and processes; and (3) determined the overall customer satisfaction of the offices that were being serviced by the SASC. The functional areas included facility management, finance, information technology, human resources, physical and personal security, procurement, property, and safety.	This review identified nine control weaknesses and nine corrective actions. No material weaknesses were identified. The MMS plans to take corrective actions during FY 2008 to resolve the identified control weaknesses.	Charles Norfleet 202-208-3973 charles.norfleet2@mms.gov
MMS	Acquisition Management Control Assessment	Management Excellence	An internal acquisition compliance review of the Southern Administrative Service Center in Louisiana was conducted using current acquisition regulations to ensure that the requirements of OMB Circular A-123 were met. Surveys and interviews with the acquisition office's customers, acquisition personnel, charge cardholders, and their related supervisors were conducted as part of the review. The final assessment included any requirements issued in the Office of Acquisition and Property Management's FY 2007 guidance.	This review identified five control weaknesses and five corrective actions. No material weaknesses were identified. The MMS plans to take corrective actions during FY 2008 to resolve the identified control weaknesses.	Charles Norfleet 202-208-3973 charles.norfleet2@mms.gov
MMS	Operation and Support (O&S) Resource Management	Resource Use	The evaluation team analyzed how O&S resources were utilized by Minerals Revenue Management (MRM) to provide reasonable assurance that the process was functioning effectively and efficiently, and as designed. The analysis included: a high level review of the O&S contract; an assessment of MRM strategic direction and the use of O&S resources; a review of the policies and procedures used by each of the four organizations utilizing O&S resources on a regular basis: Financial Management, Compliance and Asset Management, Royalty In Kind, and Project Management Office (This included the System Integration Report process and other methods.); and validation of A-123 assurance statements for this component.	This review identified four control weaknesses and four corrective actions. No material weaknesses were identified. The MMS plans to take corrective actions during FY 2008 to resolve the identified control weaknesses.	Charles Norfleet 202-208-3973 charles.norfleet2@mms.gov

Bureau	Title of Program	Strategic Plan Mission Area	Purpose of Program Evaluation	Actions Taken/Planned in Response to Evaluation	For Copy Contact
MMS	Contracting Officers Representative (COR) Roles, Responsibilities, Policies, and Procedures	Resource Use	The evaluation team analyzed the roles, responsibilities, policies, and procedures of each COR to provide reasonable assurance that the processes were functioning effectively and efficiently, and as designed. The analysis included: a detailed review of a significant Minerals Revenue Management (MRM) contract; a review of the roles and responsibilities of each COR; a review of the policies and procedures used by each COR; and a review of the current MRM governance of the Operations and Support contract including whether there were sufficient internal controls, separation of duties, and communication taking place in the management of the contract.	This review identified six control weaknesses and eight corrective actions. No material weaknesses were identified. The MMS plans to take corrective actions during FY 2008 to resolve the identified control weaknesses.	Charles Norfleet 202-208-3973 charles.norfleet2@mms.gov
MMS	Compliance Review Process	Resource Use	The evaluation team analyzed the policies and procedures of the Compliance Review (CR) process to provide reasonable assurance that the process was properly functioning effectively and efficiently, and as designed. The analysis included: a review of the electronic tool used to complete CRs; a review of the policies and procedures used by each Compliance and Asset Management (CAM) division and selected state and tribal contractors used to complete CRs; validation of A-123 Assurance Statement documentation for this component; and a review of a sample of CRs from each CAM division.	This review identified five control weaknesses and seven corrective actions. No material weaknesses were identified. The MMS plans to take corrective actions during FY 2008 to resolve the identified control weaknesses.	Charles Norfleet 202-208-3973 charles.norfleet2@mms.gov
MMS	Bid Adequacy	Resource Use	Assessed the MMS Fair Market Value (FMV) process to determine how adequately it implements Sections 18(a)(4) and 102(2)(c) of the OCS Lands Act, as amended. In addition, assessed the bid adequacy procedures, last updated in July 1999 (Federal Register, Volume 64, Number 132, pp.37560-37562) to determine if they continued to adequately provide for the receipt of FMV in the various MMS Regions.	This review identified two control weaknesses and two corrective actions. No material weaknesses were identified. The MMS plans to take corrective actions during FY 2008 to resolve the identified control weaknesses.	Charles Norfleet 202-208-3973 charles.norfleet2@mms.gov
MMS	Bonding Program	Resource Use	Assessed the MMS bonding program for oil, gas and sulphur to determine if it provided sufficient financial guarantee to ensure companies complied with all terms and conditions of their leases, rights-of-use and easement. In addition, assessed the MMS bonding regulations and Notice to Lessees (NTL's) (30 CFR 256.52-59, 30 CFR 250.160 (c), 30 CFR 250.166, 30 CFR 250.1011, and NTL 2003-N(06) to determine what actions, if any, were necessary to improve program effectiveness.	This review identified six control weaknesses and seven corrective actions. No material weaknesses were identified. The MMS has completed both corrective actions.	Charles Norfleet 202-208-3973 charles.norfleet2@mms.gov
MMS	Minerals Management Service's Compliance Review Process (OIG Report #C-IN-MMS-0006-2006)	Resource Use	The OIG audit was conducted to determine whether compliance reviews are an effective part of the Compliance and Asset Management operations and whether the compliance review process is effectively managed.	Final report issued December 6, 2006. There were three recommendations for MMS requiring improving program operation data assurance, strengthening the review process, and revising performance measures. In response to this report, the MMS created an action plan on December 28, 2006. The plan established milestones to address each of the three recommendations and MMS is on track to implement all recommendations by mid-FY 2008.	Jim Witkop 202-208-3236 james.witkop@mms.gov

## Program Evaluations

Bureau	Title of Program	Strategic Plan Mission Area	Purpose of Program Evaluation	Actions Taken/Planned in Response to Evaluation	For Copy Contact
MMS	Oil and Gas Royalties: Royalty Relief Will Cost the Government Billions of Dollars but Uncertainty Over Future Energy Prices and Production Levels Make Precise Estimates Impossible at this Time (Report #GAO-07-590R)	Resource Use	The GAO audit was conducted to examine perceived problems with Interior's efforts to ensure a fair return for taxpayers on oil and gas development.	Final report issued April 12, 2007. There were three recommendations for MMS requiring periodic reporting of royalties collected, foregone, and at-risk pending resolution of royalty relief negotiations and litigation. The MMS complied with the first two recommendations by reporting to Congress in June 2007 and expects to address the third recommendation with a report to Congress in December 2007. The reporting will continue on an annual basis until the negotiations and litigation are resolved.	Jim Witkop 202-208-3236 james.witkop@mms.gov
NPS	Wildland Fire	Resource Protection and Serving Communities	Evaluate internal controls in the wildland fire program	All weaknesses are being addressed	Jack Blickley
NPS	Facility Maintenance	Recreation	Evaluate internal controls in the facility maintenance program	All weaknesses are being addressed	Jack Blickley
NPS	Natural Resource Stewardship	Resource Protection	Evaluate internal controls in the natural resource stewardship program	All weaknesses are being addressed	Jack Blickley
NPS	Health and Safety	Recreation	Evaluate health and safety at Yosemite National Park	The Park has implemented some interim safety measures and developed an emergency response plan	Jack Blickley
OS	Wildland Fire	Serving Communities	To determine what steps the four agencies within the Department of Interior (Interior) and the Forest Service (FS) within the Department of Agriculture have taken to (1) address key operational areas that could help contain the costs of preparing for and responding to wildland fires and (2) improve their management of their cost-containment efforts.	Report was published by the General Accountability Office (GAO) in June 2007. Although the Interior and FS generally disagreed with the report's findings, stating that GAO did not accurately portray some of the agencies' actions to contain fire costs; we are working to develop a better cost-containment performance measure, and have taken steps to improve oversight and increased accountability of containing costs.	Report is available at: <a href="http://www.gao.gov/new.items/d07922t.pdf">http://www.gao.gov/new.items/d07922t.pdf</a>
OS	Wildland Fire Management	Serving Communities	To report on the Department of Interior (Interior) and the Department of Agriculture's Forest Service (FS) processes for allocating funds and selecting projects, and on how, if at all, these processes could be improved to better ensure that they contribute to the agencies' overall goal of reducing risk.	Report was published by the General Accountability Office (GAO) in September 2007. Interior and the FS agreed with the GAO recommendation and have taken steps to enhance the funding allocation and project selection processes.	Report is available at: <a href="http://www.gao.gov/new.items/d071168.pdf">http://www.gao.gov/new.items/d071168.pdf</a>
OSM	Grants Program	Resource Protection and Resource Use	The AICR focus on OSM's interactions with the new FBMS eGrantsPlus system to include changes in OSM's internal grant processes, documents and files being kept outside and inside the electronic system, and the ability to track grant processes from beginning to end. In addition, new procedures that have been developed were reviewed for innovative practices, which might be useful to other offices.	No material weaknesses identified. Improvements were recommended and are being implemented.	Danny Lytton, Chief, Division of Reclamation Support; dlytton@osmre.gov; 202-208-5365
OSM	Personnel Security Management	Management Excellence	This ACIR was conducted to determine if OSM employees' OPFs contain the documents required by OPM to complete requests for background investigations and to confirm whether these documents have been completed properly, and are being submitted to OPM in a timely manner.	No material weaknesses identified.	Debbie S. Brown, Chief, Human Resources; brown@osmre.gov; 202-208-2979

Bureau	Title of Program	Strategic Plan Mission Area	Purpose of Program Evaluation	Actions Taken/Planned in Response to Evaluation	For Copy Contact
OSM	Applicant/Violator System Program	Resource Protection and Resource Use	The AICR focus on the Interstate Organization Family Tree (OFT) updates performed by the AVS Office and determined whether control existed, if they were effective and if the controls were followed.	No material weaknesses identified. Improvements were recommended and are being implemented.	Debbie Feheley, Chief, Applicant/Violator System Office; dfeheley@osmre.gov; 859-260-8424 x477
OSM	Technical Training	Resource Protection and Resource Use	The AICR focuses on determining if adequate controls exist to assure that the training program is meeting the mission goal of providing effective and comprehensive SMCRA related training for OSM, State, and Tribal staff.	No material weaknesses identified.	Sarah Donnelly, Chief, Division of Technical Training; sdonnelly@osmre.gov; 202-208-2826
OST	Records Management Assessments	Serving Indian Communities	Conduct site assessments and evaluate record management programs to ensure that OST offices have effective records management programs which comply with federal laws and regulations.	Respond to recommendations in the reports by reviewing, updating, and taking follow-up action on corrective action plans.	Elizabeth Wells, Office of Trust Review and Audit, (505) 816-1286
OST	FISMA	Serving Indian Communities	In order to ensure that the information technology systems are Certified and Accredited using the NIST guidance set forth by the Department, systems should be C&A'd on a three year cycle as long as no major changes have taken place.	The OST Net was recertified in FY 2007 and the Trust Funds Accounting System is scheduled to be recertified in FY 2008.	Mr. J Lente, BITSM (505) 816-1153
OST	DTFA Processing of Forestry Transactions	Serving Communities	Streamline processing by establishing a tribal account for each forestry contract; this removed the requirement to manually distribute interest earnings among many contracts that were formerly housed in one account	Accounts were established for each contract and conversions were completed during FY07	Martha Zuniga, Division of Trust Funds Accounting, (505) 816-1123
OST	DTFA processing of IPACs and EFTs	Serving Communities	Streamline processing of IPACs and EFTs by inputting them into the Trust Funds Receivables System for distribution per TAAMS ownership by matching the funds to an invoice	During June of FY07 IPACs began being input to the TFR for matching with invoices, and in September of FY07 EFTs began being input to the TFR. Completion of formal procedures for this process are planned for FY08	Daniel Cox, Division of Trust Funds Accounting, (505) 816--1127
OST	DTFA processing of Liabilities for BIA and Tribal Credit Organizations	Serving Communities	During FY07 procedures were implemented to coordinate the processing of liabilities against beneficiary accounts on behalf of tribal credit organizations. A 2nd version of the liabilities procedures was in draft and out for review comments as of the end of FY07	An interim liabilities procedure was published during FY07 and a 2nd version was in draft as of the end of FY07 to further refine the liabilities process. Completion is planned during FY08	Martha Zuniga, Division of Trust Funds Accounting, (505) 816-1123
OST	Annual review of control processes per A123	Serving Communities	During FY07 RM-Plus evaluations and assessments were performed by OTFM and OTRR managers as required by A123. Outside of Trust Services transaction testing and financial reporting testing were performed by Trust Accountability and the CIO	RM-Plus evaluations were completed by OTFM and OTRR managers during FY07 and Trust Accountability and the CIO completed testing protocols; corrective actions identified will be completed during FY08	Bill Stenseth, OTFM, (505) 816-1201 or Rob Winter, OTRR, (505) 816-1142
OST	TAAMS/TFAS Interface Discrepancies	Serving Communities	Interim procedures were developed during FY07 regarding the processing of account discrepancies identified during the daily TAAMS/TFAS interface; procedures were established to setup accounts where ownership existed in TAAMS but accounts were not present or were closed in TFAS. At the end of FY07 draft updates to interim procedures to further refine the process were out for review	During FY07 interim procedures for processing TAAMS/TFAS account discrepancies were published, and draft updates to the process were out for review as of the end of FY07. Completion is planned during FY08	Daniel Cox, Division of Trust Funds Accounting, (505) 816--1127
OST	Updates to the OST Investment Policy	Serving Communities	During FY07 amendments were drafted and submitted for management review with the objective of clarifying the investment need of significant accounts as liquidity, income or growth	Draft procedure was developed and distributed for management review during FY07; completion is planned during FY08	Chuck Evans, OTFM, (505) 816-1100

## Program Evaluations

Bureau	Title of Program	Strategic Plan Mission Area	Purpose of Program Evaluation	Actions Taken/Planned in Response to Evaluation	For Copy Contact
OST	Streamline the TFAS interest posting process	Serving Communities	During FY07 a review of the process for posting interest earnings to accounts on a monthly basis was conducted; the review recommended that daily posting occur to streamline the process and remove manual work.	As of the end of FY07 the recommendations for streamlining the interest posting process were out for management review; completion of management's review and implementation of any changes approved is planned for FY08	Lucille Esplain, Division of Trust Funds Accounting, (505) 816-1123
OST	Metrics on batch processing errors by Field Operations	Serving Communities	During FY07 management metrics were implemented to report Field Operations workticket errors. The objective was to provide feedback to reduce error rates and improve quality. The metrics are provided monthly. Further refinements to the metrics are planned for FY08	Management metrics were implemented during FY07 for Field Operations worktickets, and refinements are planned for FY08	John Naranjo at OTFM, (505) 816-1055
OST	Improved Control Log Software for DTFA	Serving Communities	During FY07 a program was initiated to develop specifications for improved Control Log software for DTFA for improved management information and metrics on flow rates, error rates and batch status for Field Ops and DTFA. Improved error tracking was seen as critical to provide timely feedback to reduce errors going forward	During FY07 system specifications were developed for improved software to control the flow of batch processing at OST; a contract was also let during FY07 and programming of the new software was underway as of the end of FY07. During FY08 the new software will be completed and implemented	Donna Sams at DTFA, (505) 816-1181
OST	Risk Management	Serving Communities	A-123 Appendix testing	Tested internal controls and drafted Departmental Indian Trust A-123 Appendix Guidance	Margaret Williams, (505) 816-1052
OST	Risk Management	Serving Communities	Federal Managers Financial Integrity Act	Corrective action plans were developed as necessary	Charlene Toledo, (505) 816-1234
OST	Deputy Special Trustee	Serving Communities	Assessment of office staffing patterns	Streamlined budget to reflect staffing pattern changes in light of trust reforms	Margaret Williams, (505) 816-1052
OST	Reengineering	Serving Communities	Review Trust Reform process and assess remaining tasks	Developed a package detailing the remaining tasks necessary to accomplish trust reform	Joel Smith, (505) 816-1368
OST	Deputy Special Trustee	Serving Communities	Assess the number of policies and procedures to be developed	Documented the number of policy/procedures that require development or amendment to accommodate trust reform	Margaret Williams, (505) 816-1052
USGS	Earth Science and Applications from Space: National Imperatives for the Next Decade and Beyond	Resource Protection	To generate consensus recommendations regarding a systems approach to space-based and ancillary observations that encompass the research and operational programs of USGS, NASA and NOAA (e.g. Landsat).	Report was published by NAS in August 2007. The USGS is working with NASA and NOAA on evaluating the recommendations and discussing next steps.	Bruce Quirk (703-648-5057) Sally Cook (703-648-6136) Report is available at: <a href="http://books.nap.edu/catalog.php?record_id=11820">http://books.nap.edu/catalog.php?record_id=11820</a>
USGS	River Science at the USGS	Resource Protection	To advise USGS on how to best address river science and the highest priority river science issues. The report calls for expanding existing monitoring and research, especially Water Resources activities in collaboration with Geology and Biology disciplines.	Report was published by NAS August 2007. USGS is reviewing the recommendations to determine what actions should be taken during the next few years.	Matt Larsen (703-648-5044) Report is available at: <a href="http://books.nap.edu/catalog.php?record_id=11773">http://books.nap.edu/catalog.php?record_id=11773</a>
USGS	A Research Agenda for Geographic Information Science at the United States Geological Survey	Resource Protection	To recommend research goals and priorities for the newly formed Center of Excellence for Geospatial Information Science (CEGIS) at USGS	Report was published by NAS September 2007. USGS is reviewing the recommendations to determine what actions should be taken during the next few years.	Anne Frondorf (703-648-4205) Report is available at: <a href="http://books.nap.edu/catalog.php?record_id=12004">http://books.nap.edu/catalog.php?record_id=12004</a>



Bureau	Title of Program	Strategic Plan Mission Area	Purpose of Program Evaluation	Actions Taken/Planned in Response to Evaluation	For Copy Contact
USGS	Research Priorities in Earth Science and Public Health	Resource Protection Resource Use and Serving Communities	To explore avenues for interdisciplinary research at the interface between the earth science and public health disciplines. The National Science Foundation, U.S. Geological Survey, and National Aeronautics and Space Administration charged the study committee to advise on the high-priority research activities that should be undertaken for optimum societal benefit, and to describe the most profitable areas for communication and collaboration between the earth science and public health communities.	Report was issued by NAS January 2007. In February, the USGS hosted a meeting of earth scientists and researchers in the public health sector as well as policy makers and congressional staffers to foster communication and to showcase USGS research in earth science related to public health issues. All NAS recommendations have been incorporated into the new USGS Science Strategy as well as being utilized by Mineral, Energy, Coastal and Marine Geology, and Geologic Mapping Programs.	Cheryl Smith (703-648-6105) or Linda Gundersen (703-648-6601) Report is available at: <a href="http://books.nap.edu/catalog.php?record_id=11809">http://books.nap.edu/catalog.php?record_id=11809</a>



**PART THREE**

# **Financial Section**



# Message from the Chief Financial Officer

In FY 2007, the Department of the Interior continued its journey towards management excellence, established clear performance metrics, and increased the levels of accountability. Details on our journey towards management excellence are captured in the Department's FY 2007 Performance and Accountability Report. The PAR provides the Department's most important financial and performance information. It is also our principal publication and report to Congress and the American people. This report details program leadership and stewardship of the resources and public funds entrusted to us.

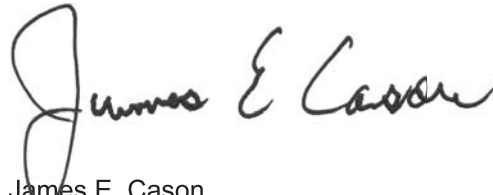
I am pleased to report that for the eleventh consecutive year we have received an unqualified ("clean") opinion on the Department's consolidated financial statements from our auditors. This is the best possible audit result and affirms our commitment to financial reporting excellence. Along with this opinion, the Department had other noteworthy accomplishments in FY 2007. The Department:



- ◆ Received the prestigious Association of Government Accountants' Certificate of Excellence in Accountability Reporting. This marks the sixth consecutive year that the Department has been recognized for quality reporting.
- ◆ Met or exceeded 79% of the 205 performance outcome measures from our GPRA Strategic Plan. This is the third year we have reported on our performance against these measures. In FY 2006, we met or exceeded 67% of our measures; in FY 2005, we met or exceeded 76.2% of our measures.
- ◆ Continued the implementation of the Department's Financial and Business Management System with two Bureaus now using FBMS as the financial system of record. FBMS will replace Interior's legacy accounting and business systems and provide standard business practices supported by a single, integrated financial management system.
- ◆ Managed real property and facilities under our stewardship in accordance with the asset management plan to ensure these assets best serve the public.
- ◆ Continued progress in areas targeted by the President's Management Agenda. Efforts to improve our status for Financial Performance have moved us from red to yellow making Interior one of only six agencies who are not red for status or progress.
- ◆ Exceeded our annual performance goal of implementing 85% of GAO and OIG audit recommendations scheduled for completion in this fiscal year. For FY 2007, Interior achieved an actual implementation rate of 88%.
- ◆ Resolved one remaining auditor-reported material weakness.
- ◆ Complied with the requirements of OMB Circular No. A-123 Appendix A by documenting and testing the Department's internal controls over financial statements and issuing an unqualified assurance statement related to their effectiveness.

- ◆ Improved our Intragovernmental Reconciliation process to ensure accurate reporting of business activity with our Federal trading partners. This is an integral element of the Combined Financial Report of the United States.

Our journey towards management excellence requires the focused, ongoing commitment and creativity of Interior's dedicated employees. During FY 2008, mission, metrics, and management will continue to be the foundation on which we achieve results. We plan to strengthen this foundation and our "mission" by pursuing clear goals, achieving performance measures, and aligning our workforce to effectively achieve those goals.

A handwritten signature in black ink that reads "James E. Cason". The signature is written in a cursive style with a large, looping initial "J".

James E. Cason  
Associate Deputy Secretary  
and Chief Financial Officer

# Principal Financial Statements

The principal financial statements included in Interior's FY 2007 Performance and Accountability Report have been prepared in accordance with the requirements of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994, and the Office of Management and Budget's Circular No. A-136, "Financial Reporting Requirements." These statements include the following:

- ◆ Balance Sheet
- ◆ Statement of Net Cost
- ◆ Statement of Changes in Net Position
- ◆ Statement of Budgetary Resources
- ◆ Statement of Custodial Activity

The responsibility for the integrity of the financial information included in these statements rests with Interior's management. The audit of Interior's principal financial statements was performed by an independent certified public accounting firm selected by Interior's Office of Inspector General. The auditors' report, issued by the independent certified public accounting firm, is included in Part 3, Financial Section, of this report.

**Balance Sheet**  
**as of September 30, 2007 and 2006**  
*(dollars in thousands)*

	FY 2007	FY 2006
<b>ASSETS</b>		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 2)	\$ 34,776,671	\$ 33,409,382
Investments, Net (Note 4)	7,322,545	8,094,833
Accounts and Interest Receivable (Note 5)	1,421,879	440,510
Loans and Interest Receivable, Net (Note 6)	2,827,301	2,631,887
Other	529	529
<b>Total Intragovernmental Assets</b>	<b>46,348,925</b>	<b>44,577,141</b>
Cash (Note 3)	756	825
Investments, Net (Note 4)	163,354	188,100
Accounts and Interest Receivable, Net (Note 5)	1,947,017	2,478,037
Loans and Interest Receivable, Net (Note 7)	127,285	181,137
Inventory and Related Property, Net (Note 8)	255,413	280,859
General Property, Plant and Equipment, Net (Note 9)	17,930,798	17,491,901
Other	209,972	234,987
<b>Total Assets (Note 11)</b>	<b>\$ 66,983,520</b>	<b>\$ 65,432,987</b>
Stewardship Assets (Note 10)		
<b>LIABILITIES</b>		
Intragovernmental Liabilities:		
Accounts Payable	\$ 590,852	\$ 44,946
Debt (Note 12)	858,007	1,056,572
Other		
Resources Payable to Treasury	2,030,690	2,094,244
Advances and Deferred Revenue	794,349	1,309,798
Custodial Liability	819,984	1,061,879
Other Liabilities	582,984	501,075
<b>Total Intragovernmental Liabilities</b>	<b>5,676,866</b>	<b>6,068,514</b>
Accounts Payable	1,076,948	1,109,655
Loan Guarantee Liability (Note 7)	41,434	92,380
Federal Employee and Veteran Benefits (Note 13)	1,363,633	1,387,423
Environmental and Disposal Liabilities (Note 14)	147,514	153,466
Other		
Contingent Liabilities (Note 14)	354,678	614,468
Advances and Deferred Revenue	741,258	747,359
Payments Due to States	639,507	812,588
Other Liabilities	937,076	952,122
<b>Total Liabilities (Note 15)</b>	<b>\$ 10,978,914</b>	<b>\$ 11,937,975</b>
Commitments and Contingencies (Note 14 and 17)		
<b>NET POSITION</b>		
Unexpended Appropriations - Earmarked Funds (Note 24)	\$ 335,545	\$ 336,691
Unexpended Appropriations - Other Funds	3,774,190	3,890,857
Cumulative Results of Operations - Earmarked Funds (Note 24)	49,148,058	47,234,344
Cumulative Results of Operations - Other Funds	2,746,813	2,033,120
<b>Total Net Position</b>	<b>56,004,606</b>	<b>53,495,012</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 66,983,520</b>	<b>\$ 65,432,987</b>

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



**Statement of Net Cost**  
**for the years ended September 30, 2007 and 2006**  
*(dollars in thousands)*

	FY 2007	FY 2006
<b>RESOURCE PROTECTION</b>		
Costs	\$ 4,459,531	\$ 3,946,834
Less: Earned Revenue	793,422	1,136,759
Net Cost	3,666,109	2,810,075
<b>RESOURCE USE</b>		
Costs	3,438,415	3,942,639
Less: Earned Revenue	1,294,116	1,327,167
Net Cost	2,144,299	2,615,472
<b>RECREATION</b>		
Costs	2,593,722	1,780,694
Less: Earned Revenue	338,687	370,645
Net Cost	2,255,035	1,410,049
<b>SERVING COMMUNITIES</b>		
Costs	5,091,113	6,518,561
Less: Earned Revenue	454,591	904,395
Net Cost	4,636,522	5,614,166
<b>REIMBURSABLE ACTIVITY AND OTHER</b>		
Costs	2,626,815	3,295,714
Less: Earned Revenue	1,690,094	2,340,934
Net Cost	936,721	954,780
<b>TOTAL</b>		
Costs	18,209,596	19,484,442
Less: Earned Revenue	4,570,910	6,079,900
Net Cost of Operations (Notes 20 and 22)	\$ 13,638,686	\$ 13,404,542

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

**Statement of Changes in Net Position**  
**for the years ended September 30, 2007 and 2006**  
*(dollars in thousands)*

	Earmarked (Note 24)	FY 2007 All Other	Consolidated	Earmarked (Note 24)	FY 2006 All Other	Consolidated
<b>UNEXPENDED APPROPRIATIONS</b>						
Beginning Balance	\$ 336,691	\$ 3,890,857	\$ 4,227,548	\$ 396,643	\$ 3,782,599	\$ 4,179,242
Adjustments						
Changes in Accounting Principles (Note 27)	2,511	25,888	28,399			
Beginning Balance, as adjusted	339,202	3,916,745	4,255,947	396,643	3,782,599	4,179,242
Budgetary Financing Sources						
Appropriations Received, General Funds	397,850	9,917,315	10,315,165	378,871	10,243,663	10,622,534
Appropriations Transferred In/(Out)	945	2,532	3,477	(6,043)	121,430	115,387
Appropriations-Used	(406,235)	(10,037,018)	(10,443,253)	(430,348)	(10,101,021)	(10,531,369)
Other Adjustments	3,783	(25,384)	(21,601)	(2,432)	(155,814)	(158,246)
Net Change	(3,657)	(142,555)	(146,212)	(59,952)	108,258	48,306
Ending Balance - Unexpended Appropriations	\$ 335,545	\$ 3,774,190	\$ 4,109,735	\$ 336,691	\$ 3,890,857	\$ 4,227,548
<b>CUMULATIVE RESULTS OF OPERATIONS</b>						
Beginning Balance	\$ 47,234,344	\$ 2,033,120	\$ 49,267,464	\$ 44,421,271	\$ 1,853,677	\$ 46,274,948
Adjustments						
Changes in Accounting Principles (Note 27)	(433,117)	(11,370)	(444,487)			
Beginning Balance, as adjusted	46,801,227	2,021,750	48,822,977	44,421,271	1,853,677	46,274,948
Budgetary Financing Sources						
Appropriations-Used	406,235	10,037,018	10,443,253	430,348	10,101,021	10,531,369
Royalties Retained (Note 16)	4,435,820	4,367	4,440,187	4,386,601	3,212	4,389,813
Non-Exchange Revenue	896,640	19,243	915,883	1,233,054	17,092	1,250,146
Transfers In/(Out) without Reimbursement	435,501	(37,082)	398,419	(43,666)	(150,619)	(194,285)
Donations and Forfeitures of Cash and Cash Equivalents	35,705	-	35,705	32,702	-	32,702
Other Budgetary Financing Sources	(14,471)	(150)	(14,621)	(223)	7,764	7,541
Other Adjustments	(718)	(50)	(768)	(393)	364	(29)
Other Financing Sources						
Donations and Forfeitures of Property	68	7,883	7,951	505	6,040	6,545
Transfers In/(Out) without Reimbursement	(53,125)	(12,497)	(65,622)	(132,964)	33,373	(99,591)
Imputed Financing from Costs Absorbed by Others (Note 18)	128,058	422,135	550,193	120,079	352,768	472,847
Total Financing Sources	6,269,713	10,440,867	16,710,580	6,026,043	10,371,015	16,397,058
Net Cost of Operations	(3,922,882)	(9,715,804)	(13,638,686)	(3,212,970)	(10,191,572)	(13,404,542)
Net Change	2,346,831	725,063	3,071,894	2,813,073	179,443	2,992,516
Ending Balance - Cumulative Results of Operations	49,148,058	2,746,813	51,894,871	47,234,344	2,033,120	49,267,464
<b>TOTAL NET POSITION</b>	<b>\$ 49,483,603</b>	<b>\$ 6,521,003</b>	<b>\$ 56,004,606</b>	<b>\$ 47,571,035</b>	<b>\$ 5,923,977</b>	<b>\$ 53,495,012</b>

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

**Statement of Budgetary Resources**  
**for the years ended September 30, 2007 and 2006**  
*(dollars in thousands)*

	Total Budgetary Accounts		Non-Budgetary Credit Program Financing Accounts	
	FY 2007	FY 2006	FY 2007	FY 2006
<b>BUDGETARY RESOURCES:</b>				
Unobligated balance, beginning of Fiscal Year:	\$ 6,185,985	\$ 5,710,929	\$ 108,580	\$ 83,309
Recoveries of prior year unpaid obligations	503,631	484,943	634	8
Budget Authority:				
Appropriation	16,405,771	16,124,453	-	-
Borrowing Authority	-	-	1,032	1,584
Spending authority from offsetting collections				
Earned:				
Collected	4,804,761	5,479,124	75,156	39,702
Change in receivables from Federal sources	(52,531)	(2,997)	-	-
Change in unfilled customer orders:				
Advance received	(501,618)	(306,820)	-	-
Without advance from Federal sources	22,782	(104,540)	-	-
Total Budget Authority	20,679,165	21,189,220	76,188	41,286
Nonexpenditure transfers, net, anticipated and actual	(671,663)	438,207	-	-
Temporarily not available pursuant to Public Law	-	(16,617)	-	-
Permanently not available	(36,895)	(186,788)	(47,063)	(3,255)
<b>Total Budgetary Resources (Note 21)</b>	<b>\$ 26,660,223</b>	<b>\$ 27,619,894</b>	<b>\$ 138,339</b>	<b>\$ 121,348</b>
<b>STATUS OF BUDGETARY RESOURCES:</b>				
Obligations incurred (Note 21):				
Direct	\$ 16,457,065	\$ 16,380,951	\$ 26,853	\$ 12,768
Reimbursable	4,478,735	5,052,958	-	-
<b>Total Obligations incurred</b>	<b>20,935,800</b>	<b>21,433,909</b>	<b>26,853</b>	<b>12,768</b>
Unobligated balance available (Note 21):				
Apportioned	5,499,829	5,987,182	111,486	108,580
Exempt from apportionment	66,727	58,325	-	-
<b>Total Unobligated balance available</b>	<b>5,566,556</b>	<b>6,045,507</b>	<b>111,486</b>	<b>108,580</b>
Unobligated balance not available (Note 21)	157,867	140,478	-	-
<b>Total Status of Budgetary Resources</b>	<b>\$ 26,660,223</b>	<b>\$ 27,619,894</b>	<b>\$ 138,339</b>	<b>\$ 121,348</b>
<b>OBLIGATED BALANCE:</b>				
Obligated balance, net:				
Unpaid obligations, brought forward, beginning of Fiscal Year	\$ 8,839,925	\$ 8,557,216	\$ 3,934	\$ 4,005
Less: Uncollected customer payments from Federal sources, brought forward, beginning of Fiscal Year	(1,117,227)	(1,224,762)	-	-
<b>Total unpaid obligated balances, net, beginning of Fiscal Year</b>	<b>7,722,698</b>	<b>7,332,454</b>	<b>3,934</b>	<b>4,005</b>
Obligations incurred, net	20,935,800	21,433,909	26,853	12,768
Less: Gross outlays	(20,178,744)	(20,666,259)	(30,150)	(12,831)
Less: Recoveries of prior year unpaid obligations, actual	(503,631)	(484,943)	(634)	(8)
Change in uncollected customer payments from Federal sources	29,749	107,537	-	-
<b>Total, unpaid obligated balance, net, end of period</b>	<b>\$ 8,005,872</b>	<b>\$ 7,722,698</b>	<b>\$ 3</b>	<b>\$ 3,934</b>
<b>OBLIGATED, NET, END OF PERIOD - BY COMPONENT:</b>				
Unpaid obligations	9,093,349	8,839,925	3	3,934
Less: Uncollected customer payments from Federal sources	(1,087,477)	(1,117,227)	-	-
<b>Total, unpaid obligated balance, net, end of period</b>	<b>\$ 8,005,872</b>	<b>\$ 7,722,698</b>	<b>\$ 3</b>	<b>\$ 3,934</b>
<b>NET OUTLAYS:</b>				
Gross outlays	20,178,744	20,666,259	30,150	12,831
Less: Offsetting collections	(4,303,144)	(5,172,304)	(75,156)	(39,702)
Less: Distributed Offsetting receipts	(5,769,483)	(6,940,455)	-	-
<b>Net Outlays(Receipts)</b>	<b>\$ 10,106,117</b>	<b>\$ 8,553,500</b>	<b>\$ (45,006)</b>	<b>\$ (26,871)</b>

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

**Statement of Custodial Activity**  
**for the years ended September 30, 2007 and 2006**  
*(dollars in thousands)*

	FY 2007	FY 2006
<b>REVENUES ON BEHALF OF THE FEDERAL GOVERNMENT</b>		
Mineral Lease Revenue		
Rents and Royalties	\$ 10,004,182	\$ 10,660,720
Onshore Lease Sales	286,345	275,031
Offshore Lease Sales	387,689	949,875
Strategic Petroleum Reserve (Note 19)	306,191	(18,466)
<b>Total Revenue</b>	<b>\$ 10,984,407</b>	<b>\$ 11,867,160</b>
<b>DISPOSITION OF REVENUE</b>		
Distribution to Department of the Interior		
National Park Service Conservation Funds	1,049,000	898,304
Bureau of Reclamation	1,471,612	1,651,813
Minerals Management Service	2,324,674	2,295,815
Bureau of Land Management	75,554	71,821
Fish and Wildlife Service	1,785	1,608
Distribution to Other Federal Agencies		
Department of the Treasury	5,908,178	6,870,450
Department of Agriculture	77,367	73,531
Department of Commerce	1,000	25
Department of Energy (Note 19)	356,191	(18,466)
Distribution to Indian Tribes and Agencies	126,712	158,155
Distribution to States and Others	69,760	84,490
Change in Untransferred Revenue	(491,816)	(220,386)
Royalty Credits Redeemed (Note 26)	14,390	-
<b>Total Disposition of Revenue</b>	<b>\$ 10,984,407</b>	<b>\$ 11,867,160</b>
<b>NET CUSTODIAL ACTIVITY</b>	<b>\$ -</b>	<b>\$ -</b>

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

# Notes to Principal Financial Statements

For the years ended  
September 30, 2007  
and 2006

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## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Reporting Entity

The Department of the Interior is a Cabinet-level agency of the Executive branch of the Federal Government. Created in 1849 by Congress as the Nation's principal conservation agency, Interior has responsibility for most of the Nation's publicly owned lands and natural resources. 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.

The accompanying financial statements include all Federal funds under Interior's control or which are a component of the reporting entity, including Conservation Funds (Land and Water Conservation Fund, Historic Preservation Fund, and Environmental Improvement and Restoration Fund), and Custodial Funds. The financial statements, however, do not include non-Federal trust funds, trust related deposit funds, or other related accounts that are administered, accounted for, and maintained by Interior's Office of the Special Trustee for American Indians on behalf of Native American Tribes and individuals. Interior prepares financial statements for these Tribal and Other Trust Funds and Individual Indian Monies under separate cover. A summary of the trust fund balances and changes in trust fund balances managed on behalf of Indian Tribes and individuals is included in Note 23. The financial statements included herein also do not include the effects of centrally administered assets and liabilities related to the Federal Government as a whole, such as public borrowing or certain tax revenue, which may in part be attributable to Interior.

### B. Organization and Structure of Interior

Interior is composed of the following eight operating Bureaus and Departmental Offices:

- ◆ National Park Service  
(includes the Land and Water Conservation Fund and Historic Preservation Fund)
- ◆ Fish and Wildlife Service
- ◆ Bureau of Land Management
- ◆ Bureau of Reclamation
- ◆ Office of Surface Mining and Reclamation Enforcement
- ◆ Minerals Management Service  
(includes the Environmental Improvement and Restoration Fund)
- ◆ U.S. Geological Survey
- ◆ Indian Affairs
- ◆ Departmental Offices

An overview of the operating performance of Interior and its components is presented in the Management's Discussion and Analysis portion of this report. In addition, more detailed information about the Bureaus may be found in the individual financial reports prepared by certain Bureaus.

The U.S. Bureau of Mines was closed in 1996. Although it no longer exists, certain transactions and data related to USBM programs and activities are reflected in Interior's FY 2007 and FY 2006 financial statements and notes.

### C. Basis of Accounting and Presentation

These financial statements have been prepared to report the financial position, net cost, custodial activities, changes in net position, and budgetary resources of Interior as required by the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. These financial statements have been prepared from the books and records of Interior in accordance with generally accepted accounting principles and OMB Circular No. A-136, "Financial Reporting Requirements." GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board, which is the official standard-setting body for the Federal Government. These financial statements present proprietary and budgetary information. Interior, pursuant to OMB directives,

prepares additional financial reports that are used to monitor and control Interior's use of budgetary resources.

OMB financial statement reporting guidelines require the presentation of comparative financial statements for all of the principal financial statements. Interior has presented comparative FY 2007 financial statements for the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and Statement of Custodial Activity.

Throughout the financial statements and notes, certain assets, liabilities, earned revenue, and costs have been classified as *intragovernmental* which is defined as exchange transactions made between two reporting entities within the Federal Government.

The accounting structure of Federal agencies is designed to reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred, without regard to receipt or payment of cash. The budgetary accounting principles, on the other hand, are designed to recognize the obligation of funds according to legal requirements, which in many cases is prior to the occurrence of an accrual-based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of Federal funds.

### D. Fund Balance with Treasury and Cash

Interior maintains all cash accounts with the U.S. Department of the Treasury except for imprest fund accounts. Treasury processes cash receipts and disbursements on behalf of Interior and Interior's accounting records are reconciled with those of Treasury on a regular basis.

The Fund Balance with Treasury includes several types of funds available to pay current liabilities and finance authorized purchases, as well as funds restricted until future appropriations are received. The following describes the type of funds Interior maintains: (1) *general funds* are funds not earmarked by law for a specific purpose; (2) *special funds* are funds earmarked for specific purposes; (3) *revolving funds* are funds that conduct continuing

cycles of business-like activity, in which the fund charges for the sale of products or services and uses the proceeds to finance its spending, usually without requirement for annual appropriations; (4) *trust funds* are funds that are designated by law as a trust fund where the receipt accounts collect earmarked receipts for specific purposes and the associated trust fund expenditure accounts track spending of the receipts; and (5) *other funds*, which include balances in deposit accounts, such as for collections pending litigation, awaiting determination of the proper accounting disposition, or being held by the entity in the capacity of a banker or agent for others.

### E. Investments, Net

Interior invests funds in Federal Government and public securities on behalf of various Interior programs and for amounts held in certain escrow accounts. The Federal Government securities include marketable Treasury securities and nonmarketable par value or nonmarketable, market-based securities issued by the Federal Investment Branch of the Bureau of the Public Debt. *Par value securities* are special issue bonds or certificates of indebtedness that bear interest determined by legislation or Treasury. *Market-based securities* are Treasury securities that are not traded on any securities exchange but mirror the prices of marketable securities with similar terms.

*Public securities* include, but are not limited to, marketable securities issued by government-sponsored entities and consist mainly of various mortgage instruments, bonds, and bank notes. Mortgage instruments are with the Federal National Mortgage Association, the Government National Mortgage Association, and the Federal Home Loan Mortgage Corporation, the Private Export Funding Corporation, the Federal Farm Credit Banks Consolidated System, the Federal Agricultural Mortgage Corporation, and the Government National Real Estate Mortgage Investment Conduit. Bonds and bank notes are with the Federal Home Loan Bank.

It is expected that investments will be held until maturity; therefore, they are valued at cost and adjusted for amortization of premiums and discounts, if applicable. The premiums and discounts are recognized as adjustments to interest income, utilizing the straight-line method of

amortization for short-term securities (i.e., bills) and the interest method for longer-term securities (i.e., notes). Interest on investments is accrued as it is earned.

The market value is estimated by multiplying the total number of shares by the market price on the last day of the fiscal year.

### F. Accounts and Interest Receivable, Net

*Accounts and interest receivable* consists of amounts owed to Interior by other Federal agencies and the public. Federal accounts receivable arise generally from the provision of goods and services to other Federal agencies and, with the exception of occasional billing disputes, are considered to be fully collectible. Receivables from the public generally arise either from the provision of goods and services or from the levy of fines and penalties resulting from Interior's regulatory responsibilities. An allowance for doubtful accounts is established for reporting purposes based on past experience in the collection of accounts receivable and analysis of outstanding balances.

### G. Loans and Interest Receivable, Net

*Intragovernmental Loans.* The Reclamation Fund is a restricted, unavailable receipt fund into which a substantial portion of Reclamation's revenues (mostly repayment of capital investment costs, associated interest and operating and maintenance reimbursements from water and power users) and receipts from other Federal agencies (primarily revenues from certain Federal mineral royalties and hydropower transmission) are deposited. No expenditures are made directly from the Reclamation Fund; however, funds are transferred from the Reclamation Fund into Reclamation's appropriated expenditure funds or other Federal agencies pursuant to specific appropriation acts authorized by the U.S. Congress.

The funds transferred from the Reclamation Fund to the other Federal agencies are primarily for the purpose of funding operating and maintenance and capital investment activities at Western Area Power Administration, a component of the Department of Energy. Western recovers the capital investments, associated interest, and operating and maintenance costs through future power rates, and subsequently deposits amounts recovered into the Reclamation Fund.

The Bonneville Power Administration, also a component of DOE, is responsible for the transmission and marketing of hydropower generated at Reclamation facilities located in the Pacific Northwest region. Unlike Western, BPA does not receive appropriations from the Reclamation Fund, but they legislatively assumed the repayment obligation for the appropriations used to construct Reclamation's hydropower generation facilities.

The amounts transferred to Western and BPA are recorded as receivables at the time of the transfer as Western and BPA are required to repay Interior. Interior reduces the receivables at the time payments are received from Western and BPA.

**Loans with the Public.** Loans are accounted for as receivables after the funds have been disbursed. For loans obligated after the effective date of the Credit Reform Act, October 1, 1990, the amount of the Federal loan subsidy is computed. The loan subsidy includes estimated delinquencies and defaults net of recoveries, the interest rate differential between the loan rates and Treasury borrowings, offsetting fees, and other estimated cash flows associated with these loans. The value of loans receivable is reduced by the present value of the expected subsidy costs. The allowance for subsidy cost is reestimated annually.

For loans obligated prior to October 1, 1990, principal, interest, and penalties receivable are presented net of an allowance for estimated uncollectible amounts. The allowance is based on past experience, present market conditions, an analysis of outstanding balances, and other direct knowledge relating to specific loans.

### **H. Inventory and Related Property, Net**

Interior's inventory and related property is primarily composed of published maps; gas and storage rights; operating supplies for the Working Capital Fund; airplane parts and fuel; and recoverable, below-ground, crude helium. These inventories were categorized based on Interior's major activities and the services Interior provides to the Federal Government and the public. There are no restrictions on these inventories.

The USGS maintains maps and map products that are located at several Earth Science Information Centers across the United States. This inventory is

valued at historical cost using a weighted average cost variation method, less an allowance, which is based on inventory turnover and current stock levels.

The BLM maintains a helium stockpile inventory which is stored in a partially depleted natural gas reservoir. The inventory is valued at cost and the volume of helium is accounted for on a perpetual basis. Annually, the volume is verified by collecting reservoir data and using generally accepted petroleum engineering principles to calculate the volume. The values shown for stockpile helium are net of the estimated unrecoverable amount, so no allowance is required. Gas and storage rights for the storage of helium are recorded at historical cost.

Under the Helium Privatization Act of 1996, Interior is authorized to store, transport, and withdraw crude helium and maintain and operate crude helium storage facilities that were in existence when the Helium Privatization Act was enacted. Interior also has the authority to sell crude stockpile helium until January 1, 2015, at which time the helium reserves will be sold.

Aircraft fuel and parts are held in inventory as operating materials to be consumed and are valued at historical cost, based on the moving average cost method. The value of this inventory is adjusted based on the results of periodic physical inventories.

Interior's Working Capital Fund maintains an inventory of operating materials that will be consumed during future operations and is stated at historical cost using the weighted average cost method. These operating materials are maintained for sign construction, employee uniforms, and Interior's standard forms functions.

### **I. General Property, Plant, and Equipment, Net**

**General Purpose Property, Plant, and Equipment.** General purpose property, plant, and equipment consists of buildings, structures, and facilities used for general operations, power, irrigation, fish protection, wildlife enhancement, and recreation; land and land improvements acquired for general operating purposes; equipment, vehicles, and aircraft; construction in progress; capital leases; leasehold improvements; and internal use software.



All general purpose property, plant, and equipment are capitalized at acquisition cost and depreciated using the straight-line amortization method over the assigned useful lives of the property. Buildings, structures, and facilities are depreciated over a useful life from 10 to 80 years with, the exception of dams and certain related property, which are depreciated over useful lives of up to 100 years. Equipment, vehicles, and aircraft are depreciated over useful lives generally ranging from 2 to 50 years. Capital leases and leasehold improvements are amortized over the life of the lease. For land, buildings, structures, land improvements, leasehold improvements, and facilities purchased prior to October 1, 2003, capitalization thresholds were established by the individual Bureaus and generally ranged from \$50,000 to \$500,000. For these same items purchased subsequent to September 30, 2003, Interior has established a capitalization threshold of \$100,000, with the exception of dams and certain related property, which are fully capitalized. For equipment, vehicles and aircraft, and capital leases of other personal property, Interior has established a capitalization threshold of \$15,000. There are no restrictions on the use or convertibility of Interior's general purpose property, plant, and equipment.

In accordance with the implementation guidance for Statement of Federal Financial Accounting Standard 6, Interior recorded certain general property, plant, and equipment acquired on or before September 30, 1996, at its estimated net book value (i.e., gross cost less accumulated depreciation) or its estimated gross cost. Interior estimated these costs and net book values based on available historic supporting documents, current replacement cost deflated to date of acquisition, and the cost of similar assets at the time of acquisition.

**Construction in Progress.** Construction in Progress is used for the accumulation of the cost of construction or major renovation of fixed assets during the construction period. The assets are transferred out of construction in progress when the project is substantially completed.

Construction in Progress also includes projects in abeyance. In past years, Interior began construction on 12 projects located in California, Colorado, Arizona, Washington, North Dakota, and South Dakota, for which activities were placed

in abeyance. These projects were authorized to provide various benefits, among them irrigation, fish and wildlife conservation and enhancement, recreation, municipal water supplies, and flood control. Until congressional disposition of these assets is determined, maintenance costs have been and will continue to be budgeted and expended to minimize the erosive effects of time and weather and to keep the asset ready for completion.

**Internal Use Software.** Internal use software includes purchased commercial off-the-shelf software, contractor-developed software, and software that was internally developed by agency employees. Internal use software is capitalized at cost if the acquisition cost is \$100,000 or more. For COTS software, the capitalized costs include the amount paid to the vendor for the software; for contractor-developed software, it includes the amount paid to a contractor to design, program, install, and implement the software. Capitalized costs for internally developed software include the full cost (direct and indirect) incurred during the software development stage. The estimated useful life is 2 to 10 years for calculating amortization of software using the straight-line method.

**Stewardship Assets.** Stewardship assets consist of public domain land and heritage assets such as national monuments and historic sites that have been entrusted to Interior to be maintained in perpetuity for the benefit of current and future generations.

The majority of public lands, presently under the management of Interior, were acquired by the Federal Government during the first century of the Nation's existence and are considered stewardship land. A portion of these lands has been reserved as national parks, wildlife refuges, and wilderness areas, while the remainder is managed for multiple uses. Interior is also responsible for maintaining a variety of cultural and natural heritage assets, which include national monuments, historic structures, and library and museum collections.

The stewardship land and heritage assets managed by Interior are considered priceless and irreplaceable. Because of this, Interior assigns no financial value to them and the property, plant, and equipment capitalized and reported on the Balance Sheet excludes these assets. Note 10 and the

Required Supplementary Information section of this report provides additional information concerning stewardship land and heritage assets.

### J. Advances and Prepayment

Payments in advance of the receipt of goods and services are recorded as prepaid charges at the time of prepayment and recognized as expenditures/operating expenses when the related goods and services are received.

### K. Liabilities

Liabilities represent the amount of monies or other resources that are likely to be paid by Interior as the result of a transaction or event that has already occurred. No liability can be paid by Interior absent an appropriation of funds by the U.S. Congress, and the payment of all liabilities other than for contracts can be abrogated by Interior. Liabilities for which an appropriation has not been enacted are, therefore, disclosed as liabilities not covered by budgetary resources, or unfunded liabilities. The liquidation of liabilities not covered by budgetary or other resources is dependent on future congressional appropriations or other funding. There is no legal certainty that the appropriations will be enacted.

Interior estimates certain accounts payable balances based on past history of payments in current periods that relate to prior periods or on a current assessment of services/products received but not paid.

**Environmental and Disposal Liabilities.** Interior has responsibility to remediate its sites with environmental contamination, and it is party to various administrative proceedings, legal actions, and tort claims which may result in settlements or decisions adverse to the Federal Government. Interior has accrued environmental liabilities where losses are determined to be probable and the amounts can be estimated. In accordance with Federal accounting guidance, the liability for future cleanup of environmental hazards is *probable* when the government is legally responsible for creating the hazard or is otherwise related to it in such a way that it is legally liable to clean up the contamination.

When Interior is not legally liable, but chooses to accept financial responsibility, it is considered Government-acknowledged. *Government-acknowledged* events are events that are of

financial consequence to the Federal Government because it chooses to respond to the event. When Interior accepts financial responsibility for cleanup, has an appropriation for the cleanup, and has begun incurring cleanup costs, then any unpaid amounts for work performed are reported as accounts payable.

Changes in cleanup cost estimates are developed in accordance with departmental policy, which addresses systematic processes for cost estimating and places added emphasis on development and retention of supporting documentation. Changes in cleanup cost estimates are based on progress made in and revision of the cleanup plans, assuming current technology, laws, and regulations.

**Contingent Liabilities.** *Contingent liabilities* are liabilities where the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. Interior recognizes contingent liabilities when the liability is probable and reasonably estimable. Interior discloses contingent liabilities in the notes to the financial statements when the conditions for liability recognition are not met and when the outcome of future events is more than remote. In some cases, once losses are certain, payments may be made from the Judgment Fund maintained by Treasury rather than from amounts appropriated to Interior for departmental operations.

### L. Revenues and Financing Sources

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

**Appropriations.** Congress appropriates the majority of Interior's operating funds from the general receipts of the Treasury. These funds are made available to Interior for a specified time period (one or more fiscal years) or until expended. For example, funds for general operations are generally made available for one fiscal year; funds for long-term projects such as major construction are generally available to Interior until expended; and funds used to establish revolving fund operations are generally available indefinitely (i.e., no year funds). The majority of operating funds for Interior are

available for either multiple years or until expended. Appropriations are reflected as a financing source entitled "Appropriations Used" on the Statement of Changes in Net Position once goods and services have been received. The Statement of Budgetary Resources presents information about the resources appropriated to Interior.

**Exchange and Non-Exchange Revenue.** Interior classifies revenues as either exchange revenue or non-exchange revenue. *Exchange revenues* are those that derive from transactions in which both the government and the other party receive value, including park entrance fees; map sales; reimbursements for services performed for other Federal agencies and the public; reimbursements for the cost of constructing and maintaining irrigation and water facilities; and other sales of goods and services. These revenues are presented on Interior's Statement of Net Cost and serve to offset the costs of these goods and services.

Non-exchange revenues result from donations to the Government and from the Government's sovereign right to demand payment, including taxes, fines for violation of environmental laws, and Abandoned Mine Land duties charged per ton of coal mined. These revenues are not considered to reduce the cost of Interior's operations and are reported on the Statement of Changes in Net Position.

With minor exceptions, all receipts of revenues by Federal agencies are processed through the Treasury's central accounting system. Regardless of whether they derive from exchange or non-exchange transactions, all receipts that are not designated by congressional appropriation for immediate departmental use are deposited in the general or special funds of the Treasury. Amounts not retained for use by Interior are reported as transfers to other Government agencies on Interior's Statement of Changes in Net Position.

Reporting entities that provide goods and services to the public or another Government entity should disclose specific information related to their pricing policies. In certain cases, the prices charged by Interior are set by law or regulation, which for program and other reasons may not represent full cost (e.g., grazing fees, park entrance, and other recreation fees). Prices set for products and services offered through working capital funds are intended

to recover the full costs (cost, plus administrative fees) incurred by these activities.

Interior transfers a portion of royalty collections from the custodial fund to the operating funds for distribution to certain States. In accordance with SFFAS 7, Interior reports these State amounts as "Royalties Retained," an other budgetary financing source on the Statement of Changes in Net Position rather than on the Statement of Net Cost, because MMS incurred minimal costs in earning this revenue.

The Southern Nevada Public Land Management Act, enacted in October 1998, authorizes the BLM to sell public land tracts that are interspersed with or adjacent to private land in the Las Vegas Valley. The BLM is authorized to invest 85 percent of the sales in interest bearing Treasury securities, while 10 percent of the proceeds are forwarded to the Southern Nevada Water Authority and 5 percent to the State of Nevada's Education Fund. The revenues generated from the land sales and investments enable BLM and other Government entities to acquire environmentally sensitive lands and build or maintain trails, day-use areas, campgrounds, etc., to benefit public visitors.

**Custodial Revenue.** Interior's Minerals Revenue Management, administered by the MMS, collects royalties, rents, bonuses, and other receipts for Federal and Indian oil, gas, and mineral leases, and distributes the proceeds to States, the Office of the Special Trustee for American Indians, and the Indian Affairs for distribution to Indian Tribes and individual Indian mineral owners, other Federal agencies, and the U.S. Treasury accounts, in accordance with legislated allocation formulas. MMS is authorized to retain a portion of the rental income collected as part of the custodial activity provided by the MRM Program to fund operating costs. BLM collects and remits to MMS first year bonuses and rents for on-shore mineral leases. Interior records custodial revenue based on accounts reported by producers. Custodial revenue is reported when the government has a legal claim to the revenue. The royalty accrual represents royalties on September oil and gas lease activity that Interior receives in October and November. The royalty accrual is estimated based on an analysis of the last 12 months of royalty activity and recent events. Interior does not record a liability for potential overpayments and refunds until requested by the payor or until Interior completes

a compliance audit and determines the refundable amount. This is in accordance with the Federal Oil and Gas Royalty Management Act of 1982 (P.L. 97-451, 96 Stat. 2447, 30 U.S.C. 1701).

**Royalty-in-Kind.** Interior, under the provisions of the Mineral Lands Leasing Act of 1920 and the Outer Continental Shelf Lands Act of 1953, may take part or all of its oil and gas RIK (a volume of the commodity) as opposed to in value (cash). Interior may either transfer the volume of oil or gas commodity taken in-kind to Federal agencies for internal use or sell the commodity on the open market at fair market value and transfer the cash received. Interior reflects RIK as mineral lease revenue on the Statement of Custodial Activity.

Interior assists the Administration's initiative to fill the Strategic Petroleum Reserve. Interior transfers to DOE royalty oil received-in-kind from Federal leases in the Gulf of Mexico. Interior determines the value of the commodity transferred using the fair market value on the date of transfer. Interior reports these transfers as mineral lease revenue and to DOE on the Statement of Custodial Activity.

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

**Advances and Deferred Revenue.** Advances and deferred revenue from the public represents funding received from certain power customers who benefit from current and future power deliveries. The repayments are recognized as revenue incrementally as power benefits are provided. Advances and deferred revenue received from Federal agencies primarily represent cash advances to the Interior Franchise Fund and the National Business Center. IFF and NBC provide shared

administrative services and commonly provide products to Federal agencies.

### **M. Personnel Compensation and Benefits Annual and Sick Leave Program.**

Annual leave is accrued as it is earned by employees and is included in personnel compensation and benefit costs. An unfunded liability is recognized for earned but unused annual leave since from a budgetary standpoint, this annual leave will be paid from future appropriations when the leave is used by employees rather than from amounts that were appropriated to Interior as of the date of the financial statements. The amount accrued is based upon current pay rates of the employees. Sick leave and other types of leave are expensed when used and no liability is recognized for these amounts, as employees do not vest in these benefits.

**Federal Employees Workers' Compensation Program.** The Federal Employees Compensation Act provides income and medical cost protection to covered Federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by the Department of Labor, which pays valid claims and subsequently seeks reimbursement from Interior for these paid claims.

The FECA liability consists of two components. The first component is based on actual claims paid by DOL but not yet reimbursed by Interior. Interior reimburses DOL for the amount of the actual claims as funds are appropriated for this purpose. There is generally a 2- to 3-year lag between payment by DOL and reimbursement by Interior. As a result, Interior recognizes a liability for the actual claims paid by DOL and to be reimbursed by Interior.

The second component is the estimated liability for future benefit payments as a result of past events. This liability includes death, disability, medical, and miscellaneous costs. DOL determines this component annually, as of September 30, using a method that considers historical benefit payment patterns, wage inflation factors, medical inflation factors, and other variables. Interior recognizes an unfunded liability to DOL for these estimated future payments. The projected annual benefit payments

are discounted to present value using OMB's economic assumptions for 10-year Treasury notes and bonds. To provide for the effects of inflation on the liability, wage inflation factors (i.e., cost of living adjustments) and medical inflation factors (i.e., consumer price index medical adjustments) are applied to the calculation of projected future benefit payments. These factors are also used to adjust historical benefit payments to current-year constant dollars. A discounting formula is also used to recognize the timing of benefit payments as 13 payments per year instead of one lump sum payment per year.

DOL also evaluates the estimated projections to ensure that the estimated future benefit payments are appropriate. The analysis includes three tests: (1) a comparison of the current-year projections to the prior-year projections; (2) a comparison of the prior-year projected payments to the current-year actual payments, excluding any new case payments that had arisen during the current year; and (3) a comparison of the current-year actual payment data to the prior-year actual payment data. Based on the outcome of this analysis, adjustments may be made to the estimated future benefit payments.

#### **Federal Employees Group Life Insurance**

**Program.** Most Interior employees are entitled to participate in the FEGLI Program. Participating employees can obtain "basic life" term life insurance, with the employee paying two-thirds of the cost and Interior paying one-third. Additional coverage is optional, to be paid fully by the employee. The basic life coverage may be continued into retirement if certain requirements are met. OPM administers this program and is responsible for the reporting of liabilities. For each fiscal year, OPM calculates the U.S. Government's service cost for the post-retirement portion of the basic life coverage. Because Interior's contributions to the basic life coverage are fully allocated by OPM to the preretirement portion of coverage, Interior has recognized the entire service cost of the postretirement portion of basic life coverage as an imputed cost and imputed financing source.

**Retirement Programs.** Interior employees participate in one of three retirement programs: (1) the Civil Service Retirement System; (2) the Federal Employees Retirement System, which became effective on January 1, 1987; or (3)

the United States Park Police Pension Plan. Most Interior employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, could elect to either join FERS and Social Security or remain in CSRS. Employees covered by CSRS are not subject to Social Security taxes, nor are they entitled to accrue Social Security benefits for wages subject to CSRS.

For employees participating in FERS, Interior contributes an amount equal to 1 percent of the employee's basic pay to the tax deferred Thrift Savings Plan and matches employee contributions up to an additional 4 percent of pay. Employees participating in CSRS receive no matching contribution from Interior. During FY 2007, employees could contribute as much as \$15,500 of their gross earnings to the plan.

OPM is responsible for reporting assets, accumulated plan benefits, and unfunded liabilities, if any, applicable to CSRS participants and FERS employees Government-wide, including Interior employees. Interior has recognized an imputed cost and imputed financing source for the difference between the estimated service cost and the contributions made by Interior and covered CSRS employees.

Police Officers hired on or before December 31, 1985, by the NPS participate in the USPP Pension Plan, which is administered by the District of Columbia. Each in-service member contributes 7 percent of their gross earnings. The normal retirement benefit is 2.5 percent for each year of service up to 20 with an additional 3 percent for each year beyond 20, but no more than an aggregate of 80 percent. Retirement is permitted after 20 years of service, but mandatory by the age of 60. Annual benefits paid from the USPP Pension Plan are funded on a pay-as-you-go basis through a permanent indefinite appropriation from the Treasury's General Fund.

Interior reports the USPP pension liability and associated expense in accordance with OMB guidance. An actuary estimates Interior's future cost to provide benefits to current and future retirees using economic assumptions and historical cost information. The estimate is adjusted by the time value of money and the probability of having to pay

benefits due to assumed decrements for mortality, morbidity, and terminations.

The actuarial liabilities are measured during the fiscal year, with a *roll-forward* or projection to the end of the year, in accordance with Interpretation of Federal Financial Accounting Standards Interpretation 3, *Measurement Date for Pension and Retirement Health Care Liabilities*. The roll-forward considers all major factors that affect the measurement that occurred during the reporting year, including any raises, cost-of-living allowances, and material changes in the number of participants.

### N. Federal Government Transactions

Interior's financial activities interact with and are dependent upon the financial activities of the centralized management functions of the Federal Government. These activities include public debt and cash management activities and employee retirement, life insurance, and health benefit programs. The financial statements of Interior do not contain the costs of centralized financial decisions and activities performed for the benefit of the entire Government. However, expenses have been recognized as expenses incurred by other agencies on behalf of Interior, including settlement of claims and litigation paid by Treasury's Judgment Fund and the partial funding of employee benefits by OPM.

Transactions and balances among Interior's entities have been eliminated from the Balance Sheet, the Statement of Net Cost, and the Statement of Changes in Net Position. As provided for by OMB Circular No. A-136, the Statement of Budgetary Resources is presented on a combined basis, therefore, intradepartmental transactions and balances have not been eliminated from this statement. Intradepartmental transactions have been eliminated within the Statement of Custodial Activity. In order to present all custodial activity, the distributions to the Department's entities have not been eliminated on the Statement of Custodial Activity and the Statement of Changes in Net Position. The distributions, however, are reported separately on the Statement of Custodial Activity.

### O. Possessory Interest and Leasehold Surrender Interest

Interior has contracts with organizations that manage and operate hotels, lodges, restaurants, gift shops, and other concession operations at various parks. In accordance with legislation and the contracts, some of these concessionaires have a possessory interest or leasehold surrender interest in certain real property construction or improvements that the concessionaire pays for and Interior approves.

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

Interior does not report the assets used by concessioners in its financial statements because the concessioners control the benefits of the assets and have the responsibilities of the risks and maintenance of the assets. In addition, Interior does not report a PI/LSI liability at the time a concessioner receives PI/LSI because an event of financial consequence has not occurred. However, Interior does record a liability at the time that Interior decides to discontinue a concession operation or take possession of the assets.

Interior has concession agreements which contain provisions that provide for the establishment of escrow-type accounts to be used to develop, improve, and maintain visitor facilities. The concessioner periodically deposits a percentage of gross revenue in the account as provided in the concessioner agreement. These *Special Account* funds are maintained in separate interest-bearing bank accounts for the concessioners, are not assets of Interior, and may not be used in Interior operations. Therefore, the balances, inflows, and outflows of these concessioner Special Accounts are not recognized in the consolidated financial statements.

**P. Resources Payable to Treasury**

Interior receives appropriations from Treasury's General Fund to construct, operate, and maintain various multipurpose projects. Many of the projects have reimbursable components, for which Interior is required to recover the capital investment and operating costs through user fees, mainly the sale of water and power. These recoveries are deposited in Treasury's General Fund.

Interior records a liability for appropriations determined to be recoverable from project beneficiaries. The liability is decreased when reimbursements are received from Interior's customers and subsequently transferred to Treasury's General Fund.

**Q. Earmarked Funds**

Earmarked funds are financed by specifically identified revenues and other financing sources. These funds are required by statute to be used for designated activities or purposes and must be accounted for separately from the Federal Government's General Fund.

**R. Allocation Transfers**

Interior is a party to allocation transfers with other Federal agencies as both a transferring (parent) entity and a receiving (child) entity. Allocation transfers are legal delegations by one Department to obligate budget authority and outlay funds to another Department. A separate fund (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting

purposes. All allocation transfers of balances are credited to this account and subsequently obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. All financial activity related to these allocation transfers is reported in the financial statements of the parent entity from which the underlying legislative authority, appropriations, and budget apportionments are derived. Interior allocated funds, as a parent, to the Department of Agriculture, the Department of Transportation, and the Corps of Engineers. Interior receives allocation transfers, as the child, from the Department of Agriculture, the Department of Health and Human Services, the Department of Labor, the Department of Transportation, the Environmental Protection Agency, the General Services Administration, and the U.S. Agency for International Development.

**S. Income Taxes**

As an agency of the Federal Government, Interior is generally exempt from all income taxes imposed by any governing body, whether it be a Federal, State, commonwealth, local, or foreign government.

**T. Estimates**

Interior has made certain estimates and assumptions related to the reporting of assets, liabilities, revenues, expenses, and the disclosure of contingent liabilities to prepare these financial statements. Actual results could differ from these estimates.

**NOTE 2. FUND BALANCE WITH TREASURY**

Treasury performs cash management activities for all Federal agencies. The net activity represents Fund Balance with Treasury. The Fund Balance with Treasury represents the right of Interior to draw down funds from Treasury for expenses and liabilities.

Fund Balance with Treasury by fund type as of September 30, 2007 and 2006, consists of the following:

(dollars in thousands)	FY 2007	FY 2006
General Funds	\$ 5,455,504	\$ 5,424,657
Special Funds	27,352,216	25,464,346
Revolving Funds	1,426,978	2,027,366
Trust Funds	172,974	211,851
Other Fund Types	368,999	281,162
<b>Total Fund Balance with Treasury by Fund Type</b>	<b>\$ 34,776,671</b>	<b>\$ 33,409,382</b>

Interior’s fund types and purpose are described below:

**General Funds.** These funds consist of expenditure accounts used to record financial transactions arising from congressional appropriations, as well as receipt accounts.

**Special Funds.** These accounts are credited with receipts from special sources that are earmarked by law for a specific purpose. These receipts are available for expenditure for special programs, such as providing housing for employees on field assignments; Land and Water Conservation and Historic Preservation Fund activities; sales of public lands, timber, mineral leases; cleanup associated with the Exxon Valdez oil spill; and operating science and cooperative programs.

**Revolving Funds.** These funds account for cash flows to and from the Government resulting from operations of the helium operations, Interior

Franchise Fund, and other Bureau working capital funds. The revolving funds are restricted to the purposes set forth in the legislation that established the funds and related investment plans and do not fund normal operating expenses of Interior.

**Trust Funds.** These funds are used for the acceptance and administration of funds contributed from public and private sources and programs and in cooperation with other Federal and State agencies or private donors, and other activities such as maintaining the Boyhood Home of Abraham Lincoln; trust fund construction; highway maintenance and construction; and managing the Land and Resource Management trust fund, and the Alaska Townsite Trustee fund.

**Other Fund Types.** These include miscellaneous receipt accounts, transfer accounts, performance bonds, deposit and clearing accounts maintained to account for receipts, and disbursements awaiting proper classification.

Status of Fund Balance with Treasury as of September 30, 2007 and 2006, consists of the following:

(dollars in thousands)	FY 2007	FY 2006
Unobligated		
Available	\$ 3,567,620	\$ 3,623,391
Unavailable	157,329	201,887
Obligated Not Yet Disbursed	6,032,685	6,114,435
<b>Subtotal</b>	<b>9,757,634</b>	<b>9,939,713</b>
Fund Balance with Treasury Not Covered by Budgetary Resources		
Unavailable Receipt Accounts	24,824,285	23,308,813
Clearing and Deposit Accounts	194,752	160,856
<b>Subtotal</b>	<b>25,019,037</b>	<b>23,469,669</b>
<b>Total Status of Fund Balance with Treasury</b>	<b>\$ 34,776,671</b>	<b>\$ 33,409,382</b>



The Status of the Fund Balance with Treasury may be classified as unobligated available, unobligated unavailable, and obligated. Unobligated funds, depending on budget authority, are generally available for new obligations in current operations. The unavailable amounts are primarily composed of funds in unavailable collection accounts, such as the Land and Water Conservation Fund and the Reclamation Fund, which are not available to Interior for use unless appropriated by Congress. The unavailable balance also includes amounts appropriated in prior fiscal years, which are not available to fund new obligations. The obligated

but not yet disbursed balance represents amounts designated for payment of goods and services ordered but not yet received; or goods and services received, but for which payment has not yet been made.

Obligated and unobligated balances reported for the status of fund balance with Treasury do not agree with obligated and unobligated balances reported on the Combined Statement of Budgetary Resources because the budgetary balances include amounts supported by other than fund balance with Treasury, such as investments in Treasury securities.

### NOTE 3. CASH

The cash amount includes balances held by private banks and investing firms, change-making funds maintained in offices where maps are sold over the counter, and imprest funds.

Cash as of September 30, 2007 and 2006, consists of the following:

(dollars in thousands)	FY 2007		FY 2006	
Cash Not Yet Deposited to Treasury	\$	221	\$	174
Imprest Fund		535		651
Total Cash	\$	756	\$	825

### NOTE 4. INVESTMENTS, NET

#### A. Investments in Treasury Securities

The IA, BLM, BOR, Departmental Offices, MMS, NPS, OSM, and FWS invest funds in securities on behalf of various Interior programs.

**Indian Affairs.** IA invests irrigation and power receipts in Treasury and public securities until the funds are required for project operations. Federal investments are purchased under the Treasury Overnighter Program and in marketable Treasury bills and notes. IA's investments in public securities are discussed more fully below.

**Bureau of Land Management.** BLM is authorized to invest in special nonmarketable par value and market-based book entry Treasury securities. These securities include Treasury bills, notes, bonds, and one-day certificates that may be purchased and sold as necessary to meet operating needs and legislated requirements. BLM invests in these Treasury securities pursuant to authorizing legislation for three accounts: (1) the proceeds of certain land sales authorized by the Southern Nevada Public Land Management Act, enacted in

October 1998; (2) the proceeds of certain land sales authorized by the Lincoln County Land Act, enacted in October 2000; and (3) the proceeds of certain oil and gas lease sales authorized by the Alaska Native Claims Settlement Act and the Alaska National Interest Lands Conservation Act, as amended July 17, 2000.

**Bureau of Reclamation.** BOR has investment authority in the Lower Colorado River Basin Development Fund and the San Gabriel Basin Restoration fund, both of which are classified as earmarked funds. Investments consist of the cost of nonmarketable, market-based securities purchased through the Federal Investment Branch of the Bureau of the Public Debt and interest earned. The market value of these securities is equal to the cost.

**Departmental Offices.** Departmental Offices invest funds that are contributed to the Utah Reclamation Mitigation and Conservation Account by the Utah Reclamation Mitigation and Conservation Commission in nonmarketable, market-based securities issued by the Federal Investment Branch

of the Bureau of the Public Debt. Departmental Offices invest funds for the Natural Resource Damage Assessment and Restoration Fund, in nonmarketable, market-based securities issued by Treasury. Funds are invested in both long and short-term securities, depending upon the program's needs for their funds.

Departmental Offices invest a portion of Tribal Trust and Special Funds in marketable and nonmarketable, market-based securities issued by the Federal Investment Branch of the Bureau of the Public Debt. Investment instruments are continually reviewed for appropriateness in conjunction with current tribal needs.

**Minerals Management Service.** Investments consist of nonmarketable, market-based Treasury securities that are not traded on any securities exchange but mirror the prices of marketable securities with similar terms. MMS has limited investment authority based on two categories: Environmental Improvement and Restoration and Custodial Investments.

The Environmental Improvement and Restoration Fund is available for investment under the Interior and Related Agencies Appropriations Act of 1998. Congress has permanently appropriated 20 percent of the prior fiscal year interest earned by the EIRF to the Department of Commerce. The remaining 80 percent of interest earned remains in the fund and may be appropriated by Congress to certain other agencies, as provided by the law. This investment was initially funded in 2000 by the settlement of the boundary dispute with the State of Alaska.

MMS is also required by regulation to invest the 1/5 Outer Continental Shelf bid amounts from the apparent high bidders for all OCS lease sales. Should any of the apparent high bids be later rejected, the 1/5 bid and actual interest earned are returned to the bidder. The investment earned on accepted bids reverts to Treasury when the bids are accepted.

**National Park Service.** The monies generated from the sale of the National Law Enforcement Officers Memorial Silver Dollar established the National Law Enforcement Officers Memorial Maintenance Fund and have been invested in a nonmarketable, market-based, interest bearing security.

**Office of Surface Mining.** Effective October 1, 1991, OSM was authorized to invest available Abandoned Mine Land funds in nonmarketable, market-based securities issued by the Federal Investment Branch of the Bureau of the Public Debt in the Treasury. OSM has authority to invest AML trust funds in Treasury bills, notes, bonds, and one-day certificates. A portion of the AML investment interest earned is transferred to the United Mine Workers of America Combined Benefit Fund to provide health benefits for certain eligible retired coal miners and dependents.

**U.S. Fish and Wildlife Service.** FWS has investments in nonmarketable, market-based Treasury securities that consist of various bills purchased through the Federal Investment Branch of the Bureau of the Public Debt. The invested funds consist of excise tax receipts from the Federal Aid in Wildlife Restoration Fund and the Multi-National Species Conservation Fund.

Investments as of September 30, 2007, consist of the following:

(dollars in thousands)	Investment Type	Cost	Net Amortized (Premium)/Discount	Investments, Net	Market Value Disclosure
<b>U.S. Treasury Securities</b>					
Indian Affairs	Marketable	\$ 74,419	\$ -	\$ 74,419	\$ 74,456
Bureau of Land Management	Nonmarketable, market-based	2,180,860	28,308	2,209,168	2,212,961
Bureau of Reclamation	Nonmarketable, market-based	401,370	-	401,370	401,459
<b>Departmental Offices</b>					
Utah Reclamation Mitigation and Conservation Account	Nonmarketable, market-based	170,116	16	170,132	170,517
Natural Resource Damage Assessment and Restoration Fund	Nonmarketable, market-based	236,113	505	236,618	236,710
Tribal Trust and Special Funds	Nonmarketable, market-based	77,050	-	77,050	77,050
	Marketable	53,428	(798)	52,630	52,841
Minerals Management Service - Restricted	Nonmarketable, market-based	1,104,241	(12,561)	1,091,680	1,094,377
Minerals Management Service - Custodial		48,881	45	48,926	48,932
National Park Service	Nonmarketable, market-based	1,455	(10)	1,445	1,455
Office of Surface Mining	Nonmarketable, market-based	2,362,172	821	2,362,993	2,355,161
U.S. Fish and Wildlife Service	Nonmarketable, market-based	573,667	(179)	573,488	575,290
Total U.S. Treasury Securities		7,283,772	16,147	7,299,919	7,301,209
Accrued Interest		22,626	-	22,626	-
Total Non-Public Investments		7,306,398	16,147	7,322,545	7,301,209
<b>Public Securities</b>					
Indian Affairs	Marketable	30	-	30	30
Departmental Offices - Tribal Trust and Special Funds	Marketable	161,400	19	161,419	162,082
Total Public Securities		161,430	19	161,449	162,112
Accrued Interest		1,905	-	1,905	-
Total Public Investments		163,335	19	163,354	162,112
Total Investments		\$ 7,469,733	\$ 16,166	\$ 7,485,899	\$ 7,463,321

## B. Investments in Public Securities

IA is authorized by law to invest irrigation and power receipts in marketable Treasury and public securities. Investments in public securities consist of certificates of deposit from insured institutions, various mortgage instruments, bank notes, and bonds. Mortgage instruments are issued by the Federal National Mortgage Association and similar Government-sponsored enterprises and Government corporations. Bonds and bank notes are issued by Federal Home Loan Bank and the

Federal Farm Credit Bank. Investments in public securities reflect investments held by IA's Power and Irrigation program and are recorded at cost.

Departmental Offices invest a portion of the Tribal Trust and Special Funds in marketable securities issued by Government-sponsored entities. Investment instruments are continually reviewed for appropriateness in conjunction with current tribal needs.

## Notes to Principal Financial Statements

Investments as of September 30, 2006, consist of the following:

(dollars in thousands)	Investment Type	Cost	Net Amortized (Premium)/Discount	Investments, Net	Market Value Disclosure
<b>U.S. Treasury Securities</b>					
Indian Affairs	Marketable	\$ 69,480	\$ -	\$ 69,480	\$ 69,525
Bureau of Land Management	Non-Marketable, market-based	2,332,347	25,503	2,357,850	2,357,290
Bureau of Reclamation	Non-Marketable, market-based	322,000	-	322,000	322,000
<b>Departmental Offices</b>					
Utah Reclamation Mitigation and Conservation Account	Non-Marketable, market-based	163,449	(1,406)	162,043	156,876
Natural Resource Damage Assessment and Restoration Fund	Non-Marketable, market-based	225,920	561	226,481	226,414
Tribal Trust and Special Funds	Non-Marketable, market-based	40,700	-	40,700	40,700
	Marketable	59,856	(466)	59,390	58,593
Minerals Management Service - Restricted	Non-Marketable, market-based	1,067,414	(10,371)	1,057,043	1,039,783
Minerals Management Service - Custodial	Non-Marketable, market-based	58,325	68	58,393	58,411
National Park Service	Non-Marketable, market-based	1,455	-	1,455	1,455
Office of Surface Mining	Non-Marketable, market-based	2,263,900	594	2,264,494	2,230,790
U.S. Fish and Wildlife Service	Non-Marketable, market-based	493,189	2,163	495,352	490,325
U.S. Fish and Wildlife Service - Sport Fish Restoration and Boating Trust Fund	Non-Marketable, market-based	952,739	1,804	954,543	950,635
Total U.S. Treasury Securities		8,050,774	18,450	8,069,224	8,002,797
Accrued Interest		25,609	-	25,609	-
Total Non-Public Investments		8,076,383	18,450	8,094,833	8,002,797
<b>Public Securities</b>					
Indian Affairs	Marketable	1,052	-	1,052	1,052
Departmental Offices - Tribal Trust and Special Funds	Marketable	185,105	339	185,444	182,628
Total Public Securities		186,157	339	186,496	183,680
Accrued Interest		1,604	-	1,604	-
Total Public Investments		187,761	339	188,100	183,680
Total Investments		\$ 8,264,144	\$ 18,789	\$ 8,282,933	\$ 8,186,477

### NOTE 5. ACCOUNTS AND INTEREST RECEIVABLE, NET

**Due From the Public, Net.** Accounts receivable due to Interior from the public may arise either from the sale of products and services or from the imposition of regulatory fines and penalties. Products and services sold by Interior are diverse and include mineral leases sold by MMS, from which royalties are then collected; the sale of water and hydroelectric power by Reclamation; and water testing and other scientific studies conducted for

State and local governments by the USGS. Fines and penalties are imposed by OSM, MMS, FWS, and other Bureaus in the enforcement of various environmental laws and regulations. Unbilled receivables reflect work performed to date on agreements and uncollected revenue for royalties due subsequent to year-end, which will be billed in the future.

Accounts and Interest Receivable from the Public consists of the following as of September 30, 2007 and 2006:

(dollars in thousands)	FY 2007	FY 2006
<b>Accounts and Interest Receivable from the Public</b>		
Current	\$ 396,353	\$ 417,302
1 - 180 Days Past Due	62,816	200,524
181 - 365 Days Past Due	9,813	7,610
1 to 2 Years Past Due	171,337	9,414
Over 2 Years Past Due	79,281	91,370
Total Billed Accounts and Interest Receivable - Public	719,600	726,220
Unbilled Accounts and Interest Receivable	1,537,990	1,944,115
Total Accounts and Interest Receivable - Public	2,257,590	2,670,335
Allowance for Doubtful Accounts - Public	(310,573)	(192,298)
Total Accounts and Interest Receivable - Public, Net	\$ 1,947,017	\$ 2,478,037

**Recovery of Reimbursable Capital Costs.**

Reclamation enters into long-term repayment contracts and water service contracts with non-Federal (public) water users that allow the use of irrigation and municipal and industrial water facilities in exchange for annual payments to repay a portion of the Federal investment allocation to the construction of reimbursable irrigation and M&I water facilities. Also, power-marketing agencies enter into agreements with power users to recover capital investment costs allocated to power, on Reclamation's behalf. Costs associated with multipurpose plants are allocated to the various purposes through a cost allocation process. Generally, only those costs associated with power, irrigation, and M&I water are reimbursable. The typical repayment contract is up to 40 years, but may extend to 50 years or more if authorized by the Congress.

Unmatured repayment contracts are recognized on the Balance Sheet when the annual repayment

amount is earned, at which time current accounts receivable and current period exchange revenue is recorded. As of September 30, 2007 and 2006, amounts not yet earned under unmatured repayment contracts were \$2.8 billion respectively.

**Due from Federal Agencies, Net.** Accounts receivable due from Federal agencies arise from the sale of products and services to other Federal agencies, including the sale of maps, the performance of environmental and scientific services, and administrative and other services. These reimbursable arrangements generally reduce the duplication of effort within the Federal Government resulting in a lower cost of Federal programs and services. Substantially all receivables from other Federal agencies are considered to be collectible, as there is no credit risk. However, an allowance for doubtful accounts is used occasionally to recognize billing disputes.

Accounts and Interest Receivable from Federal entities consist of the following as of September 30, 2007 and 2006.

(dollars in thousands)	FY 2007		FY 2006	
Accounts and Interest Receivable from Federal Agencies				
Billed	\$	1,111,057	\$	25,722
Unbilled		310,822		414,788
<b>Total Accounts and Interest Receivable - Federal</b>	<b>\$</b>	<b>1,421,879</b>	<b>\$</b>	<b>440,510</b>

**NOTE 6. INTRAGOVERNMENTAL LOANS AND INTEREST RECEIVABLE, NET**

Intragovernment Loans and Interest Receivable, as of September 30, 2007 and 2006, are summarized as follows.

(dollars in thousands)	FY 2007		FY 2006	
Principal	\$	6,599,293	\$	6,378,188
Interest		2,192,969		2,053,503
Cumulative Repayments		(5,943,259)		(5,778,102)
Allowance for Non-Reimbursable Costs		(21,702)		(21,702)
<b>Intragovernmental Loans and Interest Receivable, Net</b>	<b>\$</b>	<b>2,827,301</b>	<b>\$</b>	<b>2,631,887</b>

Interest rates vary by project and pertinent legislation, and range from 4.9 percent to 7.6 percent for FY 2007 and 2.5 percent to 12.4 percent for FY 2006. Repayment terms are generally over a period not to exceed 50 years from the time revenue producing assets are placed in service.

## NOTE 7. LOANS AND INTEREST RECEIVABLE, NET

Direct loans and loan guarantees made prior to FY 1992 were funded by congressional appropriation from the general or special funds. These loans, referred to as liquidating loans, are reported net of an allowance for estimated uncollectible loans.

Direct loans and loan guarantees made after FY 1991 are accounted for in accordance with the requirements of the Federal Credit Reform Act of 1990 and are referred to as credit reform loans. Under credit reform, loans are comprised of two components. The first component is borrowed from Treasury with repayment provisions. The second component is for the subsidized portion of the loan and is funded by congressional appropriation. The Act provides that the present value of the subsidy costs (i.e., interest rate differentials, interest subsidies, estimated delinquencies and defaults, fee offsets, and other cash flows) associated with the direct loans and loan guarantees be recognized as a cost in the year the direct or guaranteed loan is disbursed. While this component is not subject to repayment, the loan program receives appropriations to fund any increases in subsidy due to interest rate fluctuations and changes in default rate estimates. There have been no changes in economic conditions, other risk factors, legislation, credit policies, and subsidy estimation methodologies and assumptions that have had a significant and measurable effect on subsidy rates, subsidy expense, and subsidy reestimates.

Included in the financial statements is a subsidy reestimate computed at the end of the fiscal year. The amounts included in the consolidated financial statements are not reported in the budget until the following fiscal year.

IA and Reclamation administer loan programs while the Departmental Offices and NPS provide loans on an individual basis under special circumstances. An analysis of the loans and the nature and amounts of the subsidy and associated administrative costs are provided in the following tables.

The subsidy rates disclosed pertain only to the current year cohorts. These rates cannot be applied to direct loans or guarantees for loans disbursed during the current reporting year to yield the subsidy

expense. The subsidy expense for new loans or guarantees for loans reported in the current year could result from disbursements of loans from both the current year and prior year cohorts. The subsidy expense reported in the current year also includes modifications and reestimates.

**Indian Affairs.** IA provides guaranteed loans to Indian Tribes and organizations, Indian individuals, and Alaska Natives for economic development purposes. The IA loan program includes the Indian Direct Loan Program (which ceased providing loans in 1995), the Indian Loan Guarantee Program under the Federal Credit Reform Act, and a Liquidating Fund for loans made prior to 1992.

Interest is accrued daily on the outstanding principal balance of direct and assigned loans based on a 360-day year for precredit reform loans and a 365-day year for credit reform loans. The interest rate charged on each loan is the Indian Financing Act rate that was effective at the time the loan was made. Interest is accrued on current and delinquent loans. Late fees accrue if a payment is received 15 days after its due date. For precredit reform loans, the amount of interest and late fees receivable is reduced by an allowance for uncollectible accounts. For credit reform direct loans, the interest and late fees receivable are considered in the subsidy allowance account.

**Bureau of Reclamation.** Reclamation operates loan programs that provide Federal assistance to non-Federal organizations for constructing or improving water resource projects in the Western States. Reclamation's loan programs are authorized under the Small Reclamation Projects Act of 1956, the Distribution System Loans Act, the Rural Development and Policy Act of 1980, and the Rehabilitation and Betterment Act.

Other loans consist primarily of drought relief and repayment loans. The other loans receivable balances represent amounts due to Reclamation, net of an allowance for estimated uncollectible loan balances. The allowance is determined by management for loan balances where collectibility is considered to be uncertain based on various factors, including age, past experience, present market and economic conditions, and characteristics of debtors.

Loan interest rates vary depending on the applicable legislation; in some cases, there is no stated interest rate on agricultural and Native American loans. Interest on applicable loans does not accrue until the loan enters repayment status.

The subsidy expense reported for FY 2007 includes a modification and technical reestimates. In FY 2007, the Fort McDowell Indian Community Water Rights Settlement Revision Act of 2006 (Public Law 109-373) was enacted. The law provides for cancellation of the repayment obligation of the Fort McDowell Yavapai Nation to repay an outstanding Credit Reform loan of \$13 million, for which a \$200 thousand subsidy allowance had previously been recorded. A modification for \$4.4 million of the outstanding loan was received and recorded as an increase to the subsidy expense in FY 2007. The FY 2007 technical reestimate includes the remaining \$8.4 million required to liquidate the Fort McDowell Yavapai Nation loan and adjusts for differences between the projected cash flows that were expected versus actual cash flows for all other Credit Reform loans. This combination resulted in a net increase to the subsidy expense of \$23.3 million.

There were no additional loan appropriations in FY 2007; therefore subsidy rates do not apply.

**Departmental Offices.** Departmental Offices have two loans, one precredit reform loan to the U.S. Virgin Islands and one postcredit reform loan to the American Samoa Government.

In 1977, a loan was extended to the Virgin Islands. The loan receivable from the Virgin Islands has an offsetting liability to the Federal Financing Bank. It has a final payment due date of July 2008. Principal and interest are due in January and July of each year. Interest is based on the amortization schedule for the loan with the Federal Financing Bank. The interest is accrued at year end based upon the period of July–September.

In 2001, a loan was extended to the ASG. The total has been approved for \$18.6 million and made available to the ASG bearing interest at a rate equal to the Treasury cost of borrowing for obligations of similar duration. The proceeds of the loan were used by the ASG for debt reduction and fiscal reform. In FY 2005, Interior reserved the full loan amount based on a reassessment of the loan's collectability.

**National Park Service.** The NPS has a single noninterest bearing loan with the Wolf Trap Foundation for the Performing Arts with an original loan principal totaling \$8.5 million. The loan principal is to be repaid to the NPS within 25 years from June 1, 1991. The loan principal is repaid in equal annual installments of approximately \$360,000. Repayment of the loan principal may include a credit of up to \$60,000 annually for public service tickets given to entities exempt from taxation pursuant to section 501(c) (3) of the Internal Revenue Code of 1986. In FY 2007 and 2006, the NPS granted the full \$60,000 credit to Wolf Trap. The monies received for repayment of this loan may be retained until expended by the Secretary of Interior in consultation with the Wolf Trap Foundation for the maintenance of structures, facilities, and equipment of the park.

## Notes to Principal Financial Statements

Outstanding loan balances, as of September 30, 2007 and 2006, are summarized as follows.

(dollars in thousands)

A. Direct Loan and Loan Guarantee Program Names:	FY 2007	FY 2006
Indian Affairs - Direct Liquidating Loans (Pre-Credit Reform)	\$ 12,114	\$ 13,836
Indian Affairs - Direct Loans (Credit Reform)	7,913	2,347
Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)	102	422
Indian Affairs - Guaranteed Loans (Credit Reform)	507	633
Bureau of Reclamation - Direct Loans (Pre-Credit Reform)	47,301	50,466
Bureau of Reclamation - Direct Loans (Credit Reform)	55,628	106,820
Departmental Offices - Virgin Island (Pre-Credit Reform)	842	3,375
National Park Service - Wolf Trap Foundation (Pre-Credit Reform)	2,878	3,238
<b>Total Loans and Interest Receivable, Net</b>	<b>\$ 127,285</b>	<b>\$ 181,137</b>

(dollars in thousands)

B. Direct Loans Obligated Prior to 1992					
Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method):					
Direct Loan Programs	Loans Receivable, Gross	Interest Receivable	Allowance For Loan Losses	Foreclosed Property	Assets Related to Direct Loans, Net
Indian Affairs - Direct Liquidating Loans (Pre-Credit Reform)	\$ 11,324	\$ 1,713	\$ (923)	\$ -	\$ 12,114
Bureau of Reclamation - Direct Loans (Pre-Credit Reform)	54,481	75	(7,255)	-	47,301
Departmental Offices - Virgin Island (Pre-Credit Reform)	793	49	-	-	842
National Park Service - Wolf Trap Foundation (Pre-Credit Reform)	2,878	-	-	-	2,878
<b>FY 2007 Total</b>	<b>\$ 69,476</b>	<b>\$ 1,837</b>	<b>\$ (8,178)</b>	<b>\$ -</b>	<b>\$ 63,135</b>
Indian Affairs - Direct Liquidating Loans (Pre-Credit Reform)	15,905	5,153	(7,222)	-	13,836
Bureau of Reclamation - Direct Loans (Pre-Credit Reform)	57,644	77	(7,255)	-	50,466
Departmental Offices - Virgin Island (Pre-Credit Reform)	3,239	136	-	-	3,375
National Park Service - Wolf Trap Foundation (Pre-Credit Reform)	3,238	-	-	-	3,238
<b>FY 2006 Total</b>	<b>\$ 80,026</b>	<b>\$ 5,366</b>	<b>\$ (14,477)</b>	<b>\$ -</b>	<b>\$ 70,915</b>



(dollars in thousands)

C. Direct Loans Obligated After FY 1991:

Direct Loan Programs	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans
Indian Affairs - Direct Loans (Credit Reform)	\$ 6,200	\$ 180	\$ -	\$ 1,533	\$ 7,913
Bureau of Reclamation - Direct Loans (Credit Reform)	94,139	-	-	(38,511)	55,628
Departmental Offices - American Samoa Government (Credit Reform)	17,317	945	-	(18,262)	-
<b>FY 2007 Total</b>	<b>\$ 117,656</b>	<b>\$ 1,125</b>	<b>\$ -</b>	<b>\$ (55,240)</b>	<b>\$ 63,541</b>

Indian Affairs - Direct Loans (Credit Reform)	6,933	342	0	(4,928)	2,347
Bureau of Reclamation - Direct Loans (Credit Reform)	114,329	-	-	(7,509)	106,820
Departmental Offices - American Samoa Government (Credit Reform)	17,324	796	-	(18,120)	-
<b>FY 2006 Total</b>	<b>\$ 138,586</b>	<b>\$ 1,138</b>	<b>\$ -</b>	<b>\$ (30,557)</b>	<b>\$ 109,167</b>

(dollars in thousands)

D. Total Amount of Direct Loans Disbursed (Post 1991):

Direct Loan Programs	FY 2007	FY 2006
Bureau of Reclamation - Direct Loans (Credit Reform)	\$ 9,213	\$ 8
Departmental Offices - American Samoa Government (Credit Reform)	-	19
<b>Total</b>	<b>\$ 9,213</b>	<b>\$ 27</b>

## Notes to Principal Financial Statements

(dollars in thousands)

### E. Subsidy Expense for Direct Loans by Program and Component:

Subsidy Expense for New Direct Loans Disbursed:					
Direct Loan Programs	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Bureau of Reclamation - Direct Loans (Credit Reform)	\$ -	\$ -	\$ -	\$ (713)	\$ (713)
Departmental Offices - American Samoa Government (Credit Reform)	-	-	-	-	-
<b>FY 2007 Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (713)</b>	<b>\$ (713)</b>

Direct Loan Programs	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Bureau of Reclamation - Direct Loans (Credit Reform)	\$ -	\$ -	\$ -	\$ -	\$ -
Departmental Offices - American Samoa Government (Credit Reform)	-	-	-	-	-
<b>FY 2006 Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Modifications and Reestimates					
Direct Loan Programs	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	
Indian Affairs - Direct Loans (Credit Reform)	\$ -	\$ (2,628)	\$ (566)	\$ (3,194)	
Bureau of Reclamation - Direct Loans (Credit Reform)	4,404	-	23,330	27,734	
Departmental Offices - American Samoa Government (Credit Reform)	2,177	-	-	2,177	
<b>FY 2007 Total</b>	<b>\$ 6,581</b>	<b>\$ (2,628)</b>	<b>\$ 22,764</b>	<b>\$ 26,717</b>	

Indian Affairs - Direct Loans (Credit Reform)	\$ -	\$ 3,770	\$ 2,134	\$ 5,904	
Bureau of Reclamation - Direct Loans (Credit Reform)	-	(8,989)	(4,570)	(13,559)	
Departmental Offices - American Samoa Government (Credit Reform)	-	-	-	-	
<b>FY 2006 Total</b>	<b>\$ -</b>	<b>\$ (5,219)</b>	<b>\$ (2,436)</b>	<b>\$ (7,655)</b>	

#### Total Direct Loan Subsidy Expense:

Direct Loan Programs	FY 2007	FY 2006
Indian Affairs - Direct Loans (Credit Reform)	\$ (3,194)	\$ 5,904
Bureau of Reclamation - Direct Loans (Credit Reform)	27,021	(13,559)
Departmental Offices - American Samoa Government (Credit Reform)	2,177	-
<b>Total</b>	<b>\$ 26,004</b>	<b>\$ (7,655)</b>

(dollars in thousands)

F. Subsidy Rates for Direct Loans by Program and Component:

Budget Subsidy Rates for Direct Loans for the Cohorts:					
Direct Loan Programs	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Bureau of Reclamation - Direct Loans (Credit Reform)	0.0%	0.0%	0.0%	0.0%	0.0%
Departmental Offices - American Samoa Government (Credit Reform)	0.0%	0.0%	0.0%	0.0%	0.0%
<b>FY 2007 Total</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>

Direct Loan Programs	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Bureau of Reclamation - Direct Loans (Credit Reform)	0.0%	0.0%	0.0%	0.0%	0.0%
Departmental Offices - American Samoa Government (Credit Reform)	0.0%	0.0%	0.0%	0.0%	0.0%
<b>FY 2006 Total</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>

(dollars in thousands)

G. Schedule for Reconciling Direct Loan Subsidy Cost Allowance Balances (Post-1991 Direct Loans)

	FY 2007	FY 2006
Beginning balance of the subsidy cost allowance	\$ 30,557	\$ 42,306
Add: Subsidy expense for direct loans disbursed during the reporting years by component:		
(a) Interest rate differential costs	-	-
(b) Other subsidy costs	(713)	-
Total of the above subsidy expense components	(713)	-
Adjustments:		
(a) Loan modification	6,581	-
(b) Loans written off	1,009	(264)
(c) Subsidy allowance amortization	2,049	(3,830)
(d) Other	(4,379)	-
Ending balance of the subsidy cost allowance before reestimates	35,104	38,212
Add or subtract subsidy reestimates by component:		
(a) Interest rate reestimate	(2,628)	(5,219)
(b) Technical/default reestimate	22,764	(2,436)
Total of the above reestimate components	20,136	(7,655)
<b>Ending balance of the subsidy cost allowance</b>	<b>\$ 55,240</b>	<b>\$ 30,557</b>

## Notes to Principal Financial Statements

(dollars in thousands)

### H. Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method):

Loan Guarantee Programs	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance For Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)	2,391	1,006	-	(3,295)	102
FY 2007 Total	\$ 2,391	\$ 1,006	\$ -	\$ (3,295)	\$ 102

Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)	8,431	5,634	-	(13,643)	422
FY 2006 Total	\$ 8,431	\$ 5,634	\$ -	\$ (13,643)	\$ 422

(dollars in thousands)

### I. Defaulted Guaranteed Loans from Post-1991 Guarantees (Present Value Method):

Loan Guarantee Programs	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Asset Values Related to Defaulted Guaranteed Loans Rec., Net
Indian Affairs - Guaranteed Loans (Credit Reform)	\$ 4,447	\$ 1,245	\$ -	\$ (5,185)	\$ 507
FY 2007 Total	\$ 4,447	\$ 1,245	\$ -	\$ (5,185)	\$ 507

Indian Affairs - Guaranteed Loans (Credit Reform)	\$ 5,610	\$ 1,437	\$ -	\$ (6,414)	\$ 633
FY 2006 Total	\$ 5,610	\$ 1,437	\$ -	\$ (6,414)	\$ 633

(dollars in thousands)

## J. Guaranteed Loans Outstanding as of September 30, 2007:

Guaranteed Loans Outstanding		Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
Loan Guarantee Programs			
Pre-1992		\$ 319	\$ 277
FY 1992		593	525
FY 1993		138	114
FY 1994		8,775	7,892
FY 1995		178	143
FY 1996		1,961	1,765
FY 1997		4,639	4,172
FY 1998		3,826	3,444
FY 1999		13,332	11,973
FY 2000		34,067	30,652
FY 2001		21,960	19,416
FY 2002		24,084	20,813
FY 2003		29,482	26,481
FY 2004		61,175	54,861
FY 2005		36,203	32,575
FY 2006		83,928	74,766
FY 2007		31,891	27,126
Total		\$ 356,551	\$ 316,995

## New Guaranteed Loans Disbursed:

Loan Guarantee Programs		Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
Amount Paid in FY 2007 for Prior Years		\$ 44,193	\$ 39,774
Amount Paid in FY 2007 for 2007 Guarantees		31,891	28,702
FY 2007	Total	\$ 76,084	\$ 68,476
Amount Paid in FY 2006 for Prior Years		\$ 14,024	\$ 12,622
Amount Paid in FY 2006 for 2006 Guarantees		47,744	42,970
FY 2006	Total	\$ 61,768	\$ 55,592

## Notes to Principal Financial Statements

(dollars in thousands)

### K. Liability for Loan Guarantees:

Loan Guarantee Programs		Liabilities for Losses on Pre-1992 Guarantees Estimated Future Default Claims			Liabilities for Loan Guarantees for Post-1991 Guarantees, Present Value	Total Liabilities for Loan Guarantees
Liability for Loan Guarantees (Estimated Future Default Claims for pre-1992 guarantees):						
Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)						
		\$	-	\$	41,434	\$ 41,434
FY 2007	Total	\$	-	\$	41,434	\$ 41,434
Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)						
		\$	-	\$	92,380	\$ 92,380
FY 2006	Total	\$	-	\$	92,380	\$ 92,380

(dollars in thousands)

### L. Subsidy Expense for Loan Guarantees by Program and Component:

Loan Guarantee Programs		Interest Supplements		Defaults	Fees and Other Collections		Other	Total	
Subsidy Expense for New Loan Guarantees:									
Indian Affairs - Guaranteed Loans (Credit Reform)									
		\$	2,622	\$	3,016	\$	(1,370)	\$ -	\$ 4,268
FY 2007	Total	\$	2,622	\$	3,016	\$	(1,370)	\$ -	\$ 4,268
Indian Affairs - Guaranteed Loans (Credit Reform)									
		\$	2,172	\$	1,712	\$	(1,039)	\$ -	\$ 2,845
FY 2006	Total	\$	2,172	\$	1,712	\$	(1,039)	\$ -	\$ 2,845
Modifications and Reestimates:									
Loan Guarantee Programs		Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates				
Indian Affairs - Guaranteed Loans (Credit Reform)									
		\$	-	\$	(31,166)	\$	(25,547)	\$	(56,713)
FY 2007	Total	\$	-	\$	(31,166)	\$	(25,547)	\$	(56,713)
Indian Affairs - Guaranteed Loans (Credit Reform)									
		\$	-	\$	(464)	\$	5,481	\$	5,017
FY 2006	Total	\$	-	\$	(464)	\$	5,481	\$	5,017

### Total Loan Guarantee Subsidy Expense:

Loan Guarantee Programs		FY 2007	FY 2006		
Indian Affairs - Guaranteed Loans (Credit Reform)					
		\$	(52,445)	\$	7,862
	Total	\$	(52,445)	\$	7,862

(dollars in thousands)

M. Subsidy Rates for Loan Guarantees by Program and Component:

Loan Guarantee Programs		Interest Supplements	Defaults	Fees and Other Collections	Other	Total
Indian Affairs - Guaranteed Loans (Credit Reform)		3.0%	5.0%	-2.0%	0.0%	6.0%
FY 2007	Total	3.0%	5.0%	-2.0%	0.0%	6.0%
Indian Affairs - Guaranteed Loans (Credit Reform)		3.5%	3.1%	-1.8%	0.0%	4.8%
FY 2006	Total	3.5%	3.1%	-1.8%	0.0%	4.8%

(dollars in thousands)

N. Schedule for Reconciling Loan Guarantee Liability Balances

	FY 2007	FY 2006
Beginning balance of the loan guarantee liability	\$ 92,380	\$ 81,670
Add: Subsidy expense for guaranteed loans disbursed during the reporting years by component:		
(a) Interest supplement costs	\$ 2,621	\$ 2,172
(b) Default costs (net of recoveries)	3,016	1,712
(c) Fees and other collections	(1,370)	(1,039)
Total of the above subsidy expense components	\$ 4,267	\$ 2,845
Adjustments:		
(a) Loan guarantee modification	-	-
(b) Fees received	1,805	1,092
(c) Interest supplements paid	(4,070)	(2,405)
(d) Claim payments to lenders	(1,540)	(289)
(e) Interest accumulation on the liability balance	5,861	4,541
(f) Other (recovery, revenue, and prior period adjustments)	(556)	(91)
Ending balance of the loan guarantee liability before reestimates	\$ 98,147	\$ 87,363
Add or subtract subsidy reestimates by component:		
(a) Interest rate reestimate	(31,166)	(464)
(b) Technical/default reestimate	(25,547)	5,481
Total of the above reestimate components	\$ (56,713)	\$ 5,017
Ending balance of the loan guarantee liability	\$ 41,434	\$ 92,380

(dollars in thousands)

O. Administrative Expense:

Direct Loan Programs		Loan Guarantee Programs	
Bureau of Reclamation - Direct Loans (Credit Reform)	\$ 76	Indian Affairs - Guaranteed Loan Programs	\$ 1,199
Departmental Offices - American Samoa Government (Credit Reform)	-		-
FY 2007 Total	\$ 76		\$ 1,199
Bureau of Reclamation - Direct Loans (Credit Reform)	\$ 54	Indian Affairs - Guaranteed Loan Programs	\$ 671
Departmental Offices - American Samoa Government (Credit Reform)	-		-
FY 2006 Total	\$ 54		\$ 671

## NOTE 8. INVENTORY AND RELATED PROPERTY, NET

Inventory and Related Property as of September 30, 2007 and 2006, consists of the following:

(dollars in thousands)	FY 2007	FY 2006
Inventory		
Published Maps Held for Current/Future Sale	\$ 7,379	\$ 8,600
Gas and Storage Rights held for Current / Future Sales	907	927
Operating Materials		
Working Capital Fund: Inventory, Held for Use	1,010	199
Airplane Parts and Fuel, Held for Use	1,006	851
Stockpile Materials		
Recoverable Below-Ground Crude Helium Held in Reserve	7,235	7,235
Recoverable Below-Ground Crude Helium Held for Sale	244,765	271,065
Total Inventory and Related Property	262,302	288,877
Allowance for Obsolescence	(6,889)	(8,018)
Inventory and Related Property, Net	\$ 255,413	\$ 280,859

## NOTE 9. GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

General Property, Plant, and Equipment consists of that property which is used in operations and, with some exceptions, consumed over time. Property, Plant, and Equipment categories with corresponding accumulated depreciation as of September 30, 2007, are shown in the following table.

FY 2007 (dollars in thousands)	Acquisition Cost	Accumulated Depreciation	Net Book Value
Land and Land Improvements	\$ 2,090,597	\$ 74,817	\$ 2,015,780
Buildings	3,156,022	1,301,107	1,854,915
Structures and Facilities	20,015,177	9,359,854	10,655,323
Leasehold Improvements	70,016	22,613	47,403
Construction in Progress			
Construction in Progress - General	1,949,212	-	1,949,212
Construction in Progress in Abeyance	571,639	-	571,639
Equipment, Vehicles, and Aircraft	1,792,378	1,135,334	657,044
Assets Under Capital Lease	30,367	6,994	23,373
Internal Use Software:			
In Use	156,837	88,444	68,393
In Development	87,716	-	87,716
Total Property, Plant, and Equipment	\$ 29,919,961	\$ 11,989,163	\$ 17,930,798

Property, Plant, and Equipment categories with corresponding accumulated depreciation as of September 30, 2006, are shown in the following table.

FY 2006 (dollars in thousands)	Acquisition Cost	Accumulated Depreciation	Net Book Value
Land and Land Improvements	\$ 2,073,341	\$ 67,933	\$ 2,005,408
Buildings	2,969,106	1,255,226	1,713,880
Structures and Facilities	19,916,130	9,186,962	10,729,168
Leasehold Improvements	38,296	11,925	26,371
Construction in Progress			
Construction in Progress - General	1,645,068	-	1,645,068
Construction in Progress in Abeyance	569,451	-	569,451
Equipment, Vehicles, and Aircraft	1,863,139	1,211,786	651,353
Assets Under Capital Lease	30,403	5,467	24,936
Internal Use Software:			
In Use	135,283	74,685	60,598
In Development	65,668	-	65,668
Total Property, Plant, and Equipment	\$ 29,305,885	\$ 11,813,984	\$ 17,491,901



## NOTE 10. STEWARDSHIP ASSETS

Interior's mission is to protect and manage the Nation's natural resources and cultural heritage. To ensure that these resources are preserved and sustained for the benefit and enjoyment of future generations, Congress has enacted legislation to assist in asset management.

The predominant laws governing the management of stewardship land are the NPS Organic Act (16 U.S.C. 1-4) and the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1701 et seq., Public Law 94-579, Sec. 103 (e)). However, there are many other significant laws that provide additional guidance on various aspects of stewardship land. Combined, these laws direct the management of the land for the benefit of present and future generations.

One of the most significant laws, FLPMA, created the concept of multiple use. Management of public lands and their resources are used in a combination that best meets the present and future needs of the American people. Today this law stands as one of the greatest legislative accomplishments in land management.

The preservation and management of heritage assets located on Federal lands or preserved in

Federal and Nonfederal facilities is guided chiefly by the Antiquities Act of 1906 (16 U.S.C. 431-433), the Archaeological Resources Protection Act of 1979, as amended (16 U.S.C. 470aa-mm), Curation of Federally-Owned and Administered Archeological Collections (36 C.F.R Part 79), the Native American Graves Protection and Repatriation Act of 1990, the National Historic Preservation Act (16 U.S.C. 468-468d), and Executive Order 13287 "Preserve America." These laws, however, present only a fraction of the many laws and regulations put in place that govern the preservation and management of stewardship assets.

Through these laws and regulations, Interior strives to preserve and manage stewardship land and heritage assets so that their value is preserved intelligently and that they are thoughtfully integrated into the needs of the surrounding communities. The cited legislation is implemented through Interior policy and guidance, whereby continuous program management evaluations and technical reviews ensure compliance.

The Required Supplementary Information section of this report provides additional information concerning stewardship land and heritage assets.

## NOTE 11. ASSETS ANALYSIS

Assets of Interior include entity assets (unrestricted and restricted) and nonentity assets. Unrestricted assets are those available for use by Interior. Restricted assets, as defined by Interior, are certain large unavailable receipt funds that are only available for Interior use when appropriated by Congress. Nonentity assets are currently held by but not available to Interior and will be forwarded to Treasury or other agencies at a future date.

Entity restricted assets consist of the Land and Water Conservation Fund, the Historic Preservation Fund, the Environmental Improvement and

Restoration Fund, the Reclamation Fund, and other unavailable receipt funds. See Note 24, Earmarked Funds, for additional information on some of these funds.

Nonentity assets, restricted by nature, consist of MMS's custodial royalty activity, a portion of the Sport Fish Restoration and Boating Trust Fund that is held for others, amounts in deposit, miscellaneous receipts, special receipts, and budget clearing accounts held for others.

## Notes to Principal Financial Statements

Interior's assets as of September 30, 2007, are summarized into the following categories.

(dollars in thousands)	Entity Unrestricted	Entity Restricted	Non Entity Restricted	FY 2007
Intragovernmental Assets:				
Fund Balance with Treasury	\$ 9,979,040	\$ 24,502,019	\$ 295,612	\$ 34,776,671
Investments, Net	5,812,382	1,419,391	90,772	7,322,545
Accounts and Interest Receivable	761,304	1,022	659,553	1,421,879
Loans and Interest Receivable, Net	-	2,827,301	-	2,827,301
Other				
Advances and Prepayments	529	-	-	529
<b>Total Intragovernmental Assets</b>	<b>16,553,255</b>	<b>28,749,733</b>	<b>1,045,937</b>	<b>46,348,925</b>
Cash	756	-	-	756
Investments, Net	163,354	-	-	163,354
Accounts and Interest Receivable, Net	177,925	4,414	1,764,678	1,947,017
Loans and Interest Receivable, Net	127,285	-	-	127,285
Inventory and Related Property, Net	255,413	-	-	255,413
General Property, Plant, and Equipment, Net	17,930,798	-	-	17,930,798
Other				
Advances and Prepayments	101,654	-	-	101,654
Net Power Rights	108,318	-	-	108,318
Subtotal	209,972	-	-	209,972
<b>TOTAL ASSETS</b>	<b>\$ 35,418,758</b>	<b>\$ 28,754,147</b>	<b>\$ 2,810,615</b>	<b>\$ 66,983,520</b>

Interior's assets as of September 30, 2006, are summarized into the following categories.

(dollars in thousands)	Entity Unrestricted	Entity Restricted	Non Entity Restricted	FY 2006
Intragovernmental Assets:				
Fund Balance with Treasury	\$ 10,129,995	\$ 23,039,999	\$ 239,388	\$ 33,409,382
Investments, Net	6,188,608	1,808,561	97,664	8,094,833
Accounts and Interest Receivable	156,853	16,065	267,592	440,510
Loans and Interest Receivable, Net	-	2,631,887	-	2,631,887
Other				
Advances and Prepayments	529	-	-	529
<b>Total Intragovernmental Assets</b>	<b>16,475,985</b>	<b>27,496,512</b>	<b>604,644</b>	<b>44,577,141</b>
Cash	825	-	-	825
Investments, Net	188,100	-	-	188,100
Accounts and Interest Receivable, Net	187,850	4,115	2,286,072	2,478,037
Loans and Interest Receivable, Net	181,137	-	-	181,137
Inventory and Related Property, Net	280,859	-	-	280,859
General Property, Plant, and Equipment, Net	17,491,901	-	-	17,491,901
Other				
Advances and Prepayments	112,955	-	-	112,955
Net Power Rights	122,032	-	-	122,032
Subtotal	234,987	-	-	234,987
<b>TOTAL ASSETS</b>	<b>\$ 35,041,644</b>	<b>\$ 27,500,627</b>	<b>\$ 2,890,716</b>	<b>\$ 65,432,987</b>

**NOTE 12. INTRAGOVERNMENTAL DEBT**

Interior's debt to Treasury consists of: (1) the helium production fund; (2) borrowings to finance the credit reform loan programs; and (3) borrowings to finance loans under the Federal Financing Bank.

Intragovernmental debt to Treasury activity as of September 30, 2007 and 2006, is summarized as follows.

(dollars in thousands)	FY 2006 Beginning Balance	Borrowing / (Repayments), Net	FY 2006 Ending Balance	Borrowing / (Repayments), Net	FY 2007 Ending Balance
Helium Fund	\$ 1,074,204	\$ (160,000)	\$ 914,204	\$ (150,000)	\$ 764,204
Credit Reform Borrowings	140,798	(1,669)	139,129	(46,120)	93,009
Federal Financing Bank	5,523	(2,284)	3,239	(2,445)	794
<b>Total Debt Due to Treasury</b>	<b>\$ 1,220,525</b>	<b>\$ (163,953)</b>	<b>\$ 1,056,572</b>	<b>\$ (198,565)</b>	<b>\$ 858,007</b>

**A. Helium Fund - Bureau of Land Management**

The Helium Fund was established in the late 1950s and early 1960s to ensure that the Federal Government had access to a dependable supply of helium, which at that time was considered to be a critical defense commodity. Start-up capital was loaned to the helium program with the expectation that the capital would be repaid with the proceeds of sales to other Federal Government users of helium. However, subsequent changes in the market price of helium and the need of Government users for the commodity made the repayment of the capital and subsequent accrued interest impractical. Given the intra-Governmental nature of the loan, unless the loan is forgiven, the funds for repayment to Treasury must come from the Treasury, either in the form of appropriations to the helium fund to repay the loan or in the form of appropriations to other Government users of helium to pay the higher prices necessary to permit loan repayment.

The principal reported in the following table reflects the amount recorded by Treasury for the net worth capital and retained earnings of the Helium Fund. It also includes any monies expended thereafter by Interior from funds provided in the Supplemental Appropriation Act of 1959 for construction of a helium plant at Keyes, Oklahoma. Furthermore, the principal balance, which includes borrowings from Treasury, represents funds borrowed for the acquisition and construction of helium plants and

facilities and other related purposes, including the purchase of helium. These amounts were due 25 years from the date the funds were borrowed. However, as funding has not been received to repay the amounts due, the amounts could not be repaid.

Interest on borrowing is compound interest on the debts described above, at rates determined by the Secretary of the Treasury, taking into consideration the current average market yields of outstanding marketable obligations of the United States having maturities comparable to investments authorized. The interest rate was determined at the time of each borrowing. With the passage of the Helium Privatization Act of 1996, no further interest is being accrued on this debt.

Until FY 2002, Interior had generally paid \$10 million annually on its debt to Treasury. Due to the increased revenue in the helium fund, as a result of the sale of stockpile crude helium which began in March 2003 and will continue until January 1, 2015, Interior is planning to repay at least \$50 million each year, with exact amounts depending on annual revenues collected. The repayments will continue until the debt is repaid or until the stockpile crude helium sales cease. At that time the repayment plan will be revised.

Debt related to the Helium Fund as of September 30, 2007 and 2006, is summarized as follows.

(dollars in thousands)	FY 2007	FY 2006
Principal	\$ 251,651	\$ 251,651
Interest		
Balance, Beginning of Year	662,553	822,553
Repayments	(150,000)	(160,000)
Balance, End of Year	512,553	662,553
<b>Total Debt Due to Treasury</b>	<b>\$ 764,204</b>	<b>\$ 914,204</b>

**B. Intragovernmental Debt to Treasury under Credit Reform**

IA, Reclamation, and Departmental Offices (Office of Insular Affairs) have borrowed funds from Treasury in accordance with the Credit Reform Act of 1990 to fund loans under various loan programs.

**Indian Affairs.** The Credit Reform Act authorizes IA to borrow from Treasury the amount of a direct loan disbursement, less the subsidy. The Act provides that the present value of the subsidy costs (i.e., interest rate differentials, interest subsidies, estimated delinquencies and defaults, fee offsets, and other cash flows) associated with the direct loans and loan guarantees be recognized as a cost in the year the direct or guaranteed loan is disbursed.

Interest is accrued daily on the outstanding principal balance of direct and assigned loans based on a 365-day year for credit reform loans. The interest rate charged on each loan is the Indian Financing Act Rate that was effective at the time the loan was made and ranges from 4.87 percent to 11.12 percent. These loans have various maturity dates from 2008 to 2029.

**Bureau of Reclamation.** As discussed in Note 7, Reclamation establishes loans that are subject to

the provisions of Credit Reform. Under the Credit Reform Act, loans consist of two components—the part borrowed from the Treasury and the appropriated part to cover the estimated subsidy. The maturity dates for these loans range from 2012 to 2047. The weighted average interest rate used to calculate interest owed to Treasury ranges from 3.63 to 7.59 percent for FY 2007 and 4.67 to 7.59 percent for FY 2006.

**Departmental Offices.** Interest is accrued annually based on the prevailing market yield on Treasury securities of comparable maturity. The weighted average interest rate used to calculate interest owed to Treasury is 5.53 percent. The loan has a final payment date of September 30, 2027.

**C. Intragovernmental Debt to Treasury - Federal Financing Bank**

**Departmental Offices** (Office of Insular Affairs) has borrowed funds from Treasury in accordance with the Federal Financing Bank Act of 1973 for the purpose of operating a direct loan. Interest is based on the amortization schedule for the loan with the Federal Financing Bank. Principal and interest payments are due in January and July of each year. Interest is accrued at year end based upon the July to September period. The loan has a final payment due date of July 1, 2008.

**NOTE 13. FEDERAL EMPLOYEE AND VETERAN BENEFITS PAYABLE**

Federal Employee and Veteran Benefits Payable as of September 30, 2007 and 2006, consisted of the following.

(dollars in thousands)	FY 2007	FY 2006
Federal Employee and Veteran Benefits Payable		
U.S. Park Police Pension Actuarial Liability	\$ 671,179	\$ 677,257
U.S. Park Police Pension Current Liability	33,121	31,343
Federal Employees Compensation Actuarial Liability	659,333	678,823
<b>Total Federal Employee and Veteran Benefits Payable</b>	<b>\$ 1,363,633</b>	<b>\$ 1,387,423</b>

**U.S. Park Police Pension Plan.** In estimating the U.S. Park Police Pension Plan liability and associated expense, the NPS's actuary applies economic assumptions to historical cost information to estimate the government's future cost to provide benefits to current and future retirees. The estimate is adjusted by the time value of money

and the probability of having to pay benefits due to assumed decrements for mortality, morbidity, and terminations. The following table presents the significant economic assumptions used to estimate the USPP Pension Plan liability and associated expenses and the change in the USPP Pension Plan Liability.

Economic Assumptions Used Expressed In Percentages	FY 2007	FY 2006
Interest Rate	6.25	6.25
Inflationary Rate	3.50	3.50
Projected Salary Increase	4.25	4.25

(dollars in thousands)

USPP Pension Plan Expense	FY 2007	FY 2006
Normal Costs	\$ 200	\$ 500
Interest	43,100	41,300
Assumption Changes at Beginning of Year	(14,479)	19,743
Total Pension Expenses	\$ 28,821	\$ 61,543

(dollars in thousands)

USPP Pension Plan Liability	FY 2007	FY 2006
Beginning Balance	\$ 708,600	\$ 678,400
Total Pension Expense	28,821	61,543
Less Benefit Payments	(33,121)	(31,343)
Ending Balance	\$ 704,300	\$ 708,600

## NOTE 14. CONTINGENT LIABILITIES AND ENVIRONMENTAL AND DISPOSAL LIABILITIES

Interior is party to various administrative proceedings, legal actions, and tort claims which may result in settlements or decisions adverse to the Federal Government and has responsibility to remediate sites with environmental contamination. Interior has accrued liabilities where losses are determined to be probable and the amounts can be estimated. Interior has disclosed contingent liabilities

where the conditions for liability recognition are not met but the likelihood of unfavorable outcome is more than remote.

The accrued and potential Contingent Liabilities and Environmental and Disposal Liabilities as of September 30, 2007 and 2006, are summarized in the categories below.

(dollars in thousands)	FY 2007 Accrued Liabilities	Estimated Range of Loss	
		Lower End	Upper End
Contingent Liabilities			
Probable	\$ 354,678	\$ 354,678	\$ 2,077,491
Reasonably Possible		292,462	3,023,145
Environmental and Disposal Liabilities			
Probable	\$ 147,514	\$ 147,514	\$ 355,142
Reasonably Possible		74,085	209,281
(dollars in thousands)	FY 2006 Accrued Liabilities	Estimated Range of Loss	
		Lower End	Upper End
Contingent Liabilities			
Probable	\$ 614,468	\$ 614,468	\$ 2,432,156
Reasonably Possible		371,877	1,651,958
Environmental and Disposal Liabilities			
Probable	\$ 153,466	\$ 153,466	\$ 323,479
Reasonably Possible		126,869	302,895

**General Contingent Liabilities.** General Contingent Liabilities consist of numerous lawsuits and claims filed against Interior which are awaiting adjudication. They typically relate to Federal Tort Claims Act administrative and judicial claims,

contract related actions, tribal and Indian trust-related matters, personnel and employment-related matters, and various land and resource related claims and adjudications. Most of the cash settlements are expected to be paid out of the

Judgment Fund, which is maintained by Treasury, rather than the operating resources of Interior. In suits brought through the Contract Disputes Act of 1978 and awards under Federal antidiscrimination and whistleblower protection acts, Interior is required to reimburse the Judgment Fund from future agency appropriations.

No amounts have been accrued in the financial records for claims where the amount of potential loss cannot be estimated or the likelihood of an unfavorable outcome is less than probable.

Matters for which the likelihood of an unfavorable outcome is less than probable but more than remote involve a wide variety of allegations and claims. These matters arise in the course of carrying out Interior programs and operations, including interaction with tribes and individual Indians, interaction with trust territory in the Pacific Islands, operation of wildlife refuges, law enforcement of Interior-managed land, general management activities on Interior land, resource related claims, and operations of reclamation projects. The ultimate outcomes in these matters cannot be predicted at this time. Sufficient information is not currently available to determine if the ultimate resolution of the proceedings, actions, and claims will materially affect Interior's financial position or results of operations.

Additional pending litigation relates to the Secretary of Interior's management of the monies and lands held in trust by the Federal Government for Indian tribes and individuals. Tribal trust cases involve claims for trust fund and asset mismanagement, accounting, and other declaratory relief. A class action lawsuit brought on behalf of beneficiaries of the Individual Indian Money (IIM) trust accounts alleges breach of trust obligations in the management of IIM account funds. No estimate or range of loss can reasonably be made regarding financial liability that may result from judgment or settlement of the tribal trust cases or IIM trust fund litigation. Accounting efforts to date have not revealed evidence of material systemic errors.

**Environmental and Disposal Liability.** Interior is subject to environmental laws and regulations regarding air, water, and land use, the storage and disposal of hazardous materials, and the operations and closure of facilities at which environmental contamination may be present. The major Federal laws covering environmental response, cleanup, and monitoring are the Comprehensive Environmental Response, Compensation, and Liability Act, Resource Conservation and Recovery Act, Oil Pollution Act, Clean Water Act, Clean Air Act, Safe Drinking Water Act, and Asbestos Hazard Emergency Response Act. Responsible parties, which may include Federal agencies under certain circumstances, are required to remove releases of hazardous substances from facilities they own, operate, or at which they arranged for the disposal of such substances. There are no material changes in total estimated cleanup costs that are due to changes in law and technology. Estimated environmental and disposal liabilities include expected future cleanup costs, and for those sites where future liability is unknown, the cost of studies necessary to evaluate response requirements.

Certain Departmental facilities may have regulated materials (e.g., asbestos) used in the construction or later renovation of the facility. These materials, while in an undisturbed or encapsulated state (e.g., nonfriable asbestos), are not subject to cleanup under applicable law. The current policy is that unless and until the materials become friable or otherwise capable of causing contamination, the costs for monitoring or other management of these materials are not to be accrued as environmental cleanup. Currently, any cost for remediation or abatement would only accrue if the material becomes friable or is otherwise released into the environment. Under normal circumstances, remediation or abatement is limited to situations such as the remodeling or demolition of a building containing such materials. Costs would then be reported in the same manner as any other environmental liability.

**NOTE 15. LIABILITIES ANALYSIS**

Liabilities covered by budgetary resources are funded liabilities to be paid with existing budgetary resources. Liabilities not covered by budgetary resources represent those unfunded liabilities for which congressional action is needed before budgetary resources can be provided.

Interior's liabilities covered and not covered by budgetary resources as of September 30, 2007, are as follows.

(dollars in thousands)	Covered by Budgetary Resources		Not Covered by Budgetary Resources		FY 2007
	Current	Non-Current	Current	Non-Current	
<b>Intragovernmental Liabilities:</b>					
Accounts Payable	\$ 62,818	\$ -	\$ -	\$ 528,034	\$ 590,852
Debt	50,000	807,164	49	794	858,007
Other					
Resources Payable to Treasury	-	-	44,894	1,985,796	2,030,690
Advances and Deferred Revenue	793,018	-	979	352	794,349
Custodial Liability	-	-	670,752	149,232	819,984
Other Liabilities					
Accrued Employee Benefits	41,996	-	24,571	35,675	102,242
Judgment Fund	-	-	-	192,277	192,277
Unfunded FECA Liability	-	-	35,792	58,636	94,428
Other Miscellaneous Liabilities	361	-	97,349	96,327	194,037
Total Other Liabilities	42,357	-	157,712	382,915	582,984
Total Other Intragovernmental Liabilities	835,375	-	874,337	2,518,295	4,228,007
Total Intragovernmental Liabilities	948,193	807,164	874,386	3,047,123	5,676,866
<b>Public Liabilities:</b>					
Accounts Payable	1,004,063	72,885	-	-	1,076,948
Loan Guarantee Liability	-	41,434	-	-	41,434
Federal Employee and Veterans' Benefits					
U.S. Park Police Pension Actuarial Liability	-	-	-	671,179	671,179
U.S. Park Police Pension Current Liability	33,121	-	-	-	33,121
FECA Actuarial Liability	-	-	6,186	653,147	659,333
Total Federal Employee Veterans' Benefits	33,121	-	6,186	1,324,326	1,363,633
Environmental and Disposal Liabilities	-	-	-	147,514	147,514
Other					
Contingent Liabilities	-	-	-	354,678	354,678
Advances and Deferred Revenue	205,028	-	237,362	298,868	741,258
Payments Due to States	-	-	490,275	149,232	639,507
Other Liabilities					
Accrued Payroll and Benefits	196,762	-	-	-	196,762
Unfunded Annual Leave	-	-	24,906	330,299	355,205
Capital Leases	2,606	273	12	22,709	25,600
Custodial Liability	-	-	17,703	-	17,703
Secure Rural Schools Act Payable	-	-	110,213	-	110,213
Storm Damage	38,328	71,182	-	-	109,510
Other Miscellaneous Liabilities	18,760	1,688	26,514	75,121	122,083
Total Other Liabilities	256,456	73,143	179,348	428,129	937,076
Total Other Public Liabilities	461,484	73,143	906,985	1,230,907	2,672,519
Total Public Liabilities	1,498,668	187,462	913,171	2,702,747	5,302,048
Total Liabilities	\$ 2,446,861	\$ 994,626	\$ 1,787,557	\$ 5,749,870	\$ 10,978,914

## Notes to Principal Financial Statements

Interior's liabilities covered and not covered by budgetary resources as of September 30, 2006, are as follows.

(dollars in thousands)	Covered by Budgetary Resources		Not Covered by Budgetary Resources		FY 2006
	Current	Non-Current	Current	Non-Current	
<b>Intragovernmental Liabilities:</b>					
Accounts Payable	\$ 44,946	\$ -	\$ -	\$ -	44,946
Debt	47,718	1,003,196	717	4,941	1,056,572
Other					
Resources Payable to Treasury	-	-	46,215	2,048,029	2,094,244
Advances and Deferred Revenue	1,305,721	-	3,083	994	1,309,798
Custodial Liability	-	-	747,131	314,748	1,061,879
Other Liabilities					
Accrued Employee Benefits	39,853	-	19,139	34,530	93,522
Judgment Fund	-	-	-	180,572	180,572
Unfunded FECA Liability	-	-	37,200	58,081	95,281
Other Miscellaneous Liabilities	27	-	97,979	33,694	131,700
Total Other Liabilities	39,880	-	154,318	306,877	501,075
Total Other Intragovernmental Liabilities	1,345,601	-	950,747	2,670,648	4,966,996
Total Intragovernmental Liabilities	1,438,265	1,003,196	951,464	2,675,589	6,068,514
<b>Public Liabilities:</b>					
Accounts Payable	1,034,621	75,028	-	6	1,109,655
Loan Guarantee Liability	-	92,380	-	-	92,380
Federal Employee and Veterans' Benefits					
U.S. Park Police Pension Actuarial Liability	-	-	-	677,257	677,257
U.S. Park Police Pension Current Liability	31,343	-	-	-	31,343
FECA Actuarial Liability	-	-	6,520	672,303	678,823
Total Federal Employee Veterans' Benefits	31,343	-	6,520	1,349,560	1,387,423
Environmental and Disposal Liabilities	-	60	-	153,406	153,466
Other					
Contingent Liabilities	-	-	-	614,468	614,468
Advances and Deferred Revenue	198,975	-	241,700	306,684	747,359
Payments Due to States	-	-	497,840	314,748	812,588
Other Liabilities					
Accrued Payroll and Benefits	195,405	-	-	-	195,405
Unfunded Annual Leave	-	-	9,278	343,806	353,084
Capital Leases	1,997	1,354	12	23,555	26,918
Custodial Liability	-	-	22,242	-	22,242
Secure Rural Schools Act Payable	-	-	106,719	-	106,719
Storm Damage	56,211	101,495	-	-	157,706
Other Miscellaneous Liabilities	19,789	1,363	6,127	62,769	90,048
Total Other Liabilities	273,402	104,212	144,378	430,130	952,122
Total Other Public Liabilities	472,377	104,212	883,918	1,666,030	3,126,537
Total Public Liabilities	1,538,341	271,680	890,438	3,169,002	5,869,461
Total Liabilities	\$ 2,976,606	\$ 1,274,876	\$ 1,841,902	\$ 5,844,591	\$ 11,937,975

### NOTE 16. ROYALTIES RETAINED

Royalties Retained include mineral receipts transferred to Interior totaling \$4,440 and \$4,390 million for the periods ended September 30, 2007 and 2006, respectively. These amounts include transfers to the Land and Water Conservation Fund, to MMS for distribution to States, and to offset costs incurred by MMS related to royalty collections and the Reclamation Fund. These amounts are presented on the Statement of Changes in Net Position in accordance with Federal accounting

standards and are considered other sources of budgetary financing.

MMS received \$1,732 million and \$1,931 million of revenue in FY 2007 and 2006 that they subsequently provided to the States. In addition, MMS received approximately \$250 million for Coastal Impact Assistance Program (grant program) in FY 2007.



**NOTE 17. LEASES****Capital Leases**

Capital leases as of September 30, 2007 and 2006, consist of the following:

(dollars in thousands)	FY 2007		FY 2006	
Real Property	\$	28,000	\$	28,000
Personal Property		2,367		2,403
Accumulated Amortization		(6,994)		(5,467)

(dollars in thousands)	Real Property		Personal Property		Total
Fiscal Year					
2008	\$	2,085	\$	598	\$ 2,683
2009		2,172		294	2,466
2010		2,172		-	2,172
2011		2,172		-	2,172
2012		2,172		-	2,172
Thereafter		25,285		-	25,285
Total Future Capital Lease Payments		36,058		892	36,950
Less: Imputed Interest		11,263		87	11,350
Less: Executory Costs		-		-	-
FY 2007 Net Capital Lease Liability	\$	24,795	\$	805	\$ 25,600
FY 2006 Net Capital Lease Liability	\$	25,541	\$	1,377	\$ 26,918

Interior's capital leases are with the public and consist of a 20-year lease for the Western Archeological and Conservation Center in Tucson, Arizona, and 3-year leases for copiers. The aggregate of Interior's future minimum lease payments for capital leases are presented in the table above.

**Operating Leases**

The aggregate of Interior's future minimum lease payments for operating leases are presented in the table below.

Future Operating Lease Payments

(dollars in thousands)	Real Property		Personal Property		Total
Fiscal Year	Federal	Public	Federal	Public	
2008	\$ 261,659	\$ 65,281	\$ 61,710	\$ 3,711	\$ 392,361
2009	251,347	62,548	63,251	3,316	380,462
2010	244,634	58,198	64,833	2,910	370,575
2011	236,949	50,261	66,453	2,918	356,581
2012	196,051	43,435	68,115	2,980	310,581
Thereafter	127,456	408,541	-	-	535,997
Total Future Operating Lease Payments	\$ 1,318,096	\$ 688,264	\$ 324,362	\$ 15,835	\$ 2,346,557

Most of Interior's facilities are obtained through the General Services Administration, which charges an amount that approximates commercial rental rates. The terms of Interior's agreements with GSA will vary according to whether the underlying assets are owned by GSA (or another Federal agency) or rented by GSA from the private sector. For Federally owned property, Interior either periodically executes an agreement with GSA or enters into cancelable agreements, some of which do not have a formal expiration date. Interior can vacate these properties after giving 120 to 180 days notice of the intent to vacate. However, Interior normally occupies these properties for an extended period of time with little variation from year to year. Interior also leases

personal property from GSA and other entities. The terms for GSA personal property agreements frequently exceed one year, although a definite period is not always specified.

For real and personal property, future payments are calculated based on the terms of the agreement or if the agreement is silent, an annual inflationary factor of 2.4 percent for FY 2008 and 2.5 percent for FY 2009 and beyond. The inflationary factors are applied against the actual 2007 rental expense. For agreements that have an indefinite period of performance, future payments are calculated only for 5 years.

### NOTE 18. COSTS

By law, Interior, as an agency of the Federal Government, is dependent upon other Government agencies for centralized services. Some of these services, such as tax collection and management of the public debt, are not directly identifiable to Interior and are not reflected in Interior's financial condition and results. However, in certain cases, other Federal agencies incur costs that are directly identifiable to Interior operations, including payment of claims and litigation by Treasury's Judgment Fund, and the partial funding of retirement benefits by the OPM. In accordance with SFFAS 4, "Managerial Cost Accounting," Interior recognizes identified costs paid for Interior by other agencies as expenses of Interior. The funding for these costs is reflected as imputed financing sources on the Statement of Changes in Net Position. Costs paid by other agencies on behalf of Interior were \$550 million and \$473 million during FY 2007 and FY 2006, respectively. Interior's

imputed costs that were recognized in the financial statements but eliminated for consolidation purposes were \$94 million and \$65 million during FY 2007 and FY 2006, respectively.

Interior also receives donated heritage assets such as stewardship land, cultural landscapes, and library and museum objects. These donations are received from the public or from nonprofit conservation organizations and had an estimated value of \$1 million in FY 2006. There were no donations in FY 2007. During FY 2007 and FY 2006, the costs associated with acquiring, constructing, and renovating heritage assets were \$134 million and \$159 million, respectively. The costs associated with acquiring and improving stewardship lands were \$132 million and \$159 million during FY 2007 and FY 2006, respectively.

### NOTE 19. STRATEGIC PETROLEUM RESERVE

Interior transfers barrels of oil, drawn from Federal leases within the Gulf of Mexico, to the DOE as a means to refill selected Strategic Petroleum Reserve locations. This is in accordance with no-cost transfer arrangements of Royalty-in-Kind crude oil. The transferred oil is reflected as mineral lease revenue and a distribution of revenue to the DOE on the Statement of Custodial Activity. The new SPR fill initiative began in July 2007.

The value of oil transferred in FY 2007 was approximately \$306 million, which includes the final revision to the estimates for FY 2006 and is included in \$356 million of distributions to the Department of Energy on the Statement of Custodial

Activity. The value of the oil was based on actual volumes reported on pipeline statements applied to commodity prices at on-shore market centers, less actual monthly value differences between offshore and onshore market centers that were bid by the successful bidders on the RIK volumes. The volume of oil transferred in September 2007 was estimated based on nominations (projected production) from the suppliers as the actuals were not available. In addition, the value of the September oil was estimated based on August pricing. The FY 2006 activity (\$18) million represented subsequent revisions to pipeline statements and final revisions to estimates.

## NOTE 20. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE BY RESPONSIBILITY SEGMENT

The tables on the following pages present Interior's earned revenues for sales of goods and services to Federal agencies and the public, gross costs associated with Federal agencies and the public, and net cost of operations by program and by responsibility segment.

### ***Responsibility Segment Presentation.***

OMB Circular No. A-136, "Financial Reporting Requirements," requires that the presentation of the Statement of Net Cost align directly with the goals and outcomes identified in the Strategic Plan. Accordingly, Interior presented the earned revenue and gross costs by Mission Goals from Interior's Strategic Plan.

The Government Performance Results Act requires Federal agencies to revise their Strategic Plans every three years. Accordingly, Interior's Strategic Plan was updated in FY 2007. The Mission Goals in the current Strategic Plan remain the same as those in the previous plan; however, composition of the programs and costs associated to the individual

Mission Goals is different in the current Strategic Plan than in the previous one and the performance measures within each of the Mission Goals changed. As a result, the FY 2007 Statement of Net Cost is not comparable to the FY 2006 Statement of Net Cost.

Resource Protection and Recreation end outcome goals had gains for FY 2007. Resource Use and Serving Communities end outcome goals had a decline for FY 2007.

The primary Mission Goals are: Resource Protection, Resource Use, Recreation, and Serving Communities. Management Excellence costs are part of mission area goal costs. Reimbursable costs are comprised of services provided to other Federal agencies not part of Interior's core mission. These Mission Goals are supported by 15 Department level end outcome goals identified in Interior's FY 2007 Strategic Plan.

## Notes to Principal Financial Statements

### FY 2007 Intragovernmental Costs and Exchange Revenue by Responsibility Segment

(dollars in thousands)	Indian Affairs	Bureau of Land Management	Bureau of Reclamation	Departmental Offices and Other	Minerals Management Service
<b>Resource Protection</b>					
Intragovernmental Costs	\$ 311	\$ 116,219	\$ 24,268	\$ 17,506	\$ 240
Public Costs	491	384,543	43,232	56,974	931
Total Costs	802	500,762	67,500	74,480	1,171
Intragovernmental Earned Revenue	-	125,761	6,592	7,764	-
Public Earned Revenue	-	63,520	42,366	1,033	-
Total Earned Revenue	-	189,281	48,958	8,797	-
Net Costs	\$ 802	\$ 311,481	\$ 18,542	\$ 65,683	\$ 1,171
<b>Resource Use</b>					
Intragovernmental Costs	\$ -	\$ 80,410	\$ 417,105	\$ 1,936	\$ 97,833
Public Costs	-	236,884	925,449	5,896	1,756,180
Total Costs	-	317,294	1,342,554	7,832	1,854,013
Intragovernmental Earned Revenue	-	1,380	244,342	-	-
Public Earned Revenue	-	303,160	569,244	-	181,995
Total Earned Revenue	-	304,540	813,586	-	181,995
Net Costs	\$ -	\$ 12,754	\$ 528,968	\$ 7,832	\$ 1,672,018
<b>Recreation</b>					
Intragovernmental Costs	\$ -	\$ 32,165	\$ 11,497	\$ -	\$ -
Public Costs	-	178,338	24,149	-	-
Total Costs	-	210,503	35,646	-	-
Intragovernmental Earned Revenue	-	4,181	4,399	-	-
Public Earned Revenue	-	23,909	19,566	-	-
Total Earned Revenue	-	28,090	23,965	-	-
Net Costs	\$ -	\$ 182,413	\$ 11,681	\$ -	\$ -
<b>Serving Communities</b>					
Intragovernmental Costs	\$ 425,065	\$ 383,376	\$ -	\$ 144,127	\$ -
Public Costs	2,189,397	1,281,805	-	814,035	-
Total Costs	2,614,462	1,665,181	-	958,162	-
Intragovernmental Earned Revenue	237,950	88,604	-	18,202	-
Public Earned Revenue	121,873	35,751	-	20,757	-
Total Earned Revenue	359,823	124,355	-	38,959	-
Net Costs	\$ 2,254,639	\$ 1,540,826	\$ -	\$ 919,203	\$ -
<b>Reimbursable Activity and Other</b>					
Intragovernmental Costs	\$ -	\$ -	\$ 216,655	\$ 345,612	\$ 1,753
Public Costs	-	-	275,409	2,113,977	9,132
Total Costs	-	-	492,064	2,459,589	10,885
Intragovernmental Earned Revenue	-	-	379,377	2,322,443	10,661
Public Earned Revenue	-	-	45,880	3,793	640
Total Earned Revenue	-	-	425,257	2,326,236	11,301
Net Costs	\$ -	\$ -	\$ 66,807	\$ 133,353	\$ (416)
<b>Total</b>					
Intragovernmental Costs	\$ 425,376	\$ 612,170	\$ 669,525	\$ 509,181	\$ 99,826
Public Costs	2,189,888	2,081,570	1,268,239	2,990,882	1,766,243
Total Costs	2,615,264	2,693,740	1,937,764	3,500,063	1,866,069
Intragovernmental Earned Revenue	237,950	219,926	634,710	2,348,409	10,661
Public Earned Revenue	121,873	426,340	677,056	25,583	182,635
Total Earned Revenue	359,823	646,266	1,311,766	2,373,992	193,296
Net Cost of Operations	\$ 2,255,441	\$ 2,047,474	\$ 625,998	\$ 1,126,071	\$ 1,672,773

## Notes to Principal Financial Statements

National Park Service	Office of Surface Mining	U.S. Fish and Wildlife Service	U.S. Geological Survey	Elimination of Intra- Department Activity	FY 2007
\$ 208,268	\$ 18,695	\$ 274,591	\$ 352,779	\$ (232,959)	\$ 779,918
660,634	195,963	1,403,918	932,927	-	3,679,613
868,902	214,658	1,678,509	1,285,706	(232,959)	4,459,531
16,478	370	80,865	263,052	(164,081)	336,801
75,044	1,184	73,779	199,695	-	456,621
91,522	1,554	154,644	462,747	(164,081)	793,422
\$ 777,380	\$ 213,104	\$ 1,523,865	\$ 822,959	\$ (68,878)	\$ 3,666,109
\$ -	\$ 13,273	\$ 2,536	\$ 30,599	\$ (298,392)	\$ 345,300
-	90,633	6,433	71,640	-	3,093,115
-	103,906	8,969	102,239	(298,392)	3,438,415
-	766	154	7,926	(15,960)	238,608
-	42	25	1,042	-	1,055,508
-	808	179	8,968	(15,960)	1,294,116
\$ -	\$ 103,098	\$ 8,790	\$ 93,271	\$ (282,432)	\$ 2,144,299
\$ 449,843	\$ -	\$ 38,524	\$ -	\$ (75,310)	\$ 456,719
1,496,994	-	437,522	-	-	2,137,003
1,946,837	-	476,046	-	(75,310)	2,593,722
45,413	-	9,677	-	(14,350)	49,320
242,121	-	3,771	-	-	289,367
287,534	-	13,448	-	(14,350)	338,687
\$ 1,659,303	\$ -	\$ 462,598	\$ -	\$ (60,960)	\$ 2,255,035
\$ -	\$ 3	\$ 24,665	\$ 29,317	\$ (391,143)	\$ 615,410
-	10,130	81,595	98,741	-	4,475,703
-	10,133	106,260	128,058	(391,143)	5,091,113
-	-	4,555	8,991	(86,654)	271,648
-	-	3,324	1,238	-	182,943
-	-	7,879	10,229	(86,654)	454,591
\$ -	\$ 10,133	\$ 98,381	\$ 117,829	\$ (304,489)	\$ 4,636,522
\$ -	\$ -	\$ -	\$ -	\$ (450,052)	\$ 113,968
-	114,329	-	-	-	2,512,847
-	114,329	-	-	(450,052)	2,626,815
-	-	-	-	(1,072,700)	1,639,781
-	-	-	-	-	50,313
-	-	-	-	(1,072,700)	1,690,094
\$ -	\$ 114,329	\$ -	\$ -	\$ 622,648	\$ 936,721
\$ 658,111	\$ 31,971	\$ 340,316	\$ 412,695	\$ (1,447,856)	\$ 2,311,315
2,157,628	411,055	1,929,468	1,103,308	-	15,898,281
2,815,739	443,026	2,269,784	1,516,003	(1,447,856)	18,209,596
61,891	1,136	95,251	279,969	(1,353,745)	2,536,158
317,165	1,226	80,899	201,975	-	2,034,752
379,056	2,362	176,150	481,944	(1,353,745)	4,570,910
\$ 2,436,683	\$ 440,664	\$ 2,093,634	\$ 1,034,059	\$ (94,111)	\$ 13,638,686

## Notes to Principal Financial Statements

### FY 2006 Intragovernmental Costs and Exchange Revenue by Responsibility Segment

(dollars in thousands)	Indian Affairs	Bureau of Land Management	Bureau of Reclamation	Departmental Offices and Other	Minerals Management Service
<b>Resource Protection</b>					
Intragovernmental Costs	\$ -	\$ 83,653	\$ 29,471	\$ 22,700	\$ -
Public Costs	-	265,639	38,954	29,331	-
Total Costs	-	349,292	68,425	52,031	-
Intragovernmental Earned Revenue	-	92,327	3,641	6,952	-
Public Earned Revenue	-	758,118	25,113	1,879	-
Total Earned Revenue	-	850,445	28,754	8,831	-
Net Costs	-	(501,153)	39,671	43,200	-
<b>Resource Use</b>					
Intragovernmental Costs	-	91,459	380,174	1,527	73,268
Public Costs	-	291,676	962,300	7,827	2,208,488
Total Costs	-	383,135	1,342,474	9,354	2,281,756
Intragovernmental Earned Revenue	-	1,437	219,330	-	-
Public Earned Revenue	-	298,081	656,403	21	160,380
Total Earned Revenue	-	299,518	875,733	21	160,380
Net Costs	-	83,617	466,741	9,333	2,121,376
<b>Recreation</b>					
Intragovernmental Costs	-	32,397	8,585	-	-
Public Costs	-	112,403	24,578	-	-
Total Costs	-	144,800	33,163	-	-
Intragovernmental Earned Revenue	-	6,211	4,538	-	-
Public Earned Revenue	-	21,537	23,368	-	-
Total Earned Revenue	-	27,748	27,906	-	-
Net Costs	-	117,052	5,257	-	-
<b>Serving Communities</b>					
Intragovernmental Costs	341,039	329,147	-	140,933	5,529
Public Costs	2,557,484	956,588	-	719,894	22,738
Total Costs	2,898,523	1,285,735	-	860,827	28,267
Intragovernmental Earned Revenue	273,212	95,216	-	18,075	-
Public Earned Revenue	137,778	131,029	-	14,037	10,827
Total Earned Revenue	410,990	226,245	-	32,112	10,827
Net Costs	2,487,533	1,059,490	-	828,715	17,440
<b>Reimbursable Activity and Other</b>					
Intragovernmental Costs	-	-	225,828	343,438	3,400
Public Costs	-	-	312,134	2,766,539	11,329
Total Costs	-	-	537,962	3,109,977	14,729
Intragovernmental Earned Revenue	-	-	408,082	2,870,228	14,422
Public Earned Revenue	-	-	42,792	14,938	1,446
Total Earned Revenue	-	-	450,874	2,885,166	15,868
Net Costs	-	-	87,088	224,811	(1,139)
<b>Total</b>					
Intragovernmental Costs	341,039	536,656	644,058	508,598	82,197
Public Costs	2,557,484	1,626,306	1,337,966	3,523,591	2,242,555
Total Costs	2,898,523	2,162,962	1,982,024	4,032,189	2,324,752
Intragovernmental Earned Revenue	273,212	195,191	635,591	2,895,255	14,422
Public Earned Revenue	137,778	1,208,765	747,676	30,875	172,653
Total Earned Revenue	410,990	1,403,956	1,383,267	2,926,130	187,075
Net Cost of Operations	\$ 2,487,533	\$ 759,006	\$ 598,757	\$ 1,106,059	\$ 2,137,677

## Notes to Principal Financial Statements

National Park Service	Office of Surface Mining	U.S. Fish and Wildlife Service	U.S. Geological Survey	Elimination of Intra- Department Activity	FY 2006
\$ 352,872	\$ 746	\$ 285,452	\$ 60,997	\$ (171,853)	\$ 664,038
1,223,071	73,689	1,432,902	219,210	-	3,282,796
1,575,943	74,435	1,718,354	280,207	(171,853)	3,946,834
26,120	-	81,765	68,599	(75,418)	203,986
28,485	5	111,502	7,671	-	932,773
54,605	5	193,267	76,270	(75,418)	1,136,759
1,521,338	74,430	1,525,087	203,937	(96,435)	2,810,075
-	17,300	2,785	26,907	(295,686)	297,734
-	97,958	6,784	69,872	-	3,644,905
-	115,258	9,569	96,779	(295,686)	3,942,639
-	1,410	46	6,153	(16,842)	211,534
-	164	31	553	-	1,115,633
-	1,574	77	6,706	(16,842)	1,327,167
-	113,684	9,492	90,073	(278,844)	2,615,472
235,353	-	39,728	-	(41,713)	274,350
892,860	-	476,503	-	-	1,506,344
1,128,213	-	516,231	-	(41,713)	1,780,694
53,885	-	9,576	-	(22,506)	51,704
269,520	-	4,516	-	-	318,941
323,405	-	14,092	-	(22,506)	370,645
804,808	-	502,139	-	(19,207)	1,410,049
91,961	8,030	34,964	314,835	(425,421)	841,017
277,585	127,152	185,658	830,445	-	5,677,544
369,546	135,182	220,622	1,145,280	(425,421)	6,518,561
4,894	325	6,557	201,624	(180,239)	419,664
1,296	5	5,810	183,949	-	484,731
6,190	330	12,367	385,573	(180,239)	904,395
363,356	134,852	208,255	759,707	(245,182)	5,614,166
-	-	-	-	(436,778)	135,888
-	69,824	-	-	-	3,159,826
-	69,824	-	-	(436,778)	3,295,714
-	-	-	-	(1,010,974)	2,281,758
-	-	-	-	-	59,176
-	-	-	-	(1,010,974)	2,340,934
-	69,824	-	-	574,196	954,780
680,186	26,076	362,929	402,739	(1,371,451)	2,213,027
2,393,516	368,623	2,101,847	1,119,527	-	17,271,415
3,073,702	394,699	2,464,776	1,522,266	(1,371,451)	19,484,442
84,899	1,735	97,944	276,376	(1,305,979)	3,168,646
299,301	174	121,859	192,173	-	2,911,254
384,200	1,909	219,803	468,549	(1,305,979)	6,079,900
\$ 2,689,502	\$ 392,790	\$ 2,244,973	\$ 1,053,717	\$ (65,472)	\$ 13,404,542

**NOTE 21. STATEMENT OF BUDGETARY RESOURCES**

The Statement of Budgetary Resources provides information about how budgetary resources were made available as well as their status at the end of the period. It is the only financial statement exclusively derived from the entity's budgetary general ledger in accordance with budgetary accounting rules that are incorporated into generally accepted accounting principles for the Federal Government. The total Budgetary Resources of \$26,798,562 thousand and \$27,741,242 thousand as of September 30, 2007 and 2006, respectively,

include new budget authority, unobligated balances at the beginning of the year and transferred in/out during the year, spending authority from offsetting collections, recoveries of prior year obligations, and any adjustment to these resources. Interior's unobligated balances available as of September 30, 2007 and 2006, were \$5,678,042 thousand and \$6,154,087 thousand, respectively. In addition, Interior's undelivered orders as of September 30, 2007 and 2006, were \$7,661,210 thousand and \$7,372,826 thousand, respectively.

**Apportionment of Obligations Incurred.** The following table contains only Category B apportionments since Interior does not receive Category A. Interior's obligations incurred as of September 30, 2007 and 2006, are as follows:

(dollars in thousands) FY 2007	Apportioned	Exempt from Apportionment	Total
Obligations Incurred:			
Direct	\$ 16,391,071	\$ 92,847	\$ 16,483,918
Reimbursable	4,478,735	-	4,478,735
<b>Total Obligations Incurred</b>	<b>\$ 20,869,806</b>	<b>\$ 92,847</b>	<b>\$ 20,962,653</b>

(dollars in thousands) FY 2006	Apportioned	Exempt from Apportionment	Total
Obligations Incurred:			
Direct	\$ 16,294,427	\$ 99,292	\$ 16,393,719
Reimbursable	5,052,958	-	5,052,958
<b>Total Obligations Incurred</b>	<b>\$ 21,347,385</b>	<b>\$ 99,292</b>	<b>\$ 21,446,677</b>

Reclamation Trust Funds and Colorado River Dam Fund - Boulder Canyon Project are the only funds classified as not subject to apportionment.

**Repayment Requirements, Financing Sources for Repayment, and other Terms of Borrowing Authority Used.** Reclamation's borrowing authority is provided under the Credit Reform Act of 1990 (see Note 7, Loans and Interest Receivable, Net, for additional information on Credit Reform loans). The repayment terms and provisions of these loans are not more than 40 years from the date when the principal benefits of the projects first became available. Interest on the debt is determined by the Treasury as of the beginning of the fiscal year in which the contract is executed, on the basis of the average market yields on outstanding marketable obligations of the United States. Collections in excess of the interest due to the Treasury is applied to the outstanding principal owed to the Treasury.

IA receives borrowing authority from Treasury for its loan programs in accordance with the Credit

Reform Act of 1990 and related legislation. The guaranteed loan financing fund can borrow funds when the cash balance in a financing fund cohort is insufficient to pay default claims, interest subsidy payments, downward subsidy reestimates, or the interest on prior Treasury borrowings. The balance in this account as of September 30, 2007 and 2006 was \$100 thousand and \$6,827 thousand, respectively. IA's direct loan program ended in 1995. However, borrowings arising from direct loans made between 1992 and 1995 are still outstanding. These borrowings are being repaid as scheduled and as of September 30, 2007 and 2006, were \$8,229 thousand and \$22,888 thousand, respectively.

In 2001, the Bureau of the Public Debt extended a loan to the Departmental Offices for the purpose of operating a direct loan to the American Samoa Government. Interest is accrued annually based on



the prevailing market yield on Treasury securities of comparable maturity. The loan has a final payment due date of September 30, 2027.

**Permanent Indefinite Appropriations.** Permanent indefinite appropriations are appropriations given to Interior through public laws which authorize the retention of certain receipts. These appropriations do not specify amounts, but are dependent upon the amount of receipts collected. All Interior Bureaus use one or more permanent no-year appropriations to finance operating costs and purchase property, plant, and equipment. Interior has approximately 70 permanent indefinite appropriations. Most of these

appropriations are used for special environmental programs and to carry out obligations of the Secretary of Interior.

**Appropriations Received.** Appropriations received on the Consolidated Statement of Changes in Net Position differs from that reported on the Combined Statement of Budgetary Resources because Appropriations Received on the Consolidated Statement of Changes in Net Position do not include appropriated dedicated and earmarked receipts. Dedicated and earmarked receipts are accounted for as either exchange or nonexchange revenue.

**Legal Arrangements Affecting Use of Unobligated Balances.** Interior's unobligated unavailable balances as of September 30, 2007 and 2006, are disclosed in the table below.

(dollars in thousands)	FY 2007	FY 2006
Unapportioned amounts unavailable for future apportionments	\$ 543	\$ 2,741
Expired Authority	157,324	137,739
Total Budgetary Accounts	157,867	140,480
Non-Budgetary Credit Program Financing Accounts	-	(2)
Unobligated Balance Unavailable	\$ 157,867	\$ 140,478

Unobligated balances, whose period of availability has expired, are not available to fund new obligations, but are available to pay for adjustments to obligations incurred prior to expiration. For a fixed appropriation account, the balance can be carried forward for 5 fiscal years after the period of availability ends. At the end of the fifth fiscal year, the account is closed and any remaining balance is canceled. For a no-year account, the unobligated balance is carried forward indefinitely until: (1) specifically rescinded by law; or (2) the head of the agency concerned or the President determines that the purposes for which the appropriation was made have been carried out and disbursements have not been made against the appropriation for two consecutive years.

The appropriation law, Public Law 109-54, is the major source of funding for the BLM's operating programs and directs that a definite sum of the BLM's wildland firefighting authority be applied to the construction of fire facilities. These authorizations also direct how BLM must treat other assets it may acquire as a result of executing its operating programs. Also, IA receives contract authority from DOT's Highway Trust Fund for the maintenance and

construction of roads and bridges on IA and Trust property.

All appropriation language contains specific and/or general authorizations. These authorizations may be defined as legislative parameters that frame the funding and Federal agency policy for executing programs. These authorizations also direct how Interior must treat other assets it may acquire as a result of executing operating programs. Since both specific and general authorizations are integral components of all legislation, Interior does not view them as restrictions or legal encumbrances on available funding.

**Explanation of Differences between the Combined Statement of Budgetary Resources and the Budget of the United States Government.** The Statement of Budgetary Resources has been prepared to coincide with the amounts shown in the President's Budget (Budget of the United States Government). The President's Budget with the actual FY 2006 amounts was released in February 2007, and the President's Budget with the FY 2007 amounts is estimated to be released in February 2008. Both can be located

## Notes to Principal Financial Statements

at the OMB website <<http://www.whitehouse.gov/omb>>. As such, the actual amounts for FY 2007 in the President's Budget have not been published at the time these financial statements were prepared.

Budgetary resources and the status of those resources presented in the SBR for the period ended September 30, 2006, differ from the amounts presented as 2006 Actuals in the President's FY 2008 Budget. Differences are presented and labeled on the following table.

(dollars in millions)	FY 2006 Amount per President's Budget *	FY 2006 Amount per Statement of Budgetary Resources	Difference	Explanation
<b>Budgetary Resources:</b>				
Unobligated Balance, Beginning of Fiscal Year	\$ 5,717	\$ 5,794	\$ (77)	A, B
Recoveries of Prior Year Unpaid Obligations	424	485	(61)	A
Appropriations Received	16,808	16,124	684	A, C, D
Nonexpenditure Transfers, net	(153)	438	(591)	B, C, G
<b>Total Budgetary Resources</b>	<b>\$ 25,590</b>	<b>\$ 27,741</b>	<b>\$ (2,151)</b>	<b>A, B, D, F, G</b>
<b>Status of Budgetary Resources:</b>				
Obligations Incurred	\$ 21,503	\$ 21,447	\$ 56	A, B, D
Unobligated Balance - Available/Not Available	6,189	6,295	(106)	A, B, D, G
<b>Total Status of Budgetary Resources</b>	<b>\$ 25,590</b>	<b>\$ 27,741</b>	<b>\$ (2,151)</b>	<b>A, B, D, F, G</b>
<b>Net Outlays:</b>				
Gross Outlays	\$ 20,761	\$ 20,679	\$ 82	B, D
Less: Offsetting Collections	(4,987)	(5,212)	225	A
Less: Offsetting Receipts	\$ (6,506)	\$ (6,940)	\$ 434	E

\* Source: Fiscal Year 2006 Actual amounts as published in the Appendix to the Budget of the United States Government, Fiscal Year 2008

**A. Expired Accounts.** Differences relate to expired accounts being included in the SBR, but not in the President's Budget.

realized and transfer line items of the Statement of Budgetary Resources. The write-off does not impact the President's Budget.

**B. Departmental Offices.** Differences are primarily due to Interior including pass through appropriations and payments to Tribal Trust and Special Trust Fund Accounts [14215265 and 14218030] in the SBR that were not included in the President's Budget. Additional differences relate to changes in child accounts received after the SBR was published and adjustments to the Working Capital Fund for obligations that were included in the President's Budget and not in the Statement of Budgetary Resources.

Effective October 1, 2006, Interior adopted the reporting provisions of trust funds with multiple program agencies included in OMB Circular No. A-136. Under such provisions, Interior no longer reports the Sport Fish Restoration and Boating Trust Fund and instead the U.S. Coast Guard does the reporting of the SFRBTF and Interior reports the account receivables due from and accounts payable due to other program agencies. As a result of this new accounting principle, there was a write-off relating to a SFRBTF payable in the amount of \$604 million. This write-off is in the Statement of Budgetary Resources, but did not impact the President's Budget. Interior does not report certain amounts in the Statement of Budgetary Resources that are reported in the President's Budget.

**C. Fish and Wildlife Service.** Differences are primarily due to a change in accounting principle. As a result of the new accounting principle, the Sport Fish payable write off (\$604 million) was adjusted in the Appropriations

- D. National Park Service.** Differences are primarily due to the Concession Improvement Account that is included in the President's Budget, but not in the SBR. Other differences relate to contract authority that is included in the annual appropriations act, but was rescinded before the act was passed. It is, however, included in the President's Budget.
- E. Offsetting Receipts.** Differences relate to receipts reported in the SBR, but not in the President's Budget. The difference could only be reported at a high level because the President's Budget does not include details.
- F. Total Budgetary Resources.** The President's Budget did not include a "total budgetary resources available for obligations" line for the following funds: Mineral Leasing; National Forest Fund, Leases of Lands Acquired for Flood Control, Navigation, and Allied Purpose; and Oil Spill Research which were included in the Statement of Budgetary Resources.
- G. Parent/Child Reporting.** Changes to child account received after the Statement of Budgetary Resources submitted for FY 2006 are not in the Statement of Budgetary Resources, but are in the President's Budget.

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## NOTE 22. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

Effective FY 2007, the Statement of Financing is presented as a footnote disclosure and is no longer a basic financial statement in accordance with OMB Circular No. A-136. The Statement of Financing is now reported in the notes and referred to as "Reconciliation of Net Cost of Operations to Budget". Departmental Offices, in accordance with OMB Circular No. A-136, did not report a FY 2006 Statement of Financing, and instead has included the FY 2006 Statement of Financing in the note disclosure to provide comparative disclosures. The reconciliation of net cost of operations to budget for FY 2007 and FY 2006 is as follows.

**Change in Unfunded Liabilities.** This note includes a section depicting the change in certain unfunded liabilities. The amounts in this section do not necessarily correlate to the change in liabilities not covered by budgetary resources as shown in Note 15. Differences are primarily the result of certain Treasury requirements related to changes in various liabilities. These requirements are dependent upon whether the change results in an increase or decrease to the liability account. Additionally, some liability accounts not covered by budgetary resources are not included in this note.

## Notes to Principal Financial Statements

The reconciliation of net cost of operations to budgetary accounts for the periods ending September 30, 2007 and 2006 are as follows:

(dollars in thousands)	FY 2007	FY 2006
<b>Resources Used to Finance Activities:</b>		
Budgetary Resources Obligated:		
Obligations Incurred	\$ 20,962,653	\$ 21,446,677
Less: Spending Authority From Offsetting Collections/Recoveries	(4,852,815)	(5,589,420)
Obligations Net of Offsetting Collections and Recoveries	16,109,838	15,857,257
Less: Offsetting Receipts	(5,769,483)	(6,940,455)
Net Obligations	10,340,355	8,916,802
Other Resources:		
Donations and Forfeitures of Property	7,951	6,545
Transfers In/Out Without Reimbursement	(65,622)	(99,591)
Imputed Financing From Costs Absorbed by Others	550,193	472,847
Net Other Resources Used to Finance Activities	492,522	379,801
Total Resources Used to Finance Activities	10,832,877	9,296,603
<b>Resources Used to Finance Items Not Part of the Net Cost of Operations:</b>		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	(289,783)	(97,976)
Change in Unfilled Customer Orders	(478,836)	(413,712)
Resources That Fund Expenses Recognized in Prior Periods	(660,990)	(520,965)
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations:		
Credit Program Collections Which Increase Liabilities for Loan Guarantees or Allowances for Subsidy	76,614	40,818
Offsetting Receipts Not Part of the Net Cost of Operations	4,622,307	4,983,557
Resources That Finance the Acquisition of Assets	(1,031,711)	(706,424)
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations		
Net Cost of Operations	(24,308)	86,350
Allocation Transfers Reconciling Items, Parent	30,571	(32,341)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	2,243,864	3,339,307
Total Resources Used to Finance the Net Cost of Operations	13,076,741	12,635,910
<b>Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:</b>		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability	4,573	5,724
Increase in Environmental and Disposal Liability	10,464	34,446
Upward/Downward Re-estimates in Credit Subsidy Expense	(36,899)	10,918
(Increase) in Exchange Revenue Receivable From the Public	(12,333)	(767)
Other	83,446	94,662
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	49,251	144,983
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	476,926	476,377
Revaluation of Assets or Liabilities	21,408	16,418
Allocation Transfers Reconciling Items, Child	9,006	124,400
Other	5,354	6,454
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	512,694	623,649
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	561,945	768,632
Net Cost of Operations	\$ 13,638,686	\$ 13,404,542

## NOTE 23. INDIAN TRUST FUNDS

Interior, through the Office of the Special Trustee for American Indians, maintains approximately 1,800 accounts for Tribal and Other Trust Funds (including the Alaska Native Escrow Fund) with combined monetary assets of approximately \$2,881 million and \$2,921 million as of September 30, 2007, and September 30, 2006, respectively.

The balances that have accumulated in the Tribal and Other Trust Funds have resulted from judgment awards, settlement of claims, land use agreements, royalties on natural resource depletion, other proceeds derived directly from trust resources, and investment income.

The trust fund balances for Tribal and Other Trust Funds contain two categories:

1. Trust funds held for Indian tribes (considered non-Federal funds); and
2. Trust funds held by Interior, for future transfer to a tribe upon satisfaction of certain conditions or where the corpus of the fund is nonexpendable (considered Federal funds).

The non-Federal and Federal funds are reflected as separate components of the fund balance in the Tribal and Other Trust Funds financial statements. The trust funds considered Federal funds are reflected in Interior's financial statements.

OST also maintains about 371,000 open Individual Indian Monies accounts with a fund balance of approximately \$424 million and \$418 million as of September 30, 2007 and 2006, respectively.

The IIM Trust Funds are primarily funds on deposit for individual Indians with a beneficial interest in those funds. IIM account holders realize receipts primarily from settlement of claims, land-use agreements; royalties on natural resource depletion; other proceeds derived directly from trust resources, receipt of judgment and tribal per capita distributions; and investment income.

Summaries of the financial statements of the Tribal and Other Trust Funds and the IIM Trust Funds are at the end of this note. The amounts in the summaries do not include the values related to trust

lands or other trust resources managed by Interior.

### **Financial Statements and Basis of Accounting.**

The Tribal and Other Trust Fund Statement of Assets and Trust Fund Balances and Statement of Changes in Trust Fund Balances were prepared using a cash basis of accounting, which is a comprehensive basis of accounting other than GAAP. The cash basis of accounting differs from GAAP in that receivables and payables are not accrued and investment premiums and discounts are not amortized or accreted. Receipts are recorded when received, disbursements are recorded when paid, and investments are stated at historical cost.

The IIM Trust Funds Statement of Assets and Trust Fund Balances and Statement of Changes in Trust Fund Balances were prepared using a modified cash basis of accounting, which is a comprehensive basis of accounting other than GAAP. The modified cash basis of accounting differs from GAAP in that receivables and payables are not accrued with the exception of interest earned on invested funds (including discount accretion and premium amortization). Receipts are recorded when received with the exception of interest, and disbursements are recorded when paid. Interest is recorded when earned, including accretion/amortization of investment discounts and premiums. Investments are stated at amortized cost.

**Audit Results.** With Office of Inspector General oversight, independent auditors audited the Tribal and Other Trust Funds and the IIM Trust Funds financial statements as of September 30, 2007, and 2006. The independent auditors indicated that the financial statements were prepared on the cash or modified cash basis of accounting, which is a comprehensive basis of accounting other than GAAP. In addition, the independent auditors' reports were qualified as a result of the following:

- ◆ It was not practicable for the independent auditors to extend audit procedures sufficiently to satisfy themselves as to the fairness of the trust fund balances reflected in the financial statements due to issues with certain Interior trust-related systems and processes, which provide required trust financial information to OST;

## Notes to Principal Financial Statements

- ◆ Regarding the Tribal and Other Trust Funds, certain parties for whom OST holds monetary assets in trust do not agree with the trust fund balances reflected by OST and have requested an accounting of their funds. Some of these parties have filed, or are expected to file lawsuits against the U.S. Government; and
- ◆ Regarding the IIM Trust Funds, certain parties for whom OST holds monetary assets in trust have filed a class action lawsuit for an accounting of the individuals' trust funds, which may or may not lead to claims against the U.S. Government.

For more information, see Note 14, Contingent Liabilities.

Individual Indian Monies Trust Funds statements of assets and trust fund balances and statements of changes in trust fund balances prepared using a modified cash basis of accounting as of September 30, 2007 and 2006, are as follows:

Individual Indian Monies Trust Funds  
Statement of Assets and Trust Fund Balances - Modified Cash Basis  
As of September 30, 2007 and 2006

(dollars in thousands)	FY 2007	FY 2006
<b>ASSETS</b>		
Cash and cash equivalents	\$ 48,325	\$ 61,938
Investments	372,592	353,886
Accrued interest receivable	2,780	2,450
<b>TOTAL ASSETS</b>	<b>\$ 423,697</b>	<b>\$ 418,274</b>
<b>TRUST FUND BALANCES, held for Individual Indians</b>	<b>\$ 423,697</b>	<b>\$ 418,274</b>

Individual Indian Monies Trust Funds  
Statement of Changes in Trust Fund Balances - Modified Cash Basis  
For the Fiscal Years Ended September 30, 2007 and 2006

(dollars in thousands)	FY 2007	FY 2006
Receipts	\$ 303,677	\$ 355,094
Interest earned on invested funds	20,806	20,582
Gain (Loss) on disposition of investments, Net	459	(2,729)
Disbursements	(319,519)	(374,542)
Increase (decrease) in trust fund balances, net	5,423	(1,595)
Trust Fund Balances - Beginning of Year	418,274	419,869
<b>Trust Fund Balances - End of Year</b>	<b>\$ 423,697</b>	<b>\$ 418,274</b>

Note: The independent auditors expressed a qualified opinion on these financial statements. See " Audit Results" section above.

Tribal and Other Trust Funds statements of assets and trust fund balances and statements of changes in trust fund balances prepared using a cash basis of accounting as of September 30, 2007 and 2006, are as follows:

Tribal and Other Trust Funds  
Statement of Assets and Trust Fund Balances - Cash Basis  
as of September 30, 2007 and 2006

(dollars in thousands)	FY 2007	FY 2006
<b>ASSETS</b>		
Cash and cash equivalents	\$ 602,502	\$ 503,399
Investments	2,278,157	2,417,827
<b>TOTAL ASSETS</b>	<b>\$ 2,880,659</b>	<b>\$ 2,921,226</b>
<b>TRUST FUND BALANCES</b>		
Held for Indian tribes	\$ 2,590,799	\$ 2,637,066
Held by Department of the Interior and considered to be U.S. Government funds	289,860	284,160
<b>TOTAL TRUST FUND BALANCES</b>	<b>\$ 2,880,659</b>	<b>\$ 2,921,226</b>

Tribal and Other Trust Funds  
Statement of Changes in Trust Fund Balances - Cash Basis  
For the Fiscal Years Ended September 30, 2007 and 2006

(dollars in thousands)	FY 2007	FY 2006
Receipts	\$ 339,159	\$ 338,896
Interest Received	139,315	121,566
Gain (Loss) on disposition of investments, Net	604	24
Disbursements	(519,645)	(421,078)
Increase (Decrease) in trust fund balances, net	(40,567)	39,408
Trust Fund Balances - Beginning of Year	2,921,226	2,881,818
Trust Fund Balances - End of Year	\$ 2,880,659	\$ 2,921,226

## NOTE 24. EARMARKED FUNDS

Earmarked funds are specifically identified revenues and other financing sources required by statute to be used for designated activities, benefits, or purposes that must be accounted for separately from the Government's general revenues.

Interior invests funds in securities on behalf of various Interior programs. The Federal Government does not set aside assets to pay future expenditures associated with earmarked funds. The cash generated from earmarked funds is used by the U.S. Treasury for general Government purposes. Treasury securities are issued to the earmarked fund as evidence of earmarked receipts. These securities are an asset to the earmarked fund and are presented as Investments in the following tables. Treasury securities are a liability of the U.S. Treasury and are eliminated in the consolidation of the U.S. Governmentwide financial statements. Treasury will finance any future redemption of the

securities by an earmarked fund in the same manner that all other Government expenditures are financed.

Interior's earmarked funds are as follows:

**The Land and Water Conservation Fund.** The Land and Water Conservation Fund was enacted in 1964 (Public Law 88-578) to create and maintain a nationwide legacy of high quality recreation areas and facilities. The LWCF Act established a funding source for both Federal acquisition of authorized national park, conservation, and recreation areas, as well as grants to State and local governments to help them acquire, develop, and improve outdoor recreation areas.

Annually, amounts for the LWCF under Public Law 89-665 are transferred from MMS to the NPS, the majority of which are from royalties from Outer Continental Shelf oil deposits. Each year,

amounts from the LWCF are warranted to some of the Bureaus within Interior and the rest to the Department of Agriculture's Forest Service.

**The Historic Preservation Fund.** The HPF provides matching grants to encourage private and non-Federal investment in historic preservation efforts nationwide, and assists State and local governments, and Indian tribes with expanding and accelerating their historic preservation activities nationwide. HPF grants serve as a catalyst and "seed money" to preserve and protect our Nation's irreplaceable heritage for current and future generations.

Annually, amounts for the HPF, under Public Law 89-665, are transferred from MMS to the NPS, the majority of which are from royalties from Outer Continental shelf oil deposits. Each year, amounts from the HPF are transferred via warrants to Bureaus within Interior and to the Department of Agriculture's Forest Service.

**Reclamation Fund.** The Reclamation Fund was established by the Reclamation Act of 1902 (32 Statute [Stat.] 388). It is a restricted, unavailable receipt fund into which a substantial portion of Reclamation's revenues (mostly repayment of capital investment costs, associated interest, and operating and material reimbursements from water and power users) and receipts from other Federal agencies (primarily revenues from certain Federal mineral royalties and hydropower transmission) are deposited. No expenditures are made directly from the Reclamation Fund, however, funds are transferred from the Reclamation Fund into Reclamation's appropriated expenditure funds or to other Federal agencies pursuant to congressional appropriation acts to invest and reinvest in the reclamation of arid lands in the Western United States. Costs associated with multipurpose plants are allocated to the various purposes, principally; power, irrigation, M&I water, fish and wildlife enhancement, recreation, and flood control. Generally, only those costs associated with power,

irrigation, and M&I water are reimbursable. Costs associated with purposes such as fish and wildlife enhancement, recreation, and flood control can be nonreimbursable. Capital investment costs are recovered over a 40-year period, but may extend to 50 years or more, if authorized by the Congress.

**Water and Related Resources Fund.** The Water and Related Resources Fund receives most of its funding from appropriations derived from the Reclamation Fund. These funds are used for Reclamation's central mission of delivering water and generating hydropower in the Western United States. Costs associated with multipurpose structures and facilities are allocated to various purposes. Generally, only those costs associated with power, irrigation, and M&I water are reimbursable. Costs associated with purposes such as fish and wildlife enhancement, recreation, and flood control can be nonreimbursable. Capital investment costs are recovered over a 40-year period but may extend to 50 years or more, if authorized by Congress. Recovered capital investment costs and revenue generated from these activities are returned to the Reclamation Fund.

**Lower Colorado River Basin Fund.** The Lower Colorado River Basin Fund receives funding from multiple sources for specific purposes as provided under Public Law 90-537 and amended by Public Law 108-451. Funding sources include appropriations, Federal revenue from the Central Arizona Project, Federal revenues from the Boulder Canyon and the Parker-Davis Project, the Western Area Power Administration, Federal revenue from the Northwest-Pacific Southwest intertie in the States of Nevada and Arizona, and revenues earned from investing in Treasury securities. Funding sources may be retained and are available without further appropriation. The fund provides for irrigation development and management activities within the Lower Colorado River Basin including operation, maintenance, replacements, and emergency expenditures for facilities of the Colorado River storage project and participating projects.



**Upper Colorado River Basin Fund.** The Upper Colorado River Basin Fund receives funding from appropriations, water users, and the Western Area Power Administration. Funding sources may be retained and are available without further appropriation. Public Law 90-537 provides that appropriations and revenues collected in connection with the operation of the Colorado River storage project shall be available for operations, maintenance, replacements, and emergency expenditures for facilities of the Colorado River storage project and participating projects.

**Abandoned Mine Land Fund.** Public Law 95-87 requires that all operators of coal mining operations pay a reclamation fee on every ton of coal produced. The fees through September 30, 2007, are 35 cents per ton of surface mined coal, 15 cents per ton of coal mined underground, and 10 cents per ton on lignite. On December 20, 2006, the Surface Mining Control and Reclamation Act Amendments of 2006 became law as part of the Tax Relief and Health Care Act of 2006 (Public Law 109-432). This law extends the statutory fee rates through September 30, 2021, and eliminates the requirement that Interior establish fee rates thereafter based upon amounts transferred to the United Mine Workers of America Combined Benefit Fund. The new law reduces existing fee rates by 10 percent for FY 2008 through 2012, and another 10 percent for FY 2013 through 2021.

The fees are deposited in the Abandoned Mine Land Reclamation Fund, which is used primarily to fund abandoned mine land reclamation projects. Under authority of Public Law 101-509, Interior began investing AML funds in U.S. Treasury Securities in the early 1990s.

**Southern Nevada Public Land Management Fund.** The Southern Nevada Public Land Management Act, enacted in October 1998, authorizes BLM to sell public land tracts that are interspersed with or adjacent to private land in the Las Vegas Valley. BLM is authorized to invest 85 percent of the sales in interest-bearing Treasury securities, while 10 percent of the proceeds go to the Southern Nevada Water Authority and 5 percent goes to the State of Nevada's Education Fund. The revenues generated from the land sales and investments enable BLM and other government entities to acquire environmentally sensitive lands and build or maintain trails, day-use areas, campgrounds, etc., to benefit public land visitors.

**Environmental Improvement and Restoration Fund.** The Environmental Improvement and Restoration Fund is a distribution of the Alaska Escrow Fund in which half of the principal is invested in Treasury Securities. Monies from the EIRF are invested and earn interest until further congressional action. Congress permanently appropriates 20 percent of prior fiscal year interest earned by the EIRF to the Department of Commerce for marine research activities. The remaining 80 percent earns interest and can be appropriated by Congress to other agencies, as provided by the law. Assets are not available to Interior unless appropriated by Congress.

**Other Earmarked Funds.** Interior is responsible for the management of numerous earmarked funds with a variety of purposes. Funds presented on an individual basis represent the majority of Interior's net position attributable to earmarked funds. All other earmarked funds have been aggregated in accordance with SFFAS 27, *Identifying and Reporting Earmarked Funds*.

## Notes to Principal Financial Statements

Interior's earmarked funds as of September 30, 2007, consist of the following:

(dollars in thousands)	Land and Water Conservation Fund	Historic Preservation Fund	Reclamation Fund
<b>ASSETS</b>			
Fund Balance with Treasury	\$ 15,372,152	\$ 2,684,312	\$ 6,567,639
Investments, Net	-	-	-
Accounts Receivable, Net	-	-	523,586
Loans Receivable, Net	-	-	2,827,301
General Property, Plant, and Equipment, Net	-	-	-
Other Assets	-	416	-
<b>TOTAL ASSETS</b>	<b>\$ 15,372,152</b>	<b>\$ 2,684,728</b>	<b>\$ 9,918,526</b>
<b>LIABILITIES</b>			
Accounts Payable	-	3	-
Debt	-	-	-
Other Liabilities	-	3	53
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>6</b>	<b>53</b>
<b>NET POSITION</b>			
Unexpended Appropriations	-	-	-
Cumulative Results of Operations	15,372,152	2,684,722	9,918,473
<b>TOTAL NET POSITION</b>	<b>15,372,152</b>	<b>2,684,722</b>	<b>9,918,473</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 15,372,152</b>	<b>\$ 2,684,728</b>	<b>\$ 9,918,526</b>
<b>COST/REVENUE</b>			
Gross Costs	-	62,792	1,057
Earned Revenue	-	-	(335,383)
<b>NET COST OF OPERATIONS</b>	<b>\$ -</b>	<b>\$ 62,792</b>	<b>\$ (334,326)</b>
<b>NET POSITION</b>			
Net Position, Beginning Balance	14,836,220	2,597,823	8,993,132
Change in Accounting Principle	-	-	-
Net Position, Beginning Balance as Adjusted	14,836,220	2,597,823	8,993,132
Appropriations Received/Transferred and Other Adjustments	-	-	-
Royalties Retained	902,079	151,723	1,326,070
Non-Exchange Revenue and Donations	-	-	9,600
Other Financing sources	-	-	-
Transfers In/(Out) without Reimbursement	(366,147)	-	(733,278)
Imputed Financing from Costs Absorbed by Others	-	-	112
Other	-	(2,032)	(11,489)
Net Cost of Operations	-	(62,792)	334,326
Change in Net Position	535,932	86,899	925,341
<b>NET POSITION, ENDING BALANCE</b>	<b>\$ 15,372,152</b>	<b>\$ 2,684,722</b>	<b>\$ 9,918,473</b>

## Notes to Principal Financial Statements

Water and Related Resources	Lower Colorado River Basin Fund	Upper Colorado River Basin Fund	Abandoned Mine Land Fund	Southern Nevada Public Land Mgmt Fund	Environmental Improvement and Restoration Fund	Other Earmarked Funds	FY 2007
\$ 763,270	\$ 3,305	\$ 152,356	\$ 512	\$ 126,645	\$ 1	\$ 2,761,345	\$ 28,431,537
-	391,391	-	2,371,561	2,120,657	1,097,829	1,120,138	7,101,576
22,530	10,551	355	2,411	1	-	1,790,977	2,350,411
-	-	-	-	-	-	-	2,827,301
7,373,681	2,972,426	2,398,884	2	14,984	-	569,897	13,329,874
22,238	115,910	30	-	20	-	259,004	397,618
<b>\$ 8,181,719</b>	<b>\$ 3,493,583</b>	<b>\$ 2,551,625</b>	<b>\$ 2,374,486</b>	<b>\$ 2,262,307</b>	<b>\$ 1,097,830</b>	<b>\$ 6,501,361</b>	<b>\$ 54,438,317</b>
99,039	16,089	85,993	10,302	93,130	-	604,301	908,857
-	-	-	-	-	-	764,204	764,204
2,042,633	2,454	211,099	10,633	252	-	1,014,526	3,281,653
2,141,672	18,543	297,092	20,935	93,382	-	2,383,031	4,954,714
206,521	11,313	8,458	-	-	-	109,253	335,545
5,833,526	3,463,727	2,246,075	2,353,551	2,168,925	1,097,830	4,009,077	49,148,058
6,040,047	3,475,040	2,254,533	2,353,551	2,168,925	1,097,830	4,118,330	49,483,603
<b>\$ 8,181,719</b>	<b>\$ 3,493,583</b>	<b>\$ 2,551,625</b>	<b>\$ 2,374,486</b>	<b>\$ 2,262,307</b>	<b>\$ 1,097,830</b>	<b>\$ 6,501,361</b>	<b>\$ 54,438,317</b>
1,042,109	176,790	96,168	327,356	246,704	-	3,726,911	5,679,887
(185,605)	(176,928)	(86,331)	(1,441)	(147,788)	-	(823,529)	(1,757,005)
<b>\$ 856,504</b>	<b>\$ (138)</b>	<b>\$ 9,837</b>	<b>\$ 325,915</b>	<b>\$ 98,916</b>	<b>\$ -</b>	<b>\$ 2,903,382</b>	<b>\$ 3,922,882</b>
5,947,569	3,448,683	2,188,772	2,269,877	2,261,111	1,062,797	3,965,051	47,571,035
-	-	-	-	43,427	-	(474,033)	(430,606)
5,947,569	3,448,683	2,188,772	2,269,877	2,304,538	1,062,797	3,491,018	47,140,429
109,090	26,999	70,467	-	-	-	196,022	402,578
-	-	-	-	-	-	2,055,948	4,435,820
67	-	1	411,542	-	35,033	476,170	932,413
733,162	(780)	(2,363)	(1,953)	(37,054)	-	790,789	382,376
106,663	-	7,493	-	357	-	13,433	128,058
-	-	-	-	-	-	(1,668)	(15,189)
(856,504)	138	(9,837)	(325,915)	(98,916)	-	(2,903,382)	(3,922,882)
92,478	26,357	65,761	83,674	(135,613)	35,033	627,312	2,343,174
<b>\$ 6,040,047</b>	<b>\$ 3,475,040</b>	<b>\$ 2,254,533</b>	<b>\$ 2,353,551</b>	<b>\$ 2,168,925</b>	<b>\$ 1,097,830</b>	<b>\$ 4,118,330</b>	<b>\$ 49,483,603</b>

## Notes to Principal Financial Statements

Interior's earmarked funds as of September 30, 2006, consist of the following:

(dollars in thousands)	Land and Water Conservation Fund	Historic Preservation Fund	Reclamation Fund
<b>ASSETS</b>			
Fund Balance with Treasury	\$ 14,836,220	\$ 2,597,465	\$ 5,699,905
Investments, Net	-	-	-
Accounts Receivable, Net	-	-	661,373
Loans Receivable, Net	-	-	2,631,887
General Property, Plant, and Equipment, Net	-	-	-
Other Assets	-	373	-
<b>TOTAL ASSETS</b>	<b>\$ 14,836,220</b>	<b>\$ 2,597,838</b>	<b>\$ 8,993,165</b>
<b>LIABILITIES</b>			
Accounts Payable	-	3	1
Debt	-	-	-
Other Liabilities	-	12	31
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>15</b>	<b>32</b>
<b>NET POSITION</b>			
Unexpended Appropriations	-	-	-
Cumulative Results of Operations	14,836,220	2,597,823	8,993,133
<b>TOTAL NET POSITION</b>	<b>14,836,220</b>	<b>2,597,823</b>	<b>8,993,133</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 14,836,220</b>	<b>\$ 2,597,838</b>	<b>\$ 8,993,165</b>
<b>COST/REVENUE</b>			
Gross Costs	-	65,543	(6,305)
Earned Revenue	-	-	(389,861)
<b>NET COST OF OPERATIONS</b>	<b>\$ -</b>	<b>\$ 65,543</b>	<b>\$ (396,166)</b>
<b>NET POSITION</b>			
Net Position, Beginning Balance	14,303,499	2,663,580	7,952,124
Net Position, Beginning Balance as Adjusted	14,303,499	2,663,580	7,952,124
Appropriations Received/Transferred and Other Adjustments	-	-	-
Royalties Retained	894,587	1,904	1,487,424
Non-Exchange Revenue and Donations	-	-	5
Other Financing sources	-	-	-
Transfers In/(Out) without Reimbursement	(361,866)	(394)	(842,626)
Imputed Financing from Costs Absorbed by Others	-	-	40
Other	-	(1,724)	-
Net Cost of Operations	-	(65,543)	396,166
Change in Net Position	532,721	(65,757)	1,041,009
<b>NET POSITION, ENDING BALANCE</b>	<b>\$ 14,836,220</b>	<b>\$ 2,597,823</b>	<b>\$ 8,993,133</b>

## Notes to Principal Financial Statements

Water and Related Resources	Lower Colorado River Basin Fund	Upper Colorado River Basin Fund	Abandoned Mine Land Fund	Southern Nevada Public Land Mgmt Fund	Environmental Improvement and Restoration Fund	Other Earmarked Funds	FY 2006
\$ 730,744	\$ 38,647	\$ 153,375	\$ 1,005	\$ 673	\$ -	\$ 2,487,036	\$ 26,545,070
-	305,043	-	2,272,961	2,277,571	1,062,796	1,979,243	7,897,614
15,522	8,759	1,488	1,886	-	-	1,391,764	2,080,792
-	-	-	-	-	-	-	2,631,887
7,329,633	2,988,498	2,343,420	-	9,386	-	515,339	13,186,276
21,314	120,377	-	570	-	-	284,509	427,143
<b>\$ 8,097,213</b>	<b>\$ 3,461,324</b>	<b>\$ 2,498,283</b>	<b>\$ 2,276,422</b>	<b>\$ 2,287,630</b>	<b>\$ 1,062,796</b>	<b>\$ 6,657,891</b>	<b>\$ 52,768,782</b>
124,000	11,119	90,546	5,577	24,630	-	580,513	836,389
-	-	-	-	-	-	914,204	914,204
2,025,645	1,522	218,964	969	1,888	-	1,198,123	3,447,154
2,149,645	12,641	309,510	6,546	26,518	-	2,692,840	5,197,747
210,820	8,077	11,609	-	-	-	106,185	336,691
5,736,748	3,440,606	2,177,164	2,269,876	2,261,112	1,062,796	3,858,866	47,234,344
5,947,568	3,448,683	2,188,773	2,269,876	2,261,112	1,062,796	3,965,051	47,571,035
<b>\$ 8,097,213</b>	<b>\$ 3,461,324</b>	<b>\$ 2,498,283</b>	<b>\$ 2,276,422</b>	<b>\$ 2,287,630</b>	<b>\$ 1,062,796</b>	<b>\$ 6,657,891</b>	<b>\$ 52,768,782</b>
1,124,451	163,008	115,626	278,226	42,233	-	3,928,028	5,710,810
(201,701)	(189,236)	(84,832)	(331)	(745,529)	-	(886,350)	(2,497,840)
<b>\$ 922,750</b>	<b>\$ (26,228)</b>	<b>\$ 30,794</b>	<b>\$ 277,895</b>	<b>\$ (703,296)</b>	<b>\$ -</b>	<b>\$ 3,041,678</b>	<b>\$ 3,212,970</b>
5,961,232	3,402,052	2,124,633	2,148,891	1,657,538	1,030,929	3,573,436	44,817,914
5,961,232	3,402,052	2,124,633	2,148,891	1,657,538	1,030,929	3,573,436	44,817,914
92,250	24,808	62,274	-	-	-	191,064	370,396
-	-	-	-	-	-	2,002,686	4,386,601
9	497	-	399,274	-	31,867	834,609	1,266,261
746,123	(4,902)	(4,101)	-	(100,096)	-	391,232	(176,630)
70,704	-	36,761	-	374	-	12,200	120,079
-	-	-	(394)	-	-	1,502	(616)
(922,750)	26,228	(30,794)	(277,895)	703,296	-	(3,041,678)	(3,212,970)
(13,664)	46,631	64,140	120,985	603,574	31,867	391,615	2,753,121
<b>\$ 5,947,568</b>	<b>\$ 3,448,683</b>	<b>\$ 2,188,773</b>	<b>\$ 2,269,876</b>	<b>\$ 2,261,112</b>	<b>\$ 1,062,796</b>	<b>\$ 3,965,051</b>	<b>\$ 47,571,035</b>

## NOTE 25. DEDICATED COLLECTIONS

Dedicated collections as of September 30, 2007 and 2006, consist of the following:

(dollars in thousands)	FY 2007		FY 2006	
<b>ASSETS</b>				
Fund Balance with Treasury	\$	(34)	\$	(34)
Investments, Net		293,551		287,655
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>293,517</b>	<b>\$</b>	<b>287,621</b>
<b>TOTAL LIABILITIES</b>				
		-		-
<b>NET POSITION</b>		<b>293,517</b>		<b>287,621</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>		<b>293,517</b>		<b>287,621</b>
<b>CHANGE IN NET POSITION</b>				
Net Position, Beginning Balance	\$	287,621	\$	280,000
Cumulative Results of Operations:				
Non-exchange Revenue		16,327		14,165
Transfers In/(Out) without Reimbursement		7,500		8,111
Program Costs		(17,929)		(14,665)
Exchange Revenue		(2)		10
<b>NET POSITION, ENDING BALANCE</b>	<b>\$</b>	<b>293,517</b>	<b>\$</b>	<b>287,621</b>

**Office of the Special Trustee for American Indians.** Established by the American Indian Trust Fund Management Reform Act of 1994 (Public Law 103-412), the Office of the Special Trustee for American Indians was created to improve the accountability and management of Indian funds held in trust by the Federal Government. OST

manages and is accountable for Tribal Trust and Special Funds that are reported in these financial statements. Financing sources for these funds are from judgment awards, settlement of claims, land use agreements, royalties on natural resource depletion, other proceeds derived directly from trust resources, and investment income.

## NOTE 26. ROYALTY CREDITS REDEEMED

Section 383 of the Energy Policy Act of 2005 grants lessees royalty relief until a Congressionally designated amount, plus interest, is recovered from Federal offshore royalty payments. This relief was granted to compensate for the competitive oil and gas drainage of the West Delta field in Louisiana that occurred in the late 1980's. The royalty credits redeemed in FY 2007 were \$14,390 thousand.

Redeemed amounts are treated as paid for purposes of satisfying the royalty obligations of the lessee. The repayment obligation is recorded as an unfunded liability in Interior's financial records. Credits redeemed under this provision are recorded as a cost to the Federal Government, for which a custodial distribution of cash to the U.S. Treasury does not occur.

## NOTE 27. CHANGES IN ACCOUNTING PRINCIPLES

**Parent/Child Reporting.** Effective as of October 1, 2006, Interior adopted the parent/child provisions of OMB Circular No. A-136. Federal agencies (child) that received allocated budget authority through another Federal agency (parent) are required to provide the parent all of their financial activity. In prior guidance, child agencies that received allocated budget authority were allowed to report proprietary activity in their financial statements, if material to them. Interior did not fully apply the parent/child provisions of OMB Circular No. A-136 to the FY 2006 Financial Statements; therefore, the FY 2006 Financial Statements are not comparable to the FY 2007 Financial Statements.

In FY 2006, Interior and the Department of Transportation agreed to use the Highway Trust Fund as a pilot for this new reporting requirement. Beginning in FY 2007, Interior implemented the reporting requirements for all other allocated budget authority.

In FY 2007, the cumulative effect of this change in accounting principle resulted in an approximate increase of \$54 million to assets and an approximate decrease of \$6 million to liabilities on the Balance Sheet. This also resulted in an approximate corresponding increase of \$28 million and \$32 million to the beginning balances of unexpended appropriations and cumulative results of operations, respectively, on the Statement of Changes in Net Position.

### **Sport Fish Restoration and Boating Trust Fund.**

Effective October 1, 2006, Interior adopted the reporting provisions of trust funds with multiple program agencies included in OMB Circular No. A-136. Under such provisions, Interior no longer reports the corpus of SFRBTF and instead the U.S. Coast Guard reports the SFRBTF and Interior reports the accounts receivables due from and accounts payable due to other program agencies. In accordance with OMB Circular No. A-136, Interior did not apply the reporting provisions of trust funds with multiple program agencies to the FY 2006 financial statements.

In FY 2007, the OMB issued additional reporting guidance under OMB Circular No. A-136 that required changes to the reporting of the SFRBTF. The U.S. Coast Guard now reports the SFRBTF and Interior reports a receivable from and payables to other Federal agencies. The cumulative effect of this change in accounting principle resulted in an increase of \$12 million to assets and \$488 million to liabilities on the Balance Sheet. This also resulted in a net decrease of \$476 million to the beginning balance of cumulative results of operations on the Statement of Changes in Net Position.





# Required Supplementary Information

(Unaudited,  
See Auditors' Report)

**T**his section includes the Combining Statement of Budgetary Resources (Budgetary Accounts), deferred maintenance information, and heritage asset and stewardship land information

**Combining Statement of Budgetary Resources  
for the fiscal year ended September 30, 2007**

(dollars in thousands)

	Interior Franchise Fund	Working Capital Fund	Water and Related Resources	National Park Service Operations	Management of Land and Resources
<b>Budgetary Resources:</b>					
Unobligated balance, beginning of Fiscal Year:	\$ 503,964	\$ 127,608	\$ 185,402	\$ 65,327	\$ 41,176
Recoveries of prior year unpaid obligations	-	6,574	15,185	8,382	22,063
<b>Budget Authority</b>					
Appropriation	-	270	901,309	1,767,667	866,911
Spending authority from offsetting collections	-	-	-	-	-
<b>Earned</b>					
Collected	1,086,985	1,235,009	198,671	19,587	85,988
Change in receivables from Federal sources	15,395	(56,535)	6,084	32	6,322
<b>Change in unfiled customer orders</b>					
Advance received	(445,534)	(69,233)	33,442	-	(34)
Without advance from Federal sources	(30,511)	(128,769)	27,051	-	1,563
Anticipated for rest of year, without advances	-	-	-	-	-
<b>Total Budget Authority</b>	<b>626,335</b>	<b>980,742</b>	<b>1,166,557</b>	<b>1,787,286</b>	<b>960,750</b>
Nonexpenditure transfers, net, anticipated and actual	-	8	(92,916)	(4,266)	-
Temporarily not available pursuant to Public Law	-	-	-	-	-
Permanently not available	-	-	-	(6,138)	-
<b>Total Budgetary Resources</b>	<b>\$ 1,130,299</b>	<b>\$ 1,114,932</b>	<b>\$ 1,274,228</b>	<b>\$ 1,850,591</b>	<b>\$ 1,023,989</b>
<b>Status of Budgetary Resources:</b>					
<b>Obligations incurred:</b>					
Direct	-	334	828,916	1,759,879	921,933
Reimbursable	1,011,091	1,015,366	236,968	19,586	57,130
<b>Total Obligations incurred</b>	<b>1,011,091</b>	<b>1,015,700</b>	<b>1,065,884</b>	<b>1,779,465</b>	<b>979,063</b>
<b>Unobligated balance available:</b>					
Apportioned	119,208	99,232	208,289	53,684	44,926
Exempt from apportionment	-	-	48	(120)	-
<b>Total Unobligated balance available</b>	<b>119,208</b>	<b>99,232</b>	<b>208,337</b>	<b>53,564</b>	<b>44,926</b>
Unobligated balance not available	-	-	7	17,562	-
<b>Total Status of Budgetary Resources</b>	<b>\$ 1,130,299</b>	<b>\$ 1,114,932</b>	<b>\$ 1,274,228</b>	<b>\$ 1,850,591</b>	<b>\$ 1,023,989</b>
<b>Obligated Balance:</b>					
<b>Obligated balance, net</b>					
Unpaid obligations, brought forward, beginning of Fiscal Year	812,820	598,592	588,221	369,376	237,860
Less: Uncollected customer payments from Federal sources, brought forward, beginning of Fiscal Year	(86,036)	(345,685)	(42,796)	(350)	(31,861)
<b>Total unpaid obligated balances, net, beginning of Fiscal Year</b>	<b>726,784</b>	<b>252,907</b>	<b>545,425</b>	<b>369,026</b>	<b>205,999</b>
Obligations incurred, net	1,011,091	1,015,700	1,065,884	1,779,465	979,063
Less: Gross outlays	(1,200,968)	(1,174,247)	(1,003,729)	(1,722,116)	(918,253)
Less: Recoveries of prior year unpaid obligations, actual	-	(6,574)	(15,185)	(8,382)	(22,063)
Change in uncollected customer payments from Federal sources	15,116	185,304	(33,135)	(32)	(7,885)
<b>Total unpaid obligated balance, net, end of period</b>	<b>\$ 552,023</b>	<b>\$ 273,090</b>	<b>\$ 559,260</b>	<b>\$ 417,961</b>	<b>\$ 236,861</b>
<b>Obligated balance, net, end of period - by component:</b>					
Unpaid obligations	622,942	433,472	635,189	418,343	276,607
Less: Uncollected customer payments from Federal sources,	(70,919)	(160,382)	(75,929)	(382)	(39,746)
<b>Total unpaid obligated balance, net, end of period</b>	<b>\$ 552,023</b>	<b>\$ 273,090</b>	<b>\$ 559,260</b>	<b>\$ 417,961</b>	<b>\$ 236,861</b>
<b>Net Outlays:</b>					
<b>Net Outlays</b>					
Gross outlays	1,200,968	1,174,247	1,003,729	1,722,116	918,253
Less: Offsetting collections	(641,451)	(1,165,776)	(232,113)	(19,587)	(85,954)
Less: Distributed Offsetting receipts	-	-	(434)	-	-
<b>Net Outlays(Receipts)</b>	<b>\$ 559,517</b>	<b>\$ 8,471</b>	<b>\$ 771,182</b>	<b>\$ 1,702,529</b>	<b>\$ 832,299</b>

**Combining Statement of Budgetary Resources  
for the fiscal year ended September 30, 2007**

(dollars in thousands)

Wildland Fire Management	Bureau of Land Mangement Operations	Fish and Wildlife Resource Management	Minerals Leasing and Associated Payments	Operation of Indian Programs	Survey, Investigation and Research	Other Budgetary Accounts	FY 2007 Total Budgetary Accounts
\$ 153,277	\$ 1,560,396	\$ 76,008	\$ -	\$ 445,913	\$ 50,313	\$ 2,976,601	\$ 6,185,985
20,548	59,421	24,030	-	9,117	7,018	331,293	503,631
853,355	219,630	1,021,368	1,880,900	1,988,222	988,049	5,918,090	16,405,771
-	-	-	-	-	-	-	-
22,482	-	162,591	-	227,337	452,161	1,313,950	4,804,761
(864)	-	(8,186)	-	7,341	(17,224)	(4,896)	(52,531)
(145)	-	3,675	-	(15,631)	(2,007)	(6,151)	(501,618)
(1,507)	-	(7,405)	-	130,155	(2,015)	34,220	22,782
-	-	-	-	-	-	-	-
873,321	219,630	1,172,043	1,880,900	2,337,424	1,418,964	7,255,213	20,679,165
18,282	40	-	-	334	6,159	(599,304)	(671,663)
-	-	-	-	-	-	-	-
-	-	(602)	-	-	(6,669)	(23,486)	(36,895)
\$ 1,065,428	\$ 1,839,487	\$ 1,271,479	\$ 1,880,900	\$ 2,792,788	\$ 1,475,785	\$ 9,940,317	\$ 26,660,223
995,251	785,352	1,049,974	1,880,900	1,954,219	995,825	5,284,482	16,457,065
15,350	-	132,345	-	237,716	429,335	1,323,848	4,478,735
1,010,601	785,352	1,182,319	1,880,900	2,191,935	1,425,160	6,608,330	20,935,800
54,827	1,054,135	84,447	-	511,744	29,900	3,239,437	5,499,829
-	-	-	-	-	-	66,799	66,727
54,827	1,054,135	84,447	-	511,744	29,900	3,306,236	5,566,556
-	-	4,713	-	89,109	20,725	25,751	157,867
\$ 1,065,428	\$ 1,839,487	\$ 1,271,479	\$ 1,880,900	\$ 2,792,788	\$ 1,475,785	\$ 9,940,317	\$ 26,660,223
275,233	940,824	339,747	-	259,690	290,376	4,127,186	8,839,925
(9,152)	-	(74,857)	-	(77,114)	(181,375)	(268,001)	(1,117,227)
266,081	940,824	264,890	-	182,576	109,001	3,859,185	7,722,698
1,010,601	785,352	1,182,319	1,880,900	2,191,935	1,425,160	6,608,330	20,935,800
(978,378)	(281,265)	(1,150,585)	(1,880,900)	(2,145,909)	(1,409,588)	(6,312,806)	(20,178,744)
(20,548)	(59,421)	(24,030)	-	(9,117)	(7,018)	(331,293)	(503,631)
2,371	-	15,591	-	(137,496)	19,239	(29,324)	29,749
\$ 280,127	\$ 1,385,490	\$ 288,185	\$ -	\$ 81,989	\$ 136,794	\$ 3,794,092	\$ 8,005,872
286,907	1,385,490	347,451	-	296,599	298,931	4,091,418	9,093,349
(6,780)	-	(59,266)	-	(214,610)	(162,137)	(297,326)	(1,087,477)
\$ 280,127	\$ 1,385,490	\$ 288,185	\$ -	\$ 81,989	\$ 136,794	\$ 3,794,092	\$ 8,005,872
978,378	281,265	1,150,585	1,880,900	2,145,909	1,409,588	6,312,806	20,178,744
(22,337)	-	(166,266)	-	(211,706)	(450,154)	(1,307,800)	(4,303,144)
-	(213,686)	-	(1,880,900)	-	-	(3,674,463)	(5,769,483)
\$ 956,041	\$ 67,579	\$ 984,319	\$ -	\$ 1,934,203	\$ 959,434	\$ 1,330,543	\$ 10,106,117

**Combining Statement of Budgetary Resources  
for the fiscal year ended September 30, 2006**

(dollars in thousands)

	Interior Franchise Fund	Working Capital Fund	Water and Related Resources	National Park Service Operations	Management of Land and Resources
<b>Budgetary Resources:</b>					
Unobligated balance, beginning of Fiscal Year:	\$ 788,609	\$ 187,814	\$ 276,153	\$ 30,609	\$ 33,190
Recoveries of prior year unpaid obligations	-	6,574	27,091	10,020	24,327
<b>Budget Authority</b>					
Appropriation	-	-	892,556	1,744,599	860,791
Spending authority from offsetting collections					
Earned					
Collected	1,379,994	1,458,881	236,740	22,263	89,295
Change in receivables from Federal sources	(1,130)	16,956	(4,315)	86	1,674
Change in unfilled customer orders					
Advance received	(86,525)	(214,473)	12,642	-	-
Without advance from Federal sources	(71,777)	(43,764)	(6,761)	-	7,209
<b>Total Budget Authority</b>	<b>1,220,562</b>	<b>1,217,600</b>	<b>1,130,862</b>	<b>1,766,948</b>	<b>958,969</b>
Nonexpenditure transfers, net, anticipated and actual	-	-	(103,962)	164	-
Temporarily not available pursuant to Public Law	-	-	(7,017)	-	-
Permanently not available	-	-	(1,818)	(35,411)	(13,193)
<b>Total Budgetary Resources</b>	<b>\$ 2,009,171</b>	<b>\$ 1,411,988</b>	<b>\$ 1,321,309</b>	<b>\$ 1,772,330</b>	<b>\$ 1,003,293</b>
<b>Status of Budgetary Resources:</b>					
Obligations incurred:					
Direct					
Reimbursable	1,505,207	1,283,318	236,569	21,730	62,168
<b>Total Obligations incurred</b>	<b>1,505,207</b>	<b>1,284,380</b>	<b>1,135,907</b>	<b>1,707,003</b>	<b>962,117</b>
Unobligated balance available:					
Apportioned	503,964	127,608	185,354	52,282	41,176
Exempt from apportionment	-	-	48	-	-
<b>Total Unobligated balance available</b>	<b>503,964</b>	<b>127,608</b>	<b>185,402</b>	<b>52,282</b>	<b>41,176</b>
Unobligated balance not available	-	-	-	13,045	-
<b>Total Status of Budgetary Resources</b>	<b>\$ 2,009,171</b>	<b>\$ 1,411,988</b>	<b>\$ 1,321,309</b>	<b>\$ 1,772,330</b>	<b>\$ 1,003,293</b>
<b>Obligated Balance:</b>					
Obligated balance, net					
Unpaid obligations, brought forward, beginning of Fiscal Year	703,246	780,667	441,970	417,869	237,296
Less: Uncollected customer payments from Federal sources, brought forward, beginning of Fiscal Year					
	(158,943)	(372,493)	(53,870)	(264)	(22,978)
<b>Total unpaid obligated balances, net, beginning of Fiscal Year</b>	<b>544,303</b>	<b>408,174</b>	<b>388,100</b>	<b>417,605</b>	<b>214,318</b>
Obligations incurred, net	1,505,207	1,284,380	1,135,907	1,707,003	962,117
Less: Gross outlays	(1,395,633)	(1,459,881)	(962,567)	(1,745,476)	(937,226)
Less: Recoveries of prior year unpaid obligations, actual	-	(6,574)	(27,091)	(10,020)	(24,327)
Change in uncollected customer payments from Federal sources	72,907	26,808	11,076	(86)	(8,883)
<b>Total unpaid obligated balance, net, end of period</b>	<b>\$ 726,784</b>	<b>\$ 252,907</b>	<b>\$ 545,425</b>	<b>\$ 369,026</b>	<b>\$ 205,999</b>
<b>Obligated balance, net, end of period - by component:</b>					
Unpaid obligations	812,820	598,592	588,221	369,376	237,860
Less: Uncollected customer payments from Federal sources,	(86,036)	(345,685)	(42,796)	(350)	(31,861)
<b>Total unpaid obligated balance, net, end of period</b>	<b>\$ 726,784</b>	<b>\$ 252,907</b>	<b>\$ 545,425</b>	<b>\$ 369,026</b>	<b>\$ 205,999</b>
<b>Net Outlays:</b>					
Net Outlays					
Gross outlays	1,395,633	1,459,881	962,567	1,745,476	937,226
Less: Offsetting collections	(1,293,469)	(1,244,408)	(249,382)	(22,263)	(89,296)
Less: Distributed Offsetting receipts	-	-	(368)	-	-
<b>Net Outlays(Receipts)</b>	<b>\$ 102,164</b>	<b>\$ 215,473</b>	<b>\$ 712,817</b>	<b>\$ 1,723,213</b>	<b>\$ 847,930</b>

**Combining Statement of Budgetary Resources  
for the fiscal year ended September 30, 2006**

(dollars in thousands)

Wildland Fire Management	Bureau of Land Management Operations	Fish and Wildlife Resource Management	Minerals Leasing and Associated Payments	Operation of Indian Programs	Survey, Investigation and Research	Other Budgetary Accounts	FY 2006 Total Budgetary Accounts
\$ 128,311	\$ 892,763	\$ 70,377	\$ -	\$ 362,233	\$ 52,864	\$ 2,888,006	\$ 5,710,929
24,927	71,721	17,399	-	40,835	7,277	254,772	484,943
866,564	862,343	1,016,278	2,110,432	1,991,490	995,205	4,784,195	16,124,453
27,813	-	203,249	-	274,175	435,933	1,350,781	5,479,124
(104)	-	(3,955)	-	1,355	(8,603)	(4,961)	(2,997)
(2,400)	-	2,090	-	(1,489)	(1,268)	(15,397)	(306,820)
(2,450)	-	(54,418)	-	45,559	8,739	13,123	(104,540)
889,423	862,343	1,163,244	2,110,432	2,311,090	1,430,006	6,127,741	21,189,220
97,366	116	10,590	-	535	1,500	431,898	438,207
-	-	-	-	-	-	(9,600)	(16,617)
(11,279)	-	(14,946)	-	(29,300)	(19,479)	(61,362)	(186,788)
\$ 1,128,748	\$ 1,826,943	\$ 1,246,664	\$ 2,110,432	\$ 2,685,393	\$ 1,472,168	\$ 9,631,455	\$ 27,619,894
951,287	266,547	1,044,070	2,110,432	1,957,502	983,362	5,582,129	16,380,951
24,184	-	126,586	-	281,978	438,493	1,072,725	5,052,958
975,471	266,547	1,170,656	2,110,432	2,239,480	1,421,855	6,654,854	21,433,909
153,277	1,560,396	74,371	-	372,507	27,033	2,889,214	5,987,182
-	-	-	-	-	-	58,277	58,325
153,277	1,560,396	74,371	-	372,507	27,033	2,947,491	6,045,507
-	-	1,637	-	73,406	23,280	29,110	140,478
\$ 1,128,748	\$ 1,826,943	\$ 1,246,664	\$ 2,110,432	\$ 2,685,393	\$ 1,472,168	\$ 9,631,455	\$ 27,619,894
298,213	877,886	386,568	-	262,403	278,270	3,872,828	8,557,216
(11,705)	-	(133,230)	-	(30,200)	(181,240)	(259,839)	(1,224,762)
286,508	877,886	253,338	-	232,203	97,030	3,612,989	7,332,454
975,471	266,547	1,170,656	2,110,432	2,239,480	1,421,855	6,654,854	21,433,909
(973,525)	(131,888)	(1,200,078)	(2,110,432)	(2,201,358)	(1,402,471)	(6,145,724)	(20,666,259)
(24,927)	(71,721)	(17,399)	-	(40,835)	(7,277)	(254,772)	(484,943)
2,554	-	58,373	-	(46,914)	(136)	(8,162)	107,537
\$ 266,081	\$ 940,824	\$ 264,890	\$ -	\$ 182,576	\$ 109,001	\$ 3,859,185	\$ 7,722,698
275,233	940,824	339,747	-	259,690	290,376	4,127,186	8,839,925
(9,152)	-	(74,857)	-	(77,114)	(181,375)	(268,001)	(1,117,227)
\$ 266,081	\$ 940,824	\$ 264,890	\$ -	\$ 182,576	\$ 109,001	\$ 3,859,185	\$ 7,722,698
973,525	131,888	1,200,078	2,110,432	2,201,358	1,402,471	6,145,724	20,666,259
(25,413)	-	(205,339)	-	(272,686)	(434,664)	(1,335,384)	(5,172,304)
-	(753,009)	-	(2,110,432)	-	-	(4,076,646)	(6,940,455)
\$ 948,112	\$ (621,121)	\$ 994,739	\$ -	\$ 1,928,672	\$ 967,807	\$ 733,694	\$ 8,553,500

## Deferred Maintenance

The Department of the Interior owns, builds, purchases, and contracts services for assets such as schools, office buildings, roads, bridges, dams, irrigation systems, and reservoirs. These assets are used to support the Department's mission. Interior's assets include some deteriorating facilities for which repair and maintenance have not been adequately funded. Current and prior budgetary restraints require that repair and maintenance on the assets be postponed for future years. Interior refers to this unfunded repair and maintenance as deferred maintenance.

Inadequately funded maintenance may result from reduced budgets, reallocation of maintenance funds for emergency requirements, and competition for resources from other program needs. Deterioration of facilities can adversely impact public health and safety, reduce employees' morale and productivity, and increase the need for costly major repair or early replacement of structures and equipment. Undue wear on facilities may not be immediately noticeable to users, but inadequate maintenance can require that a facility be replaced or undergo major reconstruction before reaching the end of its expected useful life.

The SFFAS 6, "Accounting for Property, Plant, and Equipment," SFFAS 14, "Amendments to Deferred Maintenance Reporting Amending SFFAS 6, Accounting for Property, Plant and Equipment and SFFAS 8, Supplementary Stewardship Reporting," and SFFAS 29, "Stewardship Land and Heritage Assets," requires annual disclosure of the estimated cost to remedy accumulated deferred maintenance on Interior property, plant, and equipment. Both General PP&E and Stewardship PP&E are included, if applicable.

Deferred maintenance information is accumulated when maintenance was not performed when it should have been or when it was scheduled and was put off or delayed for a future period.

The Department has developed a 5-Year Plan that provides a framework for improved planning and management of maintenance and construction programs and better defines accumulated deferred maintenance funding needs. In developing the 5-Year Plan, the Department established uniform

criteria for critical health and safety and resource protection projects. These criteria also facilitate a thorough review and provide consistent information to management for prioritization decisions. The standard requires that all deferred maintenance be reported regardless of when it might be performed, not just that which is included in the 5-Year Plan. The long-term goal is to have a single source of deferred maintenance backlog information based upon condition assessments recorded in a facilities maintenance management information system. This information does not include annual maintenance or capital improvements as defined in the Department's Budget Formulation Guidance.

### Critical Deferred Maintenance

Categories of deferred maintenance for analytic purposes include:

- (a) Critical Health and Safety Deferred Maintenance – poses a serious threat to public or employee safety or health;
- (b) Critical Resource Protection Deferred Maintenance – poses a serious threat to natural or cultural resources;
- (c) Critical Mission Deferred Maintenance – poses a serious threat to a Bureau's ability to carry out its assigned mission; and
- (d) Compliance and Other Deferred Maintenance – improves public or employee safety, health, or accessibility; compliance with codes, standards, laws, completes unmet programmatic needs and mandated programs; protection of natural or cultural resources related to a Bureau's ability to carry out its assigned mission.

Critical Deferred Maintenance is the work prioritized for FY 2008–2012 in the Deferred Maintenance and Capital Improvement Plans for BLM, USGS, FWS, NPS, BOR, and IA. The Department prioritizes deferred maintenance through these 5-year plans that identify the most critical needs.

### Estimated Deferred Maintenance

Generally, deferred maintenance is not estimated on equipment. If, however, the nature of operations is such that deferred maintenance on equipment is considered significant and meaningful, the Department may report this information.

FIGURE 3-1

FY 2007 Deferred Maintenance Estimates (in thousands)						
Type of Deferred Maintenance	General PP&E		Stewardship PP&E		Total	
	Low	High	Low	High	Low	High
<b>Financial Statement Estimated Deferred Maintenance</b>						
Roads Bridges and Trails	\$4,338,085	\$8,488,081	\$894,265	\$1,241,666	\$5,232,350	\$9,729,747
Irrigation, Dams, and Other Water Structures	1,815,744	2,414,023	336,309	523,921	\$2,152,053	\$2,937,944
Buildings (e.g Administration, Education, Housing, Historic Buildings)	1,654,663	2,585,140	574,418	1,224,574	\$2,229,081	\$3,809,714
Other Structures (eg Recreation sites, Hatcheries, etc.)	1,538,747	2,983,308	145,441	311,023	\$1,684,188	\$3,294,331
<b>Total</b>	<b>\$9,347,239</b>	<b>\$16,470,552</b>	<b>\$1,950,433</b>	<b>\$3,301,184</b>	<b>\$11,297,672</b>	<b>\$19,771,736</b>

Due to the scope, nature, and variety of the assets entrusted to the Department, as well as the nature of deferred maintenance itself, exact estimates of deferred maintenance are very difficult to determine. Interior has calculated estimates of deferred maintenance based on data from a variety of systems, procedures, and data sources. The accumulation of deferred maintenance cost estimates, however, is not the primary purpose of many of these sources. The Department acknowledges that the reliability of these sources as a basis for deferred maintenance estimates may vary from Bureau to Bureau. The Department has implemented a cyclic/recurring condition assessment process to monitor, at least once every 5 years, the condition of buildings and other facilities. The 2007 process is similar to the process in place for FY 2006.

**Condition Assessment Surveys**

The Department uses Condition Assessment Surveys to determine deferred maintenance for each class of assets. A condition assessment survey is the periodic inspection of real property to determine its current condition and to provide a cost estimate for necessary repairs. Annual condition assessments are performed on all constructed assets with a current replacement value of \$5,000 or more and are performed by field operating unit staff. Comprehensive condition assessments are performed on all constructed assets with a current replacement value of \$50,000 or more once every 5 years. Comprehensive assessments are usually performed under contract; the contract includes an inspection of the facility and all component systems, a summary of deficiencies found, and a recalculation of the current replacement value.

The Department’s assessment of deferred maintenance is dependent upon the Bureaus having accurate and complete facilities information. The accumulation of facility data provides the necessary information for compliance with the standard that requires annual reporting of deferred maintenance of fixed assets.

An acceptable level of condition for an asset is when all of an asset’s critical deferred maintenance deficiencies have no deferred maintenance; noncritical systems of deferred maintenance may exist. Acceptable condition may vary by asset type. An unacceptable level of condition for an asset is when an asset’s critical deferred maintenance deficiencies have been identified as serious. The threshold used to determine acceptable and unacceptable will vary based on the mission and types of assets.

Interior’s current estimate for deferred maintenance includes the following property categories: Roads, Bridges, and Trails; Irrigation, Dams and Other Water Structures; Buildings (e.g., Administration, Education, Housing, and Historic Buildings); and Other Structures (e.g., Recreation Sites, Hatcheries).

The estimate generally excludes vehicles and most other categories of operating equipment since ongoing maintenance is performed on these assets and such assets would be disposed of before they resulted in a critical deferred maintenance condition.

**Deferred Maintenance Estimate**

Deferred maintenance information from the Feasibility software system represents the full inventory of all the identified deficiencies, but does

not represent a backlog of specific repairs to be undertaken. Bureaus are developing performance measures to improve assets to an acceptable condition. Once these measures are in place and costs associated with achieving acceptable condition determined, this will become the deferred maintenance backlog amounts. As such, the Department's current approach for estimating the total amount needed to correct deferred maintenance for PP&E ranges from approximately \$11.3 billion to \$19.8 billion as summarized in Figure 3-1.

### Stewardship Lands

Most of the public lands managed by Interior were once a part of the 1.8 billion acres of public domain lands acquired by the Nation between 1781 and 1867. Each of America's 50 States, the District of Columbia, the Pacific Islands, the Virgin Islands, Guam, and Puerto Rico contain lands that are managed by the Department of the Interior.

Interior-administered stewardship lands are vast and encompass a wide range of activities, including recreation, conservation, and functions vital to the health of the economy of the American people. These include National Parks, National Wildlife Refuges, Public Lands, and many other lands of national and historical significance.

Interior has exercised the flexibility intended by SFFAS 29, "Stewardship Land and Heritage Assets," and established its units of measure to reflect the major categories of use. Depending on the individual Bureau, these units may be reported based on the number of national wildlife refuges, national parks, geographic management areas, water projects, etc.

Each Bureau within Interior that administers stewardship lands serves to preserve, conserve, protect, and interpret how best to manage the Nation's natural, cultural, and recreational resources. Some of these stewardship lands have been designated as multiple-use, which Congress defines as management of both the land and the use of the land in a combination that will best meet the present and future needs of the American people. The resources and uses embraced by the multiple use concept include mineral development; natural, scenic, scientific, and historical values; outdoor

recreation; livestock grazing; timber management; watersheds; and wildlife and fish habitat.

In general, units are added through Presidential and/or Congressional action; an authorization by Congress is required to remove units from Interior stewardship lands. However, boundaries of individual units may be expanded or altered by fee title purchase, transfer of jurisdiction, gift, or withdrawal from the public domain. The change in boundaries of individual units occurs to enhance the purpose for which the unit exists.

### Bureau Stewardship Lands

**Bureau of Land Management.** The BLM has stewardship responsibility for the multiple-use management of natural resources on and beneath millions of acres of the Nation's "public lands." The Federal Land Policy and Management Act of 1976 defines public lands as ". . . any land and interest in land owned by the United States within the several States and administered by the Secretary of the Interior through the Bureau of Land Management, without regard to how the United States acquired ownership, except: (1) lands located on the Outer Continental Shelf, and (2) lands held for the benefit of Indians, Aleuts, and Eskimos." Lands managed by the BLM represent about one-eighth of the Nation's land surface, or approximately 42 percent of the lands under Federal ownership. The BLM manages lands in 30 States; most of the public lands are located in Alaska and the 11 Western States (Arizona, California, Colorado, Idaho, Montana, New Mexico, Nevada, Oregon, Utah, Washington, and Wyoming).

The BLM is guided by principles of multiple use. Multiple uses include: domestic livestock grazing, fish and wildlife development and utilization, mineral exploration and production, rights-of-way, outdoor recreation, or timber production.

**Fish and Wildlife Service.** Stewardship lands managed by FWS include the National Wildlife Refuges, National Fish Hatcheries, and Wetland Management Areas. Lands are acquired through a variety of methods, including withdrawal from the public domain, fee title purchase, transfer of jurisdiction, donation, or gift. The FWS purchases land through two primary sources of funding: the



FIGURE 3-2

Primary Land Management Categories	As of Oct			As of Sep		Condition	
	06	Increase	Decrease	07	Acceptable	Needs Intervention	
IA - Other Recreation Land	15	-	-	15	100.0%	-	
IA - Cultural, Schools, and Housing	79	-	1	78	100.0%	-	
IA - Reclamation & Irrigation Areas	76	-	-	76	100.0%	-	
IA - Other Stewardship Lands	51	-	2	49	100.0%	-	
BLM - Geographic Management Areas	126	-	-	126	100.0%	-	
BOR - Federal Water and Related Projects	145	-	-	145	100.0%	-	
FWS - National Wildlife Refuges	547	1	-	548	99.3%	0.7%	
FWS - National Fish Hatcheries	86	1	-	87	100.0%	-	
FWS - Wetland Management Districts	37	-	-	37	100.0%	-	
NPS - Park Units	390	1	-	391	100.0%	-	
OS - Commision Land	1	-	-	1	100.0%	-	
<b>Total Number of Units</b>	<b>1,553</b>	<b>3</b>	<b>3</b>	<b>1,553</b>	<b>99.7%</b>	<b>0.3%</b>	

Migratory Bird Conservation Fund and the Land and Water Conservation Fund. The FWS lands are managed and used in accordance with the explicit purpose of the statutes that authorize acquisition or designation and that direct use and management of the land.

**National Park Service.** NPS stewardship lands are used and managed in accordance with the statutes authorizing acquisition or directing use and management.

At the end of FY 2006, the National Park System encompassed 390 park units. During FY 2007, an additional unit was added. Sand Creek Massacre National Historic Site memorializes the massacre of some 160 Cheyenne and Arapaho people on November 29, 1864, by members of a Colorado militia. This site is considered sacred by Native peoples and the four Tribes (Southern Cheyenne and Arapaho tribes, Northern Cheyenne, and Northern Arapaho Tribes) will continue to use the site for ceremonial purposes.

**Bureau of Reclamation.** Reclamation operates largely as a business-type entity whose primary stated mission is to manage, develop, and protect water and related resources in an environmentally and economically sound manner in the interest of the American people. Reclamation provides water and power throughout the 17 Western States. Reclamation lands are integral to project purposes, such as constructing and operating dams, reservoirs, water conveyance systems, and power facilities. The land is reported based on the projects managed by Reclamation.

Additions or withdrawals would represent: (a) new water projects being authorized and funded by Congress; (b) revocations by the Bureau of Land Management or Forest Service of all Stewardship Lands in a particular project; or, (c) projects that have successfully completed the process of title transfer to a non-Federal entity. Both of these actions occur very infrequently as Congress has not authorized a new water project in many years, and the title transfer process also requires Congressional authorization and typically takes years to accomplish.

**Indian Affairs.** Lands owned by the IA are generally lands located within the boundaries of Indian Reservations (which are managed and owned by the individual Tribes) which have been withdrawn for administrative uses and are not directly related to general PP&E. These stewardship lands are generally used for schools, housing, recreation, and irrigation areas.

**Office of the Secretary/Departmental Offices – Utah Reclamation Mitigation and Conservation Commission.** The Utah Reclamation Mitigation and Conservation Commission was established by Congress in 1992 under the Central Utah Project Completion Act. The Commission’s mission is to replace or offset the loss in Utah of fish and wildlife resources and related recreational opportunities caused by the acquisition, construction, and operation of Reclamation project assets such as dams, power plants, roads, pipelines, aqueducts, operation and maintenance buildings, and visitor centers. The Commission’s program is separate

and distinct from acquisition and construction of Reclamation PP&E. Even if the fish and wildlife mitigation is achieved in the immediate vicinity of the project asset, land acquired and investments made in order to mitigate for the loss of fish and wildlife resources caused by Reclamation project construction is not an essential or integral part of the dam, pipeline, etc., and is not “acquired for or in connection with the construction” of the project asset.

The Commission acquires land for: fish and wildlife habitat (wetland, riparian, and/or upland) for both aquatic and terrestrial species; and land or easements to provide public access to fish and wildlife resources that, once acquired, are also managed to provide habitat to the extent practicable.

### Major Categories of Stewardship Lands

Interior’s stewardship lands include a number of assets that are of special value to the Nation. Descriptions of the major categories of stewardship land included in the above chart are:

**Indian Affairs: Other Recreation Land.** This category consists primarily of fishing sites where only tribal members are provided with access to rivers for fishing.

**Indian Affairs: Cultural, Schools, and Housing Land.** These areas are primarily American Indian home sites, both tribal and non-tribal, which are administered by the Indian Affairs. Also included is the Sherman Institute Cemetery located in Riverside, California, and land associated with several Indian schools, including 10 acres of the Turtle Mountain Community School in Belcourt, North Dakota.

**Indian Affairs: Reclamation and Irrigation Areas.** This category includes lands used for numerous irrigation projects and any buildings and water plants specifically associated with a project, as well as the irrigated land itself. Also included are water reservoirs and surrounding land such as the Weber Reservoir in Carson City, Nevada.

**Indian Affairs: Other Stewardship Land.** These lands are used primarily for farming and grazing, but include forest and wildlife areas in Montana and Wisconsin. This category also includes land developed for office space.

**Bureau of Land Management: Geographic Management Areas.** The BLM reports its stewardship land by 12 “administrative” states whose boundaries largely follow one or more political state lines; the administrative States are further divided into 126 administrative management areas. Specific land use plans are developed and implemented for each of these administrative management areas to manage the land’s resources for both present and future periods.

**Bureau of Reclamation: Federal Water and Related Projects.** Federal water and related projects are water projects that have been authorized and funded by Congress. These projects include dams, reservoirs, canals, laterals, and various other types of water related properties. The lands for these projects were acquired or withdrawn from the public domain to construct, operate, and maintain the projects. Recreational activities such as fishing, boating, camping, etc., are authorized on these withdrawn lands.

**Fish and Wildlife Service: National Wildlife Refuges.** NWR are managed so that the fish, wildlife, and plants that depend on these lands for habitat benefit over both the short and long term. These lands are protected in perpetuity for as long as they remain in the NWR System. As new lands enter the NWR System, they are managed to maintain their natural state, to mitigate adverse effects of actions previously conducted by others, or to enhance existing conditions to improve benefits to fish, wildlife, and plant resources.

**Fish and Wildlife Service: National Fish Hatchery System.** National Fish Hatcheries are involved in the conservation, restoration, and management of fish and wildlife resources and their habitats. In addition to ensuring that the fishery and aquatic resources are protected, recreational opportunities such as fishing, hiking, and bird watching are offered to the public.

**Fish and Wildlife Service: Wetland Management Districts.** Wetland Management Districts are important components of the NWR System. They differ from refuges, which frequently consist of a single contiguous parcel of land, in that they are generally scattered, small parcels of land. The primary purpose is to conserve waterfowl nesting and rearing habitats. Wetland Management Districts consist of Waterfowl Production Areas (owned in fee title) and Wetland or Grassland Easements (privately owned lands with a Government easement overlay).

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

**Office of the Secretary/Departmental Offices – Commission Land.** The Utah Reclamation Mitigation and Conservation Commission was created to replace or offset the loss in Utah of fish and wildlife resources and related recreational opportunities caused by the acquisition, construction, and operation of Reclamation project assets. The Commission acquires land for fish and wildlife habitat (wetland, riparian and/or upland) for both aquatic and terrestrial species and land or easements to provide public access to fish and wildlife resources that, once acquired, are also managed to provide habitat to the extent practicable.

## Condition of Stewardship Lands

The Department is required to report on the condition of stewardship land. Land is defined as the solid part of the surface of the earth and excludes natural resources (that is, depletable resources and renewable resources) related to the land. Based on this definition, stewardship land is considered to be in acceptable condition unless an environmental contamination or liability is identified and the land cannot be used for its intended purpose(s). Information regarding the financial liabilities identified as probable or reasonably possible and that potentially affect the condition of Stewardship Land are located in Note 14, "Contingent Liabilities and Environmental and Disposal Liabilities."

## Heritage Assets

Interior is steward for a large, varied, and scientifically important body of heritage assets, both non-collectible and collectible in nature. Non-collectible heritage assets include historic sites, historic and prehistoric structures, cultural landscapes, and many other resources. Some are National Historic Landmarks that are exceptional in illustrating the heritage of the United States. Cultural landscapes are complex resources that range in size from large rural tracts to small formal gardens. Collectible heritage assets include library and museum collections.

Heritage assets administered by the Department are unique in that many assets are interrelated and often overlap various categories, including stewardship lands. Some stewardship land assets are also considered to be non-collectible heritage assets, such as national parks and fish and wildlife refuges. In addition, subsets of lands within the National Park System may have additional stewardship asset designations such as wilderness areas, wild and scenic rivers, trails, national battlefields, and national recreation areas. The Department is reporting on assets that are Presidentially, Congressionally, or Secretarially designated.

## Non-Collectible Heritage Assets

Interior's heritage assets come from public domain or acquired lands, historic properties under Interior's management, and donations. Interior has a responsibility to inventory, preserve, and interpret these resources for the benefit of the American people and does not normally dispose of such property. Withdrawals of non-collectible heritage assets are due primarily to redesignation by Congress, natural destruction or deterioration of the asset, or transfer to another Federal agency. Descriptions of the 31 types of non-collectible heritage assets are detailed below.

The condition of land based non-collectible heritage assets is based on the condition of the land, as described above. The condition of structure based non-collectible heritage assets is based on the requirements described in the deferred maintenance section.

FIGURE 3-3

Primary Non-Collectible Heritage Asset Categories					Condition Expressed as a Percentage								
	As of Oct 06	Increase	Decrease	As of Sep 07	Land Based			Structurally Based					
					Acceptable	Needs Intervention	Total	Acceptable	Unacceptable	Unknown	Total		
Cooperative Management and Protection Areas	1			1	100%		100%						
Headwaters Forest Reserve	1			1	100%		100%						
Lake Totodotonten Special Management Area	1			1	100%		100%						
National Battlefield Parks	3			3	-		-	100%					100%
National Battlefield Sites	1			1	100%		100%						
National Battlefields	11			11	100%		100%	100%					100%
National Conservation Areas	13			13	100%		100%						
National Historic Landmarks (NHL)	206	2		208	100%		100%	85%	10%	5%			100%
National Historic Sites	78	1		79	100%		100%	100%					100%
National Historic Trails	10			10	100%		100%						
National Historical Parks	42			42	100%		100%	97%	3%				100%
National Lakeshores	4			4				100%					100%
National Memorials	28			28	100%		100%	100%					100%
National Military Parks	9			9	100%		100%	100%					100%
National Monuments	91			91	100%		100%	94%	6%				100%
National Natural Landmarks (NNL)	109	1		110	100%		100%						
National Parks	58			58	100%		100%	98%	2%				100%
National Parkways	4			4	100%		100%	100%					100%
National Preserves	18			18	100%		100%	94%	6%				100%
National Recreation Areas	19			19	100%		100%	100%					100%
National Recreation Trails	78	16	2	92	100%		100%	100%					100%
National Reserves	2			2	100%		100%						
National Rivers	5			5	100%		100%	100%					100%
National Scenic Trails	6			6	100%		100%						
National Seashores	10			10				100%					100%
National Wild and Scenic Rivers	56			56	100%		100%	50%	50%				100%
National Wildlife Refuges	547	1		548	99%	1%	100%						
Outstanding Natural Area	1			1	100%		100%						
International Historic Sites	1			1				100%					100%
Wilderness Areas	299	13		312	100%		100%						
Other	11			11	100%		100%	100%					100%
<b>Total</b>	<b>1,723</b>	<b>34</b>	<b>2</b>	<b>1,755</b>	<b>99.7%</b>	<b>0.3%</b>	<b>100%</b>	<b>94%</b>	<b>5%</b>	<b>1%</b>	<b>1%</b>	<b>1%</b>	<b>100%</b>

**Cooperative Management and Protection Area:**

The BLM manages one congressionally designated cooperative management and protection area, the Steens Mountain Cooperative Management and Protection Area, located in southeastern Oregon. Cooperative and innovative management projects will be maintained and enhanced by the BLM, private landowners, tribes, and other public interest groups.

**Headwaters Forest Reserve:** The Headwaters Forest Reserve, located in central Humboldt County, California, was acquired from private owners by the BLM and the State of California. While title is held by BLM, this area is co-managed by the BLM and the State of California to protect the stands of old-growth redwoods that provide habitat for a threatened seabird, the marbled murrelet, as well as the headwaters that serve as a habitat for the threatened Coho salmon and other fisheries.

**Lake Totodotonten Special Management Area:** The U.S. Congress authorized the creation of the Lake Totodotonten Special Management Area located in the interior of Alaska. Lake Totodotonten, the central feature of this special management area,

is particularly important to waterfowl which use the area for migration, staging, molting, and nesting. The lake and its surrounding hills are also home to moose, bear, and other furbearers and is managed by the BLM.

**National Battlefield:** A National Battlefield is an area of land on which a single historic battle or multiple historic battles took place during varying lengths of time. This general title includes national battlefields, national battlefield parks, national battlefield sites, and national military parks. In 1958, an NPS committee recommended national battlefield as the single title for all such park lands. Congress names the park units and the NPS uses the official names. No further descriptions or distinctions are maintained by the NPS.

**National Conservation Areas:** Congress designates national conservation areas so that present and future generations of Americans can benefit from the conservation, protection, enhancement, use, and management of these areas and enjoy their natural, recreational, cultural, wildlife, aquatic, archeological, paleontological, historical, educational, and/or scientific resources and values. National Conservation Areas are managed by BLM.

**National Historic Landmarks:** The Historic Sites Act of 1935 authorizes the Secretary of the Interior to designate National Historic Landmarks as the Federal Government's official recognition of the national significance of historic properties. These landmarks possess exceptional value or quality in illustrating or interpreting the heritage of the United States in history, architecture, archeology, technology, and culture. They also possess a high degree of integrity of location, design, setting, materials, workmanship, feeling, and association. National Historic Landmarks are managed by IA, Reclamation, FWS, BLM, and NPS.

**National Historic Sites:** Usually, a national historic site contains a single historical feature that was directly associated with its subject. Derived from the Historic Sites Act of 1935, some historic sites were established by Secretaries of the Interior; but most have been authorized by acts of Congress.

**National Historical Parks:** This designation generally applies to historic parks that extend beyond single properties or buildings.

**National Lakeshores:** A National Lakeshore is a protected area of lakeshore that is maintained to preserve a significant portion of the diminishing shoreline of the Great Lakes for the benefit, inspiration, education, recreational use, and enjoyment of the public. Although National Lakeshores can be established on any natural freshwater lake, the existing four are all located on the Great Lakes. National Lakeshores closely parallel National Seashores in character and use.

**National Memorials:** A national memorial is commemorative of a historic person or episode; it need not occupy a site historically connected with its subject.

**National Monuments:** National monuments are normally designated by Congress to protect historic landmarks, historic and prehistoric structures, or other objects of historic or scientific interest on the public lands. The Antiquities Act of 1906 authorized the President to declare by public proclamation landmarks, structures, and other objects of historic or scientific interest situated on lands owned or controlled by the Government to be national monuments. National Monuments are managed by BLM, FWS, and NPS.

**National Natural Landmarks:** National Natural Landmarks are designated by the Secretary of the Interior. To qualify as a national natural landmark, the area must contain an outstanding representative example(s) of the Nation's natural heritage, including terrestrial communities, aquatic communities, landforms, geological features, habitats of native plant and animal species, or fossil evidence of the development of life on earth and must be located within the boundaries of the United States or on the Continental Shelf. National Natural Landmarks are managed by Reclamation, FWS, NPS, and BLM.

**National Parks:** Generally, national parks are large natural places that encompass a wide variety of attributes, sometimes including significant historic assets. Hunting, mining, and consumption activities are not authorized.

**National Parkways:** The title parkway refers to a roadway and the parkland paralleling the roadway. All were intended for scenic motoring along a protected corridor and often connect cultural sites.

**National Preserves:** National preserves are areas having characteristics associated with national parks but in which Congress has permitted continued public hunting, trapping, oil/gas exploration, and extraction.

**National Recreation Areas:** A national recreation area is an area designated by Congress to assure the conservation and protection of natural, scenic, historic, pastoral, and fish and wildlife values and to provide for the enhancement of recreational values. National Recreation Areas are generally centered on large reservoirs and emphasize water-based recreation with some located near major population centers. BLM manages one such area, the White Mountains National Recreation Area in Alaska, which is named for its unusual, jagged, white limestone ridgeline. NPS manages these urban parks to combine scarce open spaces with the preservation of significant historic resources and important natural areas in locations that can provide outdoor recreation for large numbers of people.

**National Reserves:** National Reserves are similar to national preserves; except that management may be transferred to local or State authorities. The first reserve, City of Rocks, was established in 1988.

**National Rivers:** There are several variations to this category: National River and Recreation Area, National Scenic River, Wild River, etc. The first was authorized in 1964, and others were established following passage of the Wild and Scenic Rivers Act of 1968.

**National Seashores:** A National Seashore preserves shoreline areas and off-shore islands with natural and recreational significance with the dual goal of protecting precious, ecologically fragile land, while allowing the public to enjoy a unique resource. The national seashores are located on the Atlantic, Pacific, and Gulf coasts of the United States.

**National Trails System:** Since the passage of the National Trail System Act in 1968, BLM and NPS have assumed responsibility over several national historic or scenic trails designated by Congress. BLM manages over 85 percent of all of the Federal miles along national historic trails. These trails are designated each year by the Departmental Secretary (Interior or Agriculture) having jurisdiction over the particular trail area. Designations include National Historic Trails, National Scenic Trails, and National Recreation Trails.

**National Wild and Scenic Rivers:** The National Wild and Scenic Rivers System include a total of 11,408.9 river miles in 165 river units. Included among the BLM-managed wild and scenic rivers is the Fortymile River in Alaska, which is the longest designated river in the National Wild and Scenic Rivers System. Twelve river segments totaling 1,086 river miles flow through national wildlife refuges; 7 of these river segments are in Alaska (1,049 river miles).

Rivers designated in the National Wild and Scenic Rivers System are classified in one of three categories (wild, scenic, and recreational), depending on the extent of development and accessibility along each section. In addition to being free flowing, these rivers and their immediate environments must possess at least one outstanding remarkable value—scenic, recreational, geologic, fish and wildlife, historic, cultural, or other similar values. When evaluating rivers for possible designation, the Department also considers whether the river meets suitability factors such as: the amount of public land acreage in the immediate environment of the river; funds required for

acquisition, facility development, and management; local or State interest in helping to manage the river; support for designation; and competing uses for the river. Studies to determine eligibility may be the responsibility of either the Department of the Interior (NPS, FWS, and BLM), the Department of Agriculture (the U.S. Forest Service), or the shared responsibility of both agencies. Only an Act of Congress may remove a river from the System.

**National Wildlife Refuges:** NWRs are managed so that the fish, wildlife, and plants that depend on these lands for habitat benefit over both the short and long term. These lands are protected for as long as they remain in the NWR System.

**Outstanding Natural Area:** An outstanding natural area consists of protected lands designated either by Congress or administratively by an agency to preserve exceptional, rare, or unusual natural characteristics and to provide for the protection or enhancement of natural, educational, or scientific values. These areas are protected by allowing physical and biological processes to operate, usually without direct human intervention. BLM manages one such area, the Yaquina Head Outstanding Natural Area, located in Newport, Oregon.

**International Historic Site:** These are relevant to the respective countries' histories. The lone International Historic Site, Saint Croix International Historic Site, is relevant to both U.S. and Canadian history and is managed by the NPS.

**Wilderness Areas:** Wilderness Areas are defined as a place where the earth and its community of life are untrammled by man, where man himself is a visitor and does not remain. These areas are open to the public for purposes of recreational, scenic, scientific, educational, conservatorial, and historical use. Generally a wilderness area is greater than 5,000 acres and appear to have been affected primarily by the forces of nature, with human development substantially unnoticeable. Wilderness areas provide outstanding opportunities for solitude or primitive and unconfined types of recreation. The Wilderness Act of 1964 defined wilderness as "an area of undeveloped Federal land retaining its primeval character and influence without permanent improvements or human habitation, which is protected and managed so as to preserve its natural condition."

BLM administers 190 wilderness areas, FWS administers 75 wilderness areas in 26 States, and the NPS administers wilderness areas within 47 NPS units. The locations of these wilderness areas ensure that these lands represent the wide diversity of resources found on the public lands. Protective management helps ensure the protection and integrity of natural and biological processes on all public lands.

**Other:** This category includes those park units that cannot be readily included in any of the standard categories. Examples include: Catoclin Mountain Park, Maryland; Constitution Gardens, District of Columbia; National Capital Parks located in the District of Columbia, Maryland, and Virginia; the White House; the National Mall; and Wolf Trap National Park for the Performing Arts.

Interior's non-collectible heritage assets are shown in Figure 3-3.

## Collectible Heritage Assets

The Department is steward of a large, unique, and diversified collection of library holdings and museum collections (Figures 3-4 and 3-5, respectively). These assets are held in both Federal and non-Federal facilities.

### Library Collections

Condition assessment standards were developed in FY 2007 for Interior libraries. These standards are in agreement with national standards (The National Information Standards Organization publication on the *Environmental Guidelines for the Storage of Paper Records*) and are based on temperature and humidity, exposure to light, gaseous contaminants, and particulates. Library facilities must meet the requirements of at least two of the four components to be considered in good or fair condition. As with the museum collections, the goal of safeguarding is to preserve the items in library collections for as long as possible and to manage their condition in accordance with the intended use and not to unduly hasten their deterioration.

The library materials are acquired from extensive exchange agreements with institutions and agencies worldwide, from research projects and purchases

from a wide variety of publishers and institutions. Items are withdrawn only after the professional library staff has made a critical analysis of the collection.

**Departmental Offices** manages the Interior Library. The collections in the Interior Library represent a national resource in the disciplines vital to the missions of the Department. The collection covers Native American culture and history, American history, National Parks, geology, nature, wildlife management, public lands management, and law. In addition, the Library's collection of online databases and access to other electronic information sources enable Departmental personnel and other researchers to access needed information from their computers. Departmental policy dictates that copies of all publications produced by or for its Bureaus and offices will be deposited in the Library collection. The Library serves Interior employees in the Washington, D.C., area and field offices throughout the Nation. Service to Interior Library customers is enhanced by the Library's ability to fulfill its responsibilities through an informative Web site at <http://library.doi.gov>, which provides on-line access to the catalog of holdings over the Web site.

**U.S. Geological Survey** library holdings, collected during more than a century of providing library services, are an invaluable legacy to the Nation. The legislation that founded the USGS decreed that copies of reports published by the USGS should be given to the library in exchange for publications of State and national geological surveys and societies. The USGS's four library collections provide scientific information needed by Interior researchers, as well as researchers of other government agencies, universities, and professional communities. Besides providing resources for USGS scientific investigations, the library collections provide access to geographical, technical, and historical literature in paper and electronic formats for the general public and the industry. These libraries are housed in Reston, Virginia; Menlo Park, California; Denver, Colorado; and Flagstaff, Arizona.

The USGS library collection contains many interesting collections. For example the Heringen collection, which includes military geology texts and maps that were looted by the Nazis from European

FIGURE 3-4

Interior Library Collections	As of Oct 06	Increase	Decrease	As of Sep 07	Condition of Library Collections			
					Good	Fair	Poor	Unknown
Departmental Library	1			1	100%			
U.S. Geological Survey Library	4			4	50%	50%		
Total	5			5				

libraries, including Russia, and hidden in a potash mine in Heringen Heese, Germany. At the end of World War II the items were transported to the United States by the military.

### Museum Collections

Department of the Interior museum collections are intimately associated with the lands and cultural and natural resources for which Interior Bureaus share stewardship responsibilities. Disciplines represented include art, ethnography, archeology, documents, history, biology, paleontology, and geology.

Bureaus and offices may add (accession) items to the museum collections by donation, purchase, transfer, or field collection or, depending on Bureau-specific authority, by exchange. Bureaus and offices may remove items from the museum collections in response to involuntary loss, theft, or destruction. Departmental offices and the NPS also have congressional authority to remove (deaccession) items selectively by adhering to strict procedures and the highest ethical standards, and to make every effort to retain the items within public ownership.

Museum collections are housed in both Federal and non-Federal institutions in an effort to maximize accessibility to the public while reducing costs to

the American public and our Bureaus. Museum collections managed by Interior Bureaus are important both for their intrinsic value and for their usefulness that supports Interior’s mission of managing Federal land, cultural resources, and natural resources. Cataloging the collections continues to be a priority within Interior Bureaus, and our efforts toward that goal have improved each year.

Facilities housing Department museum collections must meet specific environmental, security, fire protection, housekeeping, physical examination, and conservation treatment, storage, and exhibit space standards, as described in Chapter 3 of Departmental Manual Section 411. These standards require facilities that house collections to maintain their stewardship responsibilities by adhering to best practices as defined by industry standards.

The primary focus within museum collections is preservation. Great attention is given to stabilizing objects in the condition in which they were received and preventing further deterioration. Museum objects are generally expected to be preserved indefinitely. The goal of safeguarding is to preserve the heritage asset for as long as possible and to manage the condition in accordance with the intended use and not to unduly hasten the deterioration.

FIGURE 3-5

Interior Museum Collections	As of Oct-06	Increase	Decrease	As of Sep 07	Condition of Museum Collections			
					Good	Fair	Poor	Unknown
Held at Interior Bureau Facilities	589	59	3	645	36%	19%	19%	26%
Held at Non-Interior Bureau Facilities	427	23	14	436	44%	25%	1%	30%
Total	1,016	82	17	1,081	39%	21%	12%	28%



## Bureau Highlights

**National Park Service.** The NPS museum collections support the NPS mission to foster understanding, appreciation, and enjoyment of natural and cultural heritage. They are tangible and accessible evidence of the resources, significant events, and peoples associated with NPS lands. For example, the collections include the following items:

- ◆ historic furnishings in the home of John Adams
- ◆ flags that flew over Fort Sumter
- ◆ Thomas Edison's handwritten notes on inventions
- ◆ tools and furnishings of a working ranch in Montana
- ◆ botanical specimens from Yosemite
- ◆ archeological items from Mesa Verde.

These museum collections are important not only individually but also because of their direct association with the nationally significant sites in the national park system. Representing 367 of the national park units, 8 related areas, and 9 administrative offices and centers, the collections are managed at 326 NPS locations.

Notable acquisitions in FY 2007 include the following:

- ◆ An extensive private collection of photographs and objects on the history of Skagway at Klondike Goldrush National Historical Park
- ◆ A 1903 landscape painting of Zion Canyon by Frederick S. Dellenbaugh at Zion National Park
- ◆ An 1865 tintype of the Lincoln Home draped in mourning for Abraham Lincoln's funeral at Lincoln Home National Historic Site
- ◆ An 1848 printed facsimile of the Declaration of Independence at Independence National Historical Park

- ◆ A rare 1862 letter dictated by Chimborazo patient Private Marcus P. Jackson of Company F, 45th Georgia Infantry at Richmond National Battlefield Park
- ◆ A collection of original historic records and photographs of W.E. Meadows, who was a conductor on the C&O Railroad from the late 19th to early 20th century at New River Gorge National River
- ◆ A letter signed by General George Washington authorizing the receipt of supplies and a pension and pay order, both directly related to the 1777–1778 winter encampment of the Continental Army at Valley Forge National Historical Park
- ◆ archives and objects documenting U.S. Borax's roots in California's Death Valley, where borate deposits were discovered in 1872, at Death Valley National Park.

**Bureau of Land Management.** Museum collections under BLM's stewardship consist principally of archeological, historical, and paleontological materials that are managed to professional standards and in compliance with applicable laws and are accessible to the public. Most collections originating from BLM-managed land are housed in non-Federal facilities. Non-Federal facilities provide researchers and scientists with access to the collections and develop public exhibits using the collections.

In addition to the non-Federal facilities that house BLM objects, BLM curates objects in three BLM facilities. These facilities are located in Dolores, Colorado; Billings, Montana; and Flagstaff Hill, Oregon. It is BLM policy that museum collections will not be housed in field offices. Through partnerships with the NPS, collections of BLM paleontological materials are curated in three NPS units: Dinosaur National Monument in Vernal, Utah; Fossil Butte National Monument in Kemmerer, Wyoming; and John Day Fossil Beds National Monument in Kimberly, Oregon.

**Bureau of Reclamation.** Reclamation reports on collectible heritage assets that have been formally accessioned as museum property, as defined and required by 411 DM 3.4.A. Each facility contains one Reclamation collection as defined by the Department; therefore, the number of collections reported is the same as the number of Department and non-Department facilities housing Reclamation collections.

**Indian Affairs.** IA museum property collections are collected and preserved to further the mission of the Bureau by documenting Bureau activities, such as the history of Indian schools and celebrating government-to-government relations between the Federal Government and Tribal governments. IA museum property collections are collected and preserved to further the mission of the Bureau by documenting Bureau activities, such as the history of Indian schools and celebrating government-to-government relations between the Federal Government and Tribal governments. Collections are exhibited in Indian schools and contemporary American Indian culture. Collections are managed in museums, universities, and other repositories and are made available to tribes, and the public through research, exhibitions, and publications that document and to highlight tribal histories and Indian traditions.

**Fish and Wildlife Service.** The FWS museum collections are used for educational and interpretive programs, research on changes to habitat and wildlife, and maintaining the history and traditions of FWS programs and employees. These collections are maintained in 169 offices or on loan to 217 non-Federal repositories for study and long-term care.

The Service continues to maintain a collection of artwork at the Academy of Natural Sciences of Philadelphia under a long-term loan agreement. The collection consists of 487 pieces of artwork created by notable painters such as Louis Agassiz Fuertes, Ernest Thompson Seton, and Jay Norwood (Ding) Darling. The artists were commissioned by the Bureau of Biological Survey, a predecessor to the Service, during the late 19th and early 20th centuries to depict various wildlife species and landscapes for use in Government publications. Under the agreement, the Academy maintains the collection in a climate controlled and secure storage area to prevent deterioration and loss.

**U.S. Geological Survey.** The USGS manages a varied collection of natural history specimens and cultural objects that support the mission of the Bureau in many science and administrative centers throughout the United States. These unique collections serve to illustrate important achievements and challenges to the Earth Sciences, to document the history of the USGS, and to enlighten those who use the collections. The collections also provide the public with an interpretive demonstration of the history and enterprise of the USGS. The museum collections are divided into two major categories: historical (including art, history, ethnography, and documents), and zoology.

USGS manages hundreds of historical objects that are loaned to other institutions for exhibits and placed on exhibit in the USGS National Center in Reston, Virginia, hallways or lobbies in regional offices, and science centers around the country. These collections are evidence of the resources, events, and people associated with USGS activities, and are studied by historians and scientists alike.

**Mineral Management Service.** The MMS maintains a cultural museum collection that consists of art, ethnography, history, documents, and geology items. The assets within the collection are fully documented and are in good condition.

**Office of the Secretary/Departmental Offices.** Components of Departmental Offices museum collections include The Indian Arts and Crafts Board, which manages three regional museums; the National Business Center, which manages the Departmental Museum in the Main Interior Building in Washington, D.C.; and museum collections managed by the Office of the Special Trustee for American Indians.

The Departmental Museum instituted the first annual Rachel Carson Lecture as a joint venture between the program areas of the Cultural Resources Division. The program was developed and implemented in cooperation with the Fish and Wildlife Service, University of Maryland (Baltimore), and the Carnegie Institute of Washington, D.C.

The Indian Arts and Crafts Board manages three museums in Rapid City, South Dakota, Browning, Montana, and Anadarko, Oklahoma. These museums play a vital role in promoting authentic Indian arts and crafts through their permanent exhibitions, changing promotional sales exhibitions, and public education activities. The museums serve as major economic, cultural, and educational attractions in their respective regions.

The Office of the Special Trustee for American Indians was created as a result of a transfer from Indian Affairs; however additional items have been acquired since the initial transfer of the 12 items.



# Required Supplementary Stewardship Information

(Unaudited,  
See Auditors' Report)

## Stewardship Investments

Investment in Research and Development provides reliable, credible, objective, and unbiased scientific results to improve the basic understanding of natural resources and to inform land and resource management decisions across the Nation. These research and development activities encompass examinations of geological structures, mineral resources, and products within and outside the national domain. Earth science research and information are used to save lives and property, safeguard human health, enhance the economic vitality of the Nation and its people, assess resources, characterize environments, and predict the impact of contamination. This information aids in solving critical societal problems through research, investigation, and the application of state-of-the-art geographic and cartographic methods.

Interior's research and development activities are presented in Figure 3-6 in the following three major categories.

**Basic research.** A study to gain knowledge or understanding of the fundamental aspects of specific phenomena or observable facts without specific applications and products in mind.

**Applied research.** A systemic study to gain knowledge or understanding necessary for determining the means by which a recognized and specific need may be met.

**Developmental Research.** The systematic use of knowledge and understanding gained from research for the production of useful materials, devices, systems, or methods, including the design and development of prototypes and processes.

## Highlights of Research and Development at Interior Bureaus

**U.S. Geological Survey.** The USGS is the earth and natural science research Bureau of the Department and the only integrated natural science Bureau in the Federal Government. By combining biology, geology, hydrology, and geography in one agency, the USGS is uniquely positioned to provide science information and conduct scientific research that ensures an integrated approach to

FIGURE 3-6  
Investment in Research and Development  
(in millions)

Category	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	TOTAL
Basic Research	\$ 77	\$ 71	\$ 79	\$ 72	\$ 63	\$ 362
Applied Research	768	842	763	696	728	3,797
Developmental	107	78	76	89	75	425
<b>TOTAL</b>	<b>\$ 952</b>	<b>\$ 991</b>	<b>\$ 918</b>	<b>\$ 857</b>	<b>\$ 866</b>	<b>\$ 4,584</b>

advance scientific knowledge. USGS research and data products support the Department’s resource and land management needs and provide the science needed by other Federal, State, tribal, and local governmental agencies to guide planning, management, and regulatory programs.

The 2001 National Land Cover Database was completed for the lower 48 States in FY 2007. The massive database describes the land surface condition of each 30-meter cell of land in the conterminous United States. Based on satellite imagery taken in 2001, the database was constructed in a 6-year collaborative effort by the 11 Multi-Resolution Land Characteristics Consortium agencies <www.mrlc.gov>. Interagency cooperation in this complex endeavor minimizes duplication of effort and facilitates optimal leveraging of government resources. The range and accuracy of information in the database enables managers of public and private lands, urban planners, agricultural experts, and scientists with many different interests (for instance, climate change or invasive species) to identify critical characteristics of the land for a wide variety of investigations.

The USGS has launched the USGS Land Cover visualization and Analysis Tool, which allows users to analyze, in specific detail, how land cover has changed over time. Designed for both novice and expert users, the Web-based system provides an intuitive interface ability to selectively view and analyze land cover data from any Web browser.

**Arsenic Research in Northern New England Contributes to Recommendations for Monitoring of Domestic Well Water.** The USGS developed a geologic model for use in an ongoing study of bladder cancer in Northern New England by the National Cancer Institute, Colorado State University, and the Dartmouth School of Medicine. A leading hypothesis for the increased bladder cancer in the region is exposure to inorganic arsenic through

drinking water. Epidemiological researchers are testing this hypothesis owing to the elevated levels of arsenic in much of New England’s ground-water supply. To effectively test this hypothesis, the study design required life-time exposure to arsenic through drinking water. The USGS was asked to develop a geologic model to estimate past exposure because many study participants used multiple private wells throughout their lifetime and it is not feasible to sample every well. The model, which estimates the probability of elevated arsenic in bedrock wells, is based upon geochemical, hydrologic, and geologic factors. This geologic model served as the basis for development of an arsenic-exposure model for the collaborative epidemiology study. The geologic model has served to heighten awareness of the risks posed by elevated levels of arsenic in drinking water. It also has contributed to recommendations for increased monitoring of drinking water derived from domestic wells by Federal, State, and local health officials throughout the region.

**Pharmaceuticals Found in Soil Irrigated with Reclaimed Water.** Many areas of the Nation are faced with water shortages owing to an appreciable demand for water. As a result, supplies are being augmented with treated wastewater for uses such as irrigation. In a study recently published in the journal *Environmental Toxicology and Chemistry*, a team of USGS scientists reported that pharmaceuticals in wastewater used for irrigation persisted in the soil for several months after the irrigation had stopped for the season. Previous studies have documented that wastewater from sewage-treatment plants contains a variety of pharmaceuticals and other organic-wastewater contaminants. As a result, increased attention is being given to the use of reclaimed water as a potential source for such contaminants in the environment.

**Mercury Research in South Florida plays major role in utilities ruling.** The USGS has been conducting research over the last decade in South

Florida to determine the relationship of sulfates and the methylation of mercury. Methylmercury, the most harmful and biologically available form of mercury, has impacted fish and wildlife in the ecosystem of the Everglades and forced health warnings against eating many species of fish. Recently, State of Florida regulators were faced with the decision to issue a permit to Florida Power and Light for a new coal-fired electric generating plant in South Florida. Coal-fired generating facilities are a substantial source of both mercury and sulfate emissions. The State's regulators unanimously ruled against the request of FPL stating that it would not provide a cost effective energy source. Among the written testimony provided for the ruling was a letter to the Public Service Commission from Daniel Kimball, superintendent of Everglades National Park, citing the agency's concerns about air quality impacts and sulfate and mercury loading to the Everglades ecosystem. This testimony was an important factor in the State's ruling. Superintendent Kimball attributed credit to USGS research as having "... played a major role in defining a key environmental concern associated with the project."

**National Park Service.** Through appropriations for natural resource stewardship, the NPS performs a wide range of mission-oriented research in support of its natural and cultural resource stewardship responsibilities. This work constitutes applied research focusing on park-based needs for scientific and scholarly information related to park management.

The Natural Resource Preservation Program answers specific questions with immediate application for natural resource management within the NPS, and at present, primarily involves the conduct and acquisition of research related to physical science investigations. These funds are relied on by parks for the highest priority individual projects. The Cultural Resource Preservation Program provides funding for comparable cultural resource research and resource management projects in the fields of archeology, ethnography, historical architecture, history, and museum collections. The outlays and expenditure levels for research vary each year in response to the needs and priorities identified by the parks.

At Santa Monica Mountains National Recreation Area, researchers are evaluating the effects of

urbanization and habitat fragmentation on the park's wildlife using recent advances in genetic techniques. These techniques provide the means to non-invasively and more cost-effectively acquire detailed information about wildlife populations using hair and scat (droppings) samples versus traditional methods. The goal is to delineate population genetic structures for three common lizard species and six bird species, including three sedentary, and likely more sensitive bird species, and three more mobile birds that will permit direct measurement of population fragmentation, which may or may not coincide with habitat fragmentation.

A Cultural Landscape Inventory is being completed for the Spalding site of Nez Perce National Historical Park. The Spalding site is the most widely visited park site. It contains evidence of human occupation and use for more than 10,000 years. The information obtained will enable the NPS to shape and mold vegetation treatment projects from an informed perspective and will benefit the long-term preservation of the cultural and natural resources for this site.

**Minerals Management Service.** The MMS manages the mineral resources on 1.76 billion acres of the Outer Continental Shelf to ensure that exploration, development, and production activities are conducted in a manner that conserves natural resources, provides for the safety of offshore workers, provides a fair return to the public for the mineral rights conveyed, and assures protection of the environment. Numerous laws, particularly the National Environmental Policy Act, provide the basis for environmental assessment and study of impacts associated with OCS related activities. The OCS Lands Act mandates the conduct of environmental studies needed for the assessment and management of potential environmental impacts on the human, marine, and coastal environments affected by oil, natural gas, or other mineral development. The Oil Pollution Act of 1990 sets down specific areas of research to improve not only the technologies for preventing oil pollution, but also the response to accidental spills. Inherent in this effort is improvement of our understanding of the fate, transport, and effects of oil when spilled. MMS research supports the prediction of potential environmental impacts and aids in the development of mitigating measures to ensure safe, pollution-free operations. The Environmental Studies Program

provides environmental and socioeconomic information to support decisionmaking for all phases of the OCS minerals management program. The Technology Assessment and Research program pursues engineering studies focusing on operational safety, pollution prevention, and effective spill response.

The recently completed Characterization of Northern Gulf of Mexico deepwater hard bottom communities with emphasis on *Lophelia* coral is the first comprehensive study of the distribution of *Lophelia pertusa*, its biology, and community ecology in the Gulf of Mexico. This MMS research was accomplished with an international team of scientists which included collaborative research from USGS and NOAA. Another highly successful deepwater biological project, the Northern Gulf of Mexico continental slope habitats and benthic ecology study, characterized the soft bottom habitat of the entire continental slope to the deepest waters of the Gulf, about 12,450 feet. Studying this deepest zone of the Gulf was accomplished through the cooperation of 10 different institutions in 3 countries including joint efforts with Mexico and the participation of Mexican scientists at sea with the MMS study team. These studies provided fundamental biological information to be used for further refinement of Notice to Lessees regarding the protections necessary during oil and gas exploration and development in the deepwater areas of the Gulf of Mexico.

The MMS archaeological and biological research of World War II shipwrecks in the Gulf of Mexico received the DOI Cooperative Conservation Award in 2006 and in May 2007 was recognized with the prestigious National Oceanographic Partnership Program's Interagency Excellence in Partnering Award. In addition to the critical archaeological information produced by this study, it also provided important data on the deepwater artificial reef effect of shipwrecks as evidenced by the unexpected large growths of the coral *Lophelia* observed on the steel-hulled, Gulf Penn at a depth of 1,765 feet only 60 years after its sinking. The deep wrecks have significant ramifications on deepwater oil and gas exploration in the Gulf of Mexico and around the world. The results of the biological research have provided information on the viability of deepwater shipwrecks and platforms in the Gulf of Mexico as artificial reefs.

Using state-of-the-art analytical and sampling techniques, including the deep-diving submersible Alvin, MMS has made ground breaking exploration and science discoveries on chemosynthetic communities and coral habitats in the Gulf in water depths ranging from 4,000 to 9,000 feet. The deep Gulf habitats project is an ongoing partnership among MMS, the USGS, and the National Oceanic and Atmospheric Administration's Office of Ocean Exploration. In May 2007, the Secretary of the Interior recognized this 6 million dollar project with the DOI Cooperative Conservation Award for outstanding interagency cooperation.

As part of its mandate to ensure that the best and safest technologies are used in offshore oil and gas operations, MMS operates a 2.6-million gallon test tank for two essential functions related to oil spill response planning: responder training and full-scale equipment and chemical testing. Providing training at Oil and Hazardous Materials Simulated Environmental Test Tank ensures responders can be trained under realistic conditions with releasing oil into the sea. Most of the quantitative performance data on mechanical equipment used by industry, the U.S. Coast Guard, and the U.S. Navy to contain and clean up spilled oil was obtained through OHMSETT testing and evaluation. To increase testing value, MMS is upgrading the OHMSETT facility to provide greater reproducibility for testing and training. Additionally, OHMSETT is able to simulate realistic broken ice conditions. Recent activities include cold water dispersant effectiveness tests with Alaska crude oils, evaluations of oil booms, oil herding surfactants and ocean imaging sensors, basic research on the weathering of oil in ice and snow conditions, and annual Texas A&M University and Coast Guard oil spill response training.

**Bureau of Reclamation.** Reclamation invests in applied research programs to aid in the water and energy management challenges facing the arid Western States. Programs focus on the improvement of water management. The information obtained through these programs provides water management solutions and techniques that yield future benefits to the Nation. Research and Development activities support Reclamation's outcome goal to deliver water consistent with applicable State and Federal law, in an environmentally responsible and cost-efficient manner.



**Departmental Offices - Central Utah Project Completion Act.** In order to provide for the completion of the Central Utah Project, Public Law 102-575 was enacted on October 30, 1992. Funds authorized pursuant to this Act are appropriated annually to the Secretary of the Interior, and such appropriations are made immediately available in their entirety to the Central Utah Water Conservancy District. Two examples of Research and Development are a feasibility study by the District to reduce the salinity of Utah Lake; and a feasibility study and development by the Utah Division of Water Resources in coordination with the Jordan Valley Water Conservancy District to allow ground water recharge, management, and the conjunctive use of surface water resources with ground water resources in Salt Lake, Utah, Davis, Wasatch, and Weber Counties in the State of Utah.

**Departmental Offices - Utah Reclamation Mitigation and Conservation Commission.** The Commission invests in research calculated to determine the means by which mitigation measures or programs could be achieved (applied) or to determine the best method or design for an identified mitigation measure (developmental). In FY 2007, the Commission's research continued to be focused primarily on the Sage Grouse (a Northern American bird threatened by loss and deterioration of sage-steppe grassland habitat and predation) and the June Sucker (a fish occurring naturally only in Utah Lake and the Provo River and that is federally listed as endangered).

**Bureau of Land Management.** The primary objective of the BLM's research and development program is to make better use of new data, information, and knowledge to improve the

management of the Nation's lands and resources. The BLM's research and development program focuses on working with partners to identify scientific information needs and then communicating those needs to research agencies, universities, and other non-Governmental organizations. In FY 2007, the BLM began new research initiatives and continued past research and developmental efforts in several areas. Two examples of these research projects include studies to support the Northwest Forest Plan, as well as forest resources management in general, by improving forest productivity, protecting riparian habitats, and monitoring and understanding changes in key wildlife species; and inventory and monitoring studies to assist in protecting both animal and plant species on the public lands that are of concern because they are declining or threatened in some way. Species such as the Pacific fisher, peregrine falcon, sage grouse, snowy plover, pygmy rabbit, desert tortoise, bull trout, and many others are of concern to the BLM.

### Investment in Human Capital

Investment in human capital refers to education and training programs financed by the Federal Government for the benefit of the public; investment in human capital does not include education and training expenses for Federal employees. The Department plays a vital role in providing quality educational opportunities from early childhood throughout life, with consideration given to the mental, physical, emotional, spiritual, and cultural aspects of the people served.

The Department's investments in human capital are shown in Figure 3-7.

FIGURE 3-7  
Investment in Human Capital  
(in millions)

Category	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	TOTAL
Educational Programs 1/	\$ 560	\$ 570	\$ 549	\$ 542	\$ 565	\$ 2,786
Job Corps Program	60	57	53	52	-	222
Other	12	12	12	11	-	47
<b>TOTAL</b>	<b>\$ 632</b>	<b>\$ 639</b>	<b>\$ 614</b>	<b>\$ 605</b>	<b>\$ 565</b>	<b>\$ 3,055</b>

1/ Educational Programs of Indian Affairs' School Operations, Adult Education Post-Secondary Education, and Other Educational Programs

FIGURE 3-8

**IA School Operations**

School Ops.	School Year 2006-2007		School Year 2007-2008	
	Schools	Students	Schools	Students
Contract/Grant Schools	123	28,770	125	27,852
Bureau-Operated Schools	61	17,235	59	16,479
<b>Totals</b>	<b>184</b>	<b>46,005</b>	<b>184</b>	<b>44,331</b>

Job Corps programs are no longer reported by the Department of the Interior due to the 2007 revisions contained in OMB Circular A-136, Financial Reporting Requirements, Revised July 2007. Monies received from the Department of Labor for this program are Parent/Child allocation transfers (Interior is the child) and only the parent reports on the funds. The Job Corp funding received for the 477 program (previously reported in the “Other” category) was also a Parent/Child allocation transfer (Interior is the child) and will no longer be reported.

**Indian Affairs Education Programs**

Within Indian Affairs, the Bureau of Indian Education takes the lead in the area of education. The BIE vision and long-range goal is to unite and promote healthy Indian communities through lifelong learning. This goal is implemented through the commitment to provide quality educational opportunities from early childhood throughout life, with consideration given to the mental, physical, emotional, spiritual and cultural aspects of the individual being served.

**School Operations**

The School Operations Program consists of the Indian School Equalization Program, transportation, Family and Child Education, and administrative cost funds. The ISEP funds are distributed using a formula which considers Weighted Student Units in order to provide basic educational programs for Indian children in grades K through 12. This funding is for the operation of Bureau-funded schools (i.e., funding for school staff, school programs, textbooks, and general supplies that are used by the school to educate Indian children).

The statistics for IA school operations are shown in Figure 3-8.

**Adult Education Programs**

The adult education program provides opportunities for adult Indians and Alaska Natives to obtain the General Equivalency Degree and provides basic skills for transition to community college or job placement. This program specifically provides educational opportunities for American Indians and Alaska Natives to improve employment skills and abilities while enhancing the local economy and economic competitiveness on reservations; it also assists in reducing the economic dependence on welfare programs.

**Postsecondary Education Programs**

The Post-Secondary Education Programs are an important component in the economic development of tribal communities. The programs support the Department’s goal on “Improving Communities” by promoting growth within Indian communities. Post secondary programs primarily consist of operating grants and supplemental funds for Tribal Colleges and Universities. In addition, the funds support the Undergraduate and Graduate Scholarship Programs, Haskell Indian Nations University and Southwestern Indian Polytechnic Institute.

The Haskell Indian Nations University in Lawrence, Kansas, and the Southwestern Indian Polytechnic Institute in Albuquerque, New Mexico, offer students skill certificates, and associate and bachelor degrees in a variety of studies, sciences, and technology. Two other post-secondary institutions that also provide certificates are Crownpoint Institute of Technology and United Tribes Technical College.

**Other Education Programs**

The Johnson O’Malley Program provides supplemental financial assistance to meet the unique and specialized education needs of eligible Indian students (beginning at age 3 through completion of grade 12) attending public schools.

JOM is the only IA program that provides for the culturally-related and supplementary academic needs of Indian children attending public schools.

## Investment in Non-Federal Physical Property

The Department of the Interior provides a long-term benefit to the public by maintaining its commitment to investing in non-Federal physical property. Non-Federal physical property refers to expenses incurred by the Federal Government for the purchase, construction, or major renovation of physical property owned by State and local governments and Insular Areas, including major additions, alterations, and replacements; the purchase of major equipment; and the purchase or improvement of other physical assets. Property may include major additions, alterations, and replacements to fixed assets; the purchase of major equipment; and/or, the purchase or improvement of other physical assets.

Several programs are no longer reported by the Department of the Interior due to 2007 revisions contained in OMB Circular A-136, Form and Content of PAR, Revised July 2007. Monies received from the Department of Education and Department of Transportation for this program are Parent/Child (Interior is the child) and only the parent reports the funds.

Interior's investment in non-Federal physical property is shown in Figure 3-9.

**Indian Affairs.** IA's investment in non-Federal physical property includes schools, dormitories, and other infrastructures.

The Office of Facility Management and Construction, in conjunction with the IA, owns or provides funds for a considerable number and variety of buildings and other associated facilities across the Nation, including buildings with historic and architectural significance. The IA's construction program is a multifaceted, intricate operation that encompasses the areas of Education, Public Safety and Justice, Resource Management, and General Administration.

Education facilities serve a number of schools that provide educational opportunities for approximately 48,000 students. The IA also provides funding for administrative buildings at a number of tribal locations. Facilities benefitting from this program include dormitories, roads, forestry, detention centers, numerous irrigation facilities, and dams requiring repair to alleviate hazardous conditions. Additionally, program subactivities include minor improvements, repair and replacement, portable classrooms, emergency repairs, demolition and reduction of excess space, environmental projects, telecommunication improvements and repair, seismic safety, and emergency management systems. Finally, the IA is continually striving to correct building code and standard deficiencies when identified.

**Bureau of Reclamation.** Reclamation's investments in non-Federal physical property provide assistance through a variety of measures, all related to water and other water structures. Reclamation incurs expenses for specific programs to provide for the construction or improvement of structures and facilities used in State and local irrigation projects and water quality improvement projects.

**Fish and Wildlife Service.** FWS's investments in non-Federal physical property include major additions, alterations, or replacements; the purchase of major equipment; and the purchase or improvements of other physical assets for purposes of enhancing fish and wildlife management in States. The investments may also be used for land restoration, species protection, recreational hunting and boating improvements, and habitat loss prevention.

**National Park Service.** Congress may appropriate funds annually to the NPS for work on non-NPS facilities that is done by individuals who are not NPS employees. These funds are referred to as "Pass Through" appropriations because the role of the NPS is limited primarily to preparing an agreement that allows the funds to be obligated and certifying and processing subsequent payments for the work. More than 90 percent of the funds are obligated within the year they are appropriated. Once obligated, fund expenditure is entirely dependent on the party receiving the funds. Only cash assets

FIGURE 3-9

**Investment in Non-Federal Physical Property**  
(in millions)

Category	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	TOTAL
Dams & Other Water Structures	\$ 244.7	\$ 213.2	\$ 244.8	\$ 340.2	\$ 225.9	\$ 1,268.8
Land	65.0	120.0	90.4	79.9	145.7	501.0
Roads and Bridges	240.8	217.0	112.5	121.9	18.1	710.3
Schools and Public Buildings	89.1	99.7	93.8	100.1	131.4	514.1
Ranges	-	-	-	-	27.8	27.8
Not Classified	1.0	1.0	15.0	22.4	10.8	50.2
<b>Total</b>	<b>\$ 640.6</b>	<b>\$ 650.9</b>	<b>\$ 556.5</b>	<b>\$ 664.5</b>	<b>\$ 559.7</b>	<b>\$ 3,072.2</b>

are associated with these projects. During FY 2007, \$4.2 million was expended for these pass-through projects. Examples of projects that are supported by these funds include: Utah Land Artifact Preservation Project, Virginia City Restoration Project, and the Mill City Museum Exhibits Project.

The NPS also awards a variety of grants to State and local governments to facilitate public recreation opportunities and to promote the preservation of the nation's cultural, historic, prehistoric, and archeological resources. Several of the major grant programs are the Historic Preservation grants, Historically Black Colleges and Universities Preservation grants, Land and Water Conservation Fund State grants, and the Urban Park and Recreation Recovery grants.

**Departmental Offices - The Office of Insular Affairs.** The Office of Insular Affairs carries out the Secretary of the Interior's responsibilities for U.S. affiliated insular areas. These include the territories of American Samoa, Guam, the U.S. Virgin Islands, and the Commonwealth of the Northern Mariana Islands, as well as the three freely associated States of the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau. The OIA achieves its mission by improving the financial management practices of insular governments, increasing economic development,

and increasing Federal responsiveness to the unique needs of island communities. The OIA hopes to increase the resources available to the insular area governments while promoting economic self-sufficiency.

The OIA provides capital improvement grants to the insular areas. The capital investment in non-Federal physical property in the territories was approximately \$34.2 million in FY 2007. Capital Investment funds provided to the freely associated states (Micronesia, Palau, and Marshall Islands) are not included in this report. The monies were distributed with 31 percent to American Samoa, 5 percent to the Virgin Islands, 14 percent to Guam, and 50 percent to the Commonwealth of the Northern Mariana Islands.

**Departmental Offices - Central Utah Project Completion Act.** The Central Utah Project Completion Act expressly authorized the Utah Reclamation Mitigation and Conservation Commission to invest in fish and wildlife habitat improvements on non-Federal properties due to the impact of the Federal reclamation projects on fish and wildlife resources beyond the boundaries of the Reclamation projects. FY 2007 activities include the continuation of activities on the Duchesne Strawberry Diversion Structures, Wetlands around Great Salt Lake, and Fish Hatchery Production.

# Other Supplementary Information

(See Auditors' Report)

Other Supplementary Information includes the Consolidating Balance Sheet and the Consolidating Statement of Changes in Net Position.

**Special Account Funds.** NPS has concession agreements which contain provisions that provide for the establishment of escrow type accounts to be used to develop, improve, and maintain visitor facilities. The concessioner periodically deposits a percentage of gross revenue in the account as provided in the concessioner agreement. These "special account" funds are maintained in separate interest-bearing bank accounts for the concessioners, are not assets of the NPS, and may not be used in NPS operations. Therefore, the balances, inflows, and outflows of these concessioner special accounts are not recognized in the consolidated financial statements of the NPS. The concessioners reported that these special accounts balances totaled approximately \$42.8 million and \$43.9 million (unaudited), as of September 30, 2007 and 2006, respectively.

**Consolidating Balance Sheet  
as of September 30, 2007  
(dollars in thousands)**

	Indian Affairs	Bureau of Land Management	Bureau of Reclamation	Departmental Offices and Other
<b>ASSETS</b>				
Intragovernmental Assets:				
Fund Balance with Treasury	\$ 1,468,149	\$ 1,454,783	\$ 7,813,695	\$ 1,515,625
Investments, Net	74,456	2,209,168	401,459	537,879
Accounts and Interest Receivable	17,871	21,197	531,324	82,646
Loans and Interest Receivable, Net	-	-	2,827,301	-
Other	2,824	3,225	1,598	2,570
<b>Total Intragovernmental Assets</b>	<b>1,563,300</b>	<b>3,688,373</b>	<b>11,575,377</b>	<b>2,138,720</b>
Cash	236	55	-	-
Investments, Net	30	-	-	163,324
Accounts and Interest Receivable, Net	26,626	24,707	34,077	27,671
Loans and Interest Receivable, Net	20,635	-	102,929	843
Inventory and Related Property, Net	-	253,918	-	1,006
General Property, Plant, and Equipment, Net	1,593,537	479,284	13,012,013	455,524
Other	48,740	5,609	136,866	9,221
<b>TOTAL ASSETS</b>	<b>\$ 3,253,104</b>	<b>\$ 4,451,946</b>	<b>\$ 24,861,262</b>	<b>\$ 2,796,309</b>
Stewardship Assets				
<b>LIABILITIES</b>				
Intragovernmental Liabilities:				
Accounts Payable	\$ 8,767	\$ 79,483	\$ 16,571	\$ 17,376
Debt	8,329	764,204	73,259	12,215
Other				
Resources Payable to Treasury	12,743	-	1,791,694	226,151
Advances and Deferred Revenue	74,574	6,308	7,299	721,122
Custodial Liability	-	32,260	-	-
Other Liabilities	244,096	151,588	69,181	7,146
<b>Total Intragovernmental Liabilities</b>	<b>348,509</b>	<b>1,033,843</b>	<b>1,958,004</b>	<b>984,010</b>
Accounts Payable	59,274	96,609	206,475	254,357
Loan Guarantee Liability	41,434	-	-	-
Federal Employee and Veteran Benefits	110,564	92,378	85,990	15,466
Environmental and Disposal Liabilities	39,621	1,357	51,597	-
Other				
Contingent Liabilities	16,137	1,033	962	-
Advances and Deferred Revenue	18,551	154,813	475,105	10,493
Payments Due to States	-	-	-	-
Other Liabilities	80,571	207,395	51,006	54,562
<b>TOTAL LIABILITIES</b>	<b>714,661</b>	<b>1,587,428</b>	<b>2,829,139</b>	<b>1,318,888</b>
Commitments and Contingencies				
Net Position				
Unexpended Appropriations - Earmarked Funds	-	8,310	236,373	897
Unexpended Appropriations - Other Funds	1,231,396	546,147	65,518	423,703
Cumulative Results of Operations - Earmarked Funds	283,793	1,897,567	21,684,429	480,076
Cumulative Results of Operations - Other Funds	1,023,254	412,494	45,803	572,745
<b>Total Net Position</b>	<b>2,538,443</b>	<b>2,864,518</b>	<b>22,032,123</b>	<b>1,477,421</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 3,253,104</b>	<b>\$ 4,451,946</b>	<b>\$ 24,861,262</b>	<b>\$ 2,796,309</b>

**Consolidating Balance Sheet**  
**as of September 30, 2007**  
*(dollars in thousands)*

Minerals Management Service	National Park Service	Office of Surface Mining	U.S. Fish and Wildlife Service	U.S. Geological Survey	Elimination of Intra Department Activity	FY 2007 Total
\$ 422,838	\$ 20,193,214	\$ 47,993	\$ 1,565,645	\$ 294,729	\$ -	\$ 34,776,671
1,146,755	1,456	2,371,561	579,811	-	-	7,322,545
236,202	23,945	569	1,120,411	45,390	(657,676)	1,421,879
-	-	-	-	-	-	2,827,301
12	1,372	-	1,212	2,713	(14,997)	529
1,805,807	20,219,987	2,420,123	3,267,079	342,832	(672,673)	46,348,925
-	431	-	34	-	-	756
-	-	-	-	-	-	163,354
1,741,091	15,139	2,516	10,506	64,684	-	1,947,017
-	2,878	-	-	-	-	127,285
-	-	-	-	489	-	255,413
20,851	1,233,661	4,092	999,796	132,040	-	17,930,798
-	9,249	-	200	87	-	209,972
\$ 3,567,749	\$ 21,481,345	\$ 2,426,731	\$ 4,277,615	\$ 540,132	\$ (672,673)	\$ 66,983,520
\$ 5,524	\$ 24,389	\$ 86	\$ 531,768	\$ 6,472	\$ (99,584)	\$ 590,852
-	-	-	-	-	-	858,007
-	-	-	-	102	-	2,030,690
2	2,226	16	396	2,062	(19,656)	794,349
1,323,574	-	-	-	-	(535,850)	819,984
3,245	69,828	1,487	22,016	31,980	(17,583)	582,984
1,332,345	96,443	1,589	554,180	40,616	(672,673)	5,676,866
18,356	291,452	11,256	79,210	59,959	-	1,076,948
-	-	-	-	-	-	41,434
8,855	947,928	3,319	63,489	35,644	-	1,363,633
-	33,295	-	21,536	108	-	147,514
334,000	2,336	150	60	-	-	354,678
47,704	9,011	1,106	15,388	9,087	-	741,258
639,507	-	-	-	-	-	639,507
66,898	176,938	16,061	177,079	106,566	-	937,076
2,447,665	1,557,403	33,481	910,942	251,980	(672,673)	10,978,914
-	2,511	-	87,454	-	-	335,545
18,052	851,562	43,739	401,361	192,712	-	3,774,190
1,351,124	19,091,584	2,354,608	2,002,411	2,466	-	49,148,058
(249,092)	(21,715)	(5,097)	875,447	92,974	-	2,746,813
1,120,084	19,923,942	2,393,250	3,366,673	288,152	-	56,004,606
\$ 3,567,749	\$ 21,481,345	\$ 2,426,731	\$ 4,277,615	\$ 540,132	\$ (672,673)	\$ 66,983,520

**Consolidating Balance Sheet  
as of September 30, 2006**  
(dollars in thousands)

	Indian Affairs	Bureau of Land Management	Bureau of Reclamation	Departmental Offices and Other
<b>ASSETS</b>				
Intragovernmental Assets:				
Fund Balance with Treasury	\$ 1,527,303	\$ 1,200,472	\$ 7,030,401	\$ 2,042,376
Investments, Net	69,525	2,361,521	322,046	490,372
Accounts and Interest Receivable	6,939	16,081	663,573	121,759
Loans and Interest Receivable, Net	-	-	2,631,887	-
Other	2,351	718	1,007	2,331
<b>Total Intragovernmental Assets</b>	<b>1,606,118</b>	<b>3,578,792</b>	<b>10,648,914</b>	<b>2,656,838</b>
Cash	190	54	117	-
Investments, Net	1,052	-	-	187,048
Accounts and Interest Receivable, Net	31,541	10,570	29,752	40,747
Loans and Interest Receivable, Net	17,238	-	157,286	3,375
Inventory and Related Property, Net	-	279,425	-	852
General Property, Plant, and Equipment, Net	1,338,650	410,097	13,071,874	387,528
Other	77,481	108	141,235	2,180
<b>TOTAL ASSETS</b>	<b>\$ 3,072,270</b>	<b>\$ 4,279,046</b>	<b>\$ 24,049,178</b>	<b>\$ 3,278,568</b>
Stewardship Assets				
<b>LIABILITIES</b>				
Intragovernmental Liabilities:				
Accounts Payable	\$ 10,471	\$ 48,387	\$ 29,142	\$ 8,411
Debt	29,715	914,204	95,141	17,512
Other				
Resources Payable to Treasury	14,216	-	1,844,710	235,221
Advances and Deferred Revenue	91,514	7,530	5,285	1,218,018
Custodial Liability	-	280	-	-
Other Liabilities	170,398	147,629	70,057	6,715
<b>Total Intragovernmental Liabilities</b>	<b>316,314</b>	<b>1,118,030</b>	<b>2,044,335</b>	<b>1,485,877</b>
Accounts Payable	32,136	36,353	213,734	411,326
Loan Guarantee Liability	92,380	-	-	-
Federal Employee and Veteran Benefits	116,092	94,915	88,353	16,300
Environmental and Disposal Liabilities	55,096	1,721	46,871	1,300
Other				
Contingent Liabilities	57,790	2,465	962	-
Advances and Deferred Revenue	14,810	133,203	497,050	13,205
Payments Due to States	-	-	-	-
Other Liabilities	50,679	193,883	50,860	55,440
<b>TOTAL LIABILITIES</b>	<b>735,297</b>	<b>1,580,570</b>	<b>2,942,165</b>	<b>1,983,448</b>
Commitments and Contingencies				
Net Position				
Unexpended Appropriations - Earmarked Funds	13	6,268	249,501	3,728
Unexpended Appropriations - Other Funds	1,334,894	498,309	96,590	415,458
Cumulative Results of Operations - Earmarked Funds	281,173	1,848,762	20,550,111	453,744
Cumulative Results of Operations - Other Funds	720,893	345,137	210,811	422,190
<b>Total Net Position</b>	<b>2,336,973</b>	<b>2,698,476</b>	<b>21,107,013</b>	<b>1,295,120</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 3,072,270</b>	<b>\$ 4,279,046</b>	<b>\$ 24,049,178</b>	<b>\$ 3,278,568</b>



**Consolidating Balance Sheet**  
**as of September 30, 2006**  
*(dollars in thousands)*

Minerals Management Service	National Park Service	Office of Surface Mining	U.S. Fish and Wildlife Service	U.S. Geological Survey	Elimination or Intra Department Activity	FY 2006 Total
\$ 148,541	\$ 19,517,770	\$ 46,487	\$ 1,638,372	\$ 257,660	\$ -	\$ 33,409,382
1,121,188	1,464	2,272,960	1,455,757	-	-	8,094,833
268,185	23,196	19	35,668	52,291	(747,201)	440,510
-	-	-	-	-	-	2,631,887
18	8,213	130	697	3,149	(18,085)	529
1,537,932	19,550,643	2,319,596	3,130,494	313,100	(765,286)	44,577,141
-	427	-	37	-	-	825
-	-	-	-	-	-	188,100
2,265,045	7,381	1,970	16,142	74,889	-	2,478,037
-	3,238	-	-	-	-	181,137
-	-	-	-	582	-	280,859
24,451	1,148,971	2,537	974,702	133,091	-	17,491,901
-	12,839	840	282	22	-	234,987
\$ 3,827,428	\$ 20,723,499	\$ 2,324,943	\$ 4,121,657	\$ 521,684	\$ (765,286)	\$ 65,432,987
\$ 3,838	\$ 25,354	\$ 88	\$ 5,236	\$ 5,448	\$ (91,429)	\$ 44,946
-	-	-	-	-	-	1,056,572
-	-	-	-	97	-	2,094,244
-	2,745	4	1,094	2,537	(18,929)	1,309,798
1,701,399	-	-	-	-	(639,800)	1,061,879
3,702	62,095	1,589	21,744	32,274	(15,128)	501,075
1,708,939	90,194	1,681	28,074	40,356	(765,286)	6,068,514
18,223	253,331	7,849	78,349	58,354	-	1,109,655
-	-	-	-	-	-	92,380
9,038	957,500	3,543	62,809	38,873	-	1,387,423
-	26,300	-	22,112	66	-	153,466
550,000	1,631	99	242	1,279	-	614,468
55,112	10,784	930	10,847	11,418	-	747,359
812,588	-	-	-	-	-	812,588
83,620	175,163	6,829	229,288	106,360	-	952,122
3,237,520	1,514,903	20,931	431,721	256,706	(765,286)	11,937,975
-	(3,796)	-	80,977	-	-	336,691
24,768	859,470	39,828	428,310	193,230	-	3,890,857
1,067,265	18,436,205	2,270,955	2,323,050	3,079	-	47,234,344
(502,125)	(83,283)	(6,771)	857,599	68,669	-	2,033,120
589,908	19,208,596	2,304,012	3,689,936	264,978	-	53,495,012
\$ 3,827,428	\$ 20,723,499	\$ 2,324,943	\$ 4,121,657	\$ 521,684	\$ (765,286)	\$ 65,432,987

**Consolidating Statement of Changes in Net Position  
for the year ended September 30, 2007**  
*(dollars in thousands)*

	Indian Affairs	Bureau of Land Management	Bureau of Reclamation	Departmental Offices and Other
<b>UNEXPENDED APPROPRIATIONS</b>				
Beginning Balance				
Earmarked Funds	\$ 13	\$ 6,268	\$ 249,501	\$ 3,729
All Other Funds	1,334,894	498,309	96,590	415,457
Adjustments				
Changes in Accounting Principles				
Earmarked Funds	(13)	-	-	13
All Other Funds	(33,220)	93,571	(28,946)	36,760
Beginning Balance, as adjusted				
Earmarked Funds	-	6,268	249,501	3,742
All Other Funds	1,301,674	591,880	67,644	452,217
Budgetary Financing Sources				
Appropriations Received				
Earmarked Funds	-	105,682	206,557	-
All Other Funds	2,324,930	1,841,007	41,373	1,121,647
Appropriations Transferred In/(Out)				
Earmarked Funds	-	-	-	945
All Other Funds	(18,831)	29,697	-	(1,731)
Appropriations-Used				
Earmarked Funds	-	(103,640)	(219,685)	(3,776)
All Other Funds	(2,376,377)	(1,916,437)	(43,499)	(1,140,226)
Other Adjustments				
Earmarked Funds	-	-	-	(13)
All Other Funds	-	-	-	(8,206)
Net Change				
Earmarked Funds	-	2,042	(13,128)	(2,844)
All Other Funds	(70,278)	(45,733)	(2,126)	(28,516)
Ending Balance				
Earmarked Funds	-	8,310	236,373	898
All Other Funds	1,231,396	546,147	65,518	423,701
Ending Balance All Funds - Unexpended Appropriations	\$ 1,231,396	\$ 554,457	\$ 301,891	\$ 424,599

**Consolidating Statement of Changes in Net Position**  
**for the year ended September 30, 2007**  
*(dollars in thousands)*

Minerals Management Service	National Park Service	Office of Surface Mining	U.S. Fish and Wildlife Service	U.S. Geological Survey	Elimination of Intra Department Activity	FY 2007 Total
\$ -	\$ (3,797)	\$ -	\$ 80,977	\$ -	\$ -	\$ 336,691
24,768	859,471	39,827	428,310	193,231	-	3,890,857
-	2,511	-	-	-	-	2,511
-	(8,026)	-	(33,679)	(572)	-	25,888
-	(1,286)	-	80,977	-	-	339,202
24,768	851,445	39,827	394,631	192,659	-	3,916,745
-	-	-	85,611	-	-	397,850
152,612	2,247,383	109,099	1,091,214	988,050	-	9,917,315
-	-	-	-	-	-	945
-	(4,830)	-	(1,773)	-	-	2,532
-	-	-	(79,134)	-	-	(406,235)
(158,892)	(2,235,017)	(103,133)	(1,082,110)	(981,327)	-	(10,037,018)
-	3,796	-	-	-	-	3,783
(436)	(7,417)	(2,055)	(601)	(6,669)	-	(25,384)
-	3,796	-	6,477	-	-	(3,657)
(6,716)	119	3,911	6,730	54	-	(142,555)
-	2,510	-	87,454	-	-	335,545
18,052	851,564	43,738	401,361	192,713	-	3,774,190
\$ 18,052	\$ 854,074	\$ 43,738	\$ 488,815	\$ 192,713	\$ -	\$ 4,109,735

**Consolidating Statement of Changes in Net Position - Continued**  
**for the year ended September 30, 2007**  
*(dollars in thousands)*

	Indian Affairs	Bureau of Land Management	Bureau of Reclamation	Departmental Offices and Other
<b>CUMULATIVE RESULTS OF OPERATIONS</b>				
Beginning Balance				
Earmarked Funds	\$ 281,173	\$ 1,848,761	\$ 20,550,110	\$ 453,744
All Other Funds	720,892	345,137	210,810	422,189
Adjustments				
Change in Accounting Principle				
Earmarked Funds	-	44,961	(21)	20,819
All Other Funds	128,274	23,251	(169,738)	12,288
Beginning Balance, as adjusted				
Earmarked Funds	281,173	1,893,722	20,550,089	474,563
All Other Funds	849,166	368,388	41,072	434,477
Budgetary Financing Sources				
Appropriations-Used				
Earmarked Funds	-	103,640	219,685	3,776
All Other Funds	2,376,377	1,916,437	43,499	1,140,226
Royalties Retained				
Earmarked Funds	-	71,187	1,326,070	-
All Other Funds	-	4,367	-	-
Non-Exchange Revenue				
Earmarked Funds	102	10	9,602	68,487
All Other Funds	(134)	83	5	17,690
Transfers In/(Out) without Reimbursement				
Earmarked Funds	-	10,629	54,170	(5,427)
All Other Funds	(10,584)	(100,414)	(1,464)	16,572
Donations and Forfeitures of Cash and Cash Equivalents				
Earmarked Funds	3,450	-	-	103
All Other Funds	-	-	-	-
Other Budgetary Financing Sources				
Earmarked Funds	-	755	(11,489)	(1,873)
All Other Funds	-	-	-	-
Other Adjustments				
Earmarked Funds	-	-	-	(718)
All Other Funds	-	-	-	(51)
Other Financing Sources				
Donations and Forfeitures of Property				
Earmarked Funds	-	-	68	-
All Other Funds	609	-	-	5,045
Transfers In/(Out) without Reimbursement				
Earmarked Funds	(108)	12,762	(1,098)	(316)
All Other Funds	(72,655)	(6,812)	11,733	99
Imputed Financing from Costs Absorbed by Others				
Earmarked Funds	1,316	6,859	114,267	986
All Other Funds	133,775	75,921	18	25,253
Total Financing Sources	2,432,148	2,095,424	1,765,066	1,269,852
Net Cost of Operations				
Earmarked Funds	(2,140)	(201,998)	(576,936)	(59,505)
All Other Funds	(2,253,301)	(1,845,475)	(49,061)	(1,066,567)
Net Change				
Earmarked Funds	2,620	3,844	1,134,339	5,513
All Other Funds	174,087	44,107	4,730	138,267
Ending Balance				
Earmarked Funds	283,793	1,897,566	21,684,428	480,076
All Other Funds	1,023,253	412,495	45,802	572,744
Ending Balance All Funds - Cumulative Results of Operations	\$ 1,307,046	\$ 2,310,061	\$ 21,730,230	\$ 1,052,820

**Consolidating Statement of Changes in Net Position - Continued**  
**for the year ended September 30, 2007**  
*(dollars in thousands)*

Minerals Management Service	National Park Service	Office of Surface Mining	U.S. Fish and Wildlife Service	U.S. Geological Survey	Elimination of Intra Department Activity	FY 2007 Total
\$ 1,067,265	\$ 18,436,206	\$ 2,270,955	\$ 2,323,052	\$ 3,078	\$ -	\$ 47,234,344
(502,125)	(83,283)	(6,771)	857,600	68,671	-	2,033,120
-	(4,901)	-	(493,444)	(531)	-	(433,117)
-	(11,617)	190	5,982	-	-	(11,370)
1,067,265	18,431,305	2,270,955	1,829,608	2,547	-	46,801,227
(502,125)	(94,900)	(6,581)	863,582	68,671	-	2,021,750
-	-	-	79,134	-	-	406,235
158,892	2,235,017	103,133	1,082,110	981,327	-	10,037,018
1,981,590	1,055,188	-	1,785	-	-	4,435,820
-	-	-	-	-	-	4,367
35,034	-	411,719	371,686	-	-	896,640
-	(56)	5	1,630	20	-	19,243
6,903	(300,918)	190	669,957	(3)	-	435,501
-	32,680	(190)	19,936	6,382	-	(37,082)
-	27,230	-	2,213	2,709	-	35,705
-	-	-	-	-	-	-
-	(1,864)	-	-	-	-	(14,471)
(416)	292	(26)	-	-	-	(150)
-	-	-	-	-	-	(718)
-	1	-	-	-	-	(50)
-	-	-	-	-	-	68
-	821	-	-	1,408	-	7,883
-	(195)	(2,143)	(62,027)	-	-	(53,125)
22	(509)	1,362	54,168	95	-	(12,497)
-	-	-	4,630	-	-	128,058
27,640	122,460	11,752	53,082	66,346	(94,112)	422,135
2,209,665	3,170,147	525,802	2,278,304	1,058,284	(94,112)	16,710,580
(1,739,668)	(119,161)	(326,113)	(894,573)	(2,788)	-	(3,922,882)
66,895	(2,317,522)	(114,552)	(1,199,060)	(1,031,273)	94,112	(9,715,804)
283,859	660,280	83,653	172,805	(82)	-	2,346,831
253,033	73,184	1,484	11,866	24,305	-	725,063
1,351,124	19,091,585	2,354,608	2,002,413	2,465	-	49,148,058
(249,092)	(21,716)	(5,097)	875,448	92,976	-	2,746,813
\$ 1,102,032	\$ 19,069,869	\$ 2,349,511	\$ 2,877,861	\$ 95,441	\$ -	\$ 51,894,871

**Consolidating Statement of Changes in Net Position  
for the fiscal year ended September 30, 2006**  
*(dollars in thousands)*

	Indian Affairs	Bureau of Land Management	Bureau of Reclamation	Departmental Offices and Other
<b>UNEXPENDED APPROPRIATIONS</b>				
Beginning Balance				
Earmarked Funds	\$ 13	\$ 7,414	\$ 286,742	\$ 18,604
All Other Funds	1,242,490	464,143	63,777	383,936
<b>Budgetary Financing Sources</b>				
Appropriations Received				
Earmarked Funds	-	105,974	198,030	-
All Other Funds	2,331,607	1,854,351	39,058	1,144,516
Appropriations Transferred In/(Out)				
Earmarked Funds	-	-	(6,980)	937
All Other Funds	241,420	(268,872)	48,342	(41,652)
Appropriations-Used				
Earmarked Funds	-	(107,120)	(226,473)	(15,772)
All Other Funds	(2,446,663)	(1,523,257)	(54,217)	(1,061,606)
Other Adjustments				
Earmarked Funds	-	-	(1,818)	(40)
All Other Funds	(33,960)	(28,056)	(370)	(9,737)
Net Change				
Earmarked Funds	-	(1,146)	(37,241)	(14,875)
All Other Funds	92,404	34,166	32,813	31,521
Ending Balance				
Earmarked Funds	13	6,268	249,501	3,729
All Other Funds	1,334,894	498,309	96,590	415,457
<b>Ending Balance All Funds - Unexpended Appropriations</b>	<b>\$ 1,334,907</b>	<b>\$ 504,577</b>	<b>\$ 346,091</b>	<b>\$ 419,186</b>

**Consolidating Statement of Changes in Net Position**  
**for the fiscal year ended September 30, 2006**  
*(dollars in thousands)*

Minerals Management Service	National Park Service	Office of Surface Mining	U.S. Fish and Wildlife Service	U.S. Geological Survey	Elimination of Intra Department Activity	FY 2006 Total
\$ -	\$ (3,811)	\$ -	\$ 87,681	\$ -	\$ -	\$ 396,643
8,574	947,817	41,544	448,412	181,906	-	3,782,599
-	-	-	74,867	-	-	378,871
184,651	2,334,357	110,435	1,249,483	995,205	-	10,243,663
-	-	-	-	-	-	(6,043)
(3,343)	54,328	-	89,184	2,023	-	121,430
-	-	-	(80,983)	-	-	(430,348)
(162,523)	(2,434,252)	(109,298)	(1,342,780)	(966,425)	-	(10,101,021)
-	14	-	(588)	-	-	(2,432)
(2,591)	(42,779)	(2,854)	(15,989)	(19,478)	-	(155,814)
-	14	-	(6,704)	-	-	(59,952)
16,194	(88,346)	(1,717)	(20,102)	11,325	-	108,258
-	(3,797)	-	80,977	-	-	336,691
24,768	859,471	39,827	428,310	193,231	-	3,890,857
\$ 24,768	\$ 855,674	\$ 39,827	\$ 509,287	\$ 193,231	\$ -	\$ 4,227,548

**Consolidating Statement of Changes in Net Position - Continued**  
**for the fiscal year ended September 30, 2006**  
*(dollars in thousands)*

	Indian Affairs	Bureau of Land Management	Bureau of Reclamation	Departmental Offices and Other
<b>CUMULATIVE RESULTS OF OPERATIONS</b>				
Beginning Balance				
Earmarked Funds	\$ 260,924	\$ 1,010,498	\$ 19,350,254	\$ 423,159
All Other Funds	751,113	303,959	224,253	396,669
Beginning Balance, as adjusted				
Earmarked Funds	260,924	1,010,498	19,350,254	423,159
All Other Funds	751,113	303,959	224,253	396,669
Budgetary Financing Sources				
Appropriations-Used				
Earmarked Funds	-	107,120	226,473	15,772
All Other Funds	2,446,663	1,523,257	54,217	1,061,606
Royalties Retained				
Earmarked Funds	-	68,609	1,487,423	-
All Other Funds	-	3,212	-	-
Non-Exchange Revenue				
Earmarked Funds	12	(14)	4	60,477
All Other Funds	50	33	-	14,594
Transfers In/(Out) without Reimbursement				
Earmarked Funds	-	(16,285)	50,816	(7,947)
All Other Funds	(6,065)	(121,434)	(54,357)	(16,704)
Donations and Forfeitures of Cash and Cash Equivalents				
Earmarked Funds	-	-	-	193
All Other Funds	-	-	-	-
Other Budgetary Financing Sources				
Earmarked Funds	-	3	-	420
All Other Funds	-	-	-	(2,343)
Other Adjustments				
Earmarked Funds	(74)	-	-	74
All Other Funds	-	(4,401)	-	4,370
Other Financing Sources				
Donations and Forfeitures of Property				
Earmarked Funds	-	-	505	-
All Other Funds	54	-	-	4,124
Transfers In/(Out) without Reimbursement				
Earmarked Funds	(118)	19,046	(100,742)	-
All Other Funds	(20,915)	(20,366)	13,257	1,848
Imputed Financing from Costs Absorbed by Others				
Earmarked Funds	805	5,916	107,556	614
All Other Funds	57,149	73,750	20	25,064
Total Financing Sources	2,477,561	1,638,446	1,785,172	1,162,162
Net Cost of Operations				
Earmarked Funds	19,624	653,867	(572,178)	(39,018)
All Other Funds	(2,507,157)	(1,412,873)	(26,580)	(1,067,039)
Net Change				
Earmarked Funds	20,249	838,262	1,199,857	30,585
All Other Funds	(30,221)	41,178	(13,443)	25,520
Ending Balance				
Earmarked Funds	281,173	1,848,760	20,550,111	453,744
All Other Funds	720,892	345,137	210,810	422,189
Ending Balance All Funds - Cumulative Results of Operations	\$ 1,002,065	\$ 2,193,897	\$ 20,760,921	\$ 875,933



**Consolidating Statement of Changes in Net Position - Continued**  
**for the fiscal year ended September 30, 2006**  
*(dollars in thousands)*

Minerals Management Service	National Park Service	Office of Surface Mining	U.S. Fish and Wildlife Service	U.S. Geological Survey	Elimination of Intra Department Activity	FY 2006 Total
\$ 1,036,226 (479,466)	\$ 18,003,371 (147,423)	\$ 2,149,987 (9,187)	\$ 2,183,131 733,411	\$ 3,721 80,348	\$ -	\$ 44,421,271 1,853,677
1,036,226 (479,466)	18,003,371 (147,423)	2,149,987 (9,187)	2,183,131 733,411	3,721 80,348	-	44,421,271 1,853,677
-	-	-	80,983	-	-	430,348
162,523	2,434,252	109,298	1,342,780	966,425	-	10,101,021
1,931,073	897,888	-	1,608	-	-	4,386,601
-	-	-	-	-	-	3,212
31,869	-	399,467	741,239	-	-	1,233,054
-	83	26	2,288	18	-	17,092
6,903	(315,961)	-	237,930	878	-	(43,666)
-	25,340	-	22,451	150	-	(150,619)
-	27,017	-	3,093	2,399	-	32,702
-	-	-	-	-	-	-
-	(646)	-	-	-	-	(223)
-	1,436	-	8,671	-	-	7,764
-	-	(393)	-	-	-	(393)
-	-	393	2	-	-	364
-	-	-	-	-	-	505
-	265	-	-	1,597	-	6,040
-	6,688	-	(57,838)	-	-	(132,964)
(1,253)	(5,140)	(379)	64,321	2,000	-	33,373
-	-	-	5,188	-	-	120,079
14,941	115,256	7,762	56,366	67,931	(65,471)	352,768
2,146,056	3,186,478	516,174	2,509,082	1,041,398	(65,471)	16,397,058
(1,938,806)	(182,151)	(278,106)	(872,282)	(3,920)	-	(3,212,970)
(198,870)	(2,507,352)	(114,684)	(1,372,690)	(1,049,798)	65,471	(10,191,572)
31,039	432,835	120,968	139,921	(643)	-	2,813,073
(22,659)	64,140	2,416	124,189	(11,677)	-	179,443
1,067,265	18,436,206	2,270,955	2,323,052	3,078	-	47,234,344
(502,125)	(83,283)	(6,771)	857,600	68,671	-	2,033,120
\$ 565,140	\$ 18,352,923	\$ 2,264,184	\$ 3,180,652	\$ 71,749	\$ -	\$ 49,267,464



## United States Department of the Interior

OFFICE OF INSPECTOR GENERAL  
Washington, DC 20240

NOV 13 2007

Memorandum

To: Secretary

From: *for* Earl E. Devaney  
Inspector General

Subject: Independent Auditors' Report on the Department of the Interior Financial Statements for Fiscal Years 2007 and 2006 (Report No. X-IN-MOA-0012-2007)

### ***INTRODUCTION***

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This memorandum transmits the KPMG LLP (KPMG) auditors' report of the Department of the Interior (DOI) financial statements for fiscal years (FYs) 2007 and 2006. The Chief Financial Officers Act of 1990 (Public Law 101-576), as amended, requires the DOI Inspector General or an independent auditor, as determined by the Inspector General, to audit the DOI financial statements.

Under a contract issued by DOI and monitored by the Office of Inspector General (OIG), KPMG, an independent public accounting firm, performed an audit of the DOI FY2007 and FY2006 financial statements. The contract required that the audit be performed in accordance with the "Government Auditing Standards" issued by the Comptroller General of the United States and Office of Management and Budget Bulletin No. 07-04, "Audit Requirements for Federal Financial Statements."

### ***RESULTS OF INDEPENDENT AUDIT***

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In its audit report dated November 13, 2007, KPMG issued an unqualified opinion on the DOI financial statements. However, KPMG identified seven significant deficiencies in internal controls over financial reporting, none of which were considered material weaknesses. In addition, KPMG identified one instance where DOI did not comply with laws and regulations, specifically, the Single Audit Act Amendments of 1996.

KPMG has also audited the financial statements for Indian Affairs, Bureau of Land Management, Bureau of Reclamation, Departmental Offices, National Park Service, U.S. Fish and Wildlife Service, and the U.S. Geological Survey. In addition, KPMG performed certain auditing procedures at the Minerals Management Service and Office of Surface Mining, Reclamation and Enforcement to support the DOI consolidated financial statement audit.

## ***EVALUATION OF KPMG AUDIT PERFORMANCE***

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To ensure the quality of the audit work performed, the OIG:

- reviewed KPMG's approach and planning of the audit;
- evaluated the qualifications and independence of the auditors;
- monitored the progress of the audit at key points;
- coordinated periodic meetings with DOI management to discuss audit progress, findings, and recommendations;
- reviewed and accepted KPMG's audit report; and
- performed other procedures we deemed necessary.

KPMG is responsible for the attached auditors' report dated November 13, 2007, and the conclusions expressed in it. We do not express an opinion on DOI financial statements or on KPMG's conclusions regarding 1) effectiveness of internal controls, 2) compliance with laws and regulations, or 3) substantial compliance of DOI financial management systems with the Federal Financial Management Improvement Act of 1996.

## ***REPORT DISTRIBUTION***

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The legislation, as amended, creating the OIG requires semiannual reporting to the Congress on all audit reports issued, actions taken to implement audit recommendations, and recommendations that have not been implemented. Therefore, we will include the information in the attachment in our next semiannual report. The distribution of the report is not restricted, and copies are available for public inspection.

We appreciate the cooperation and assistance of DOI personnel during the audit. If you have any questions regarding the report, please contact me at 202-208-5745.

Attachment

cc: Chief Financial Officer  
 Chief Information Officer  
 Director, Office of Financial Management  
 Associate Director, Office of Financial Management  
 Focus Group Leader, Internal Control and Audit Follow-up, Office of Financial Management  
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## Independent Auditors' Report

Secretary and Inspector General,  
U.S. Department of the Interior:

We have audited the accompanying balance sheets of the U.S. Department of the Interior (Interior) as of September 30, 2007 and 2006, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity (hereinafter referred to as "financial statements") for the years then ended. The objective of our audits was to express an opinion on the fair presentation of these financial statements. In connection with our fiscal year 2007 audit, we also considered Interior's internal controls over financial reporting and performance measures and tested Interior's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements that could have a direct and material effect on these financial statements.

### SUMMARY

As stated in our opinion on the financial statements, we concluded that Interior's financial statements as of and for the years ended September 30, 2007 and 2006, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

As discussed in our opinion, Interior revised its method of allocating certain costs and revenues between programs on the statement of net cost in fiscal year 2007. Also, as discussed in our opinion, in fiscal year 2007, Interior changed its method of accounting for and reporting of the reconciliation of net cost to budget, allocation transfers, and the Sport Fish Restoration and Boating Trust Fund (SFRBTF), to adopt changes in accounting standards and Office of Management and Budget (OMB) requirements.

Our consideration of internal control over financial reporting resulted in the following conditions being identified as significant deficiencies:

- A. General and Application Controls over Financial Management Systems
- B. Controls over Accruals
- C. Controls over Undelivered Orders
- D. Financial Reporting Controls
- E. Controls over Charge Cards
- F. Controls over Grants
- G. Controls over the Indian Trust Funds

However, none of the significant deficiencies are believed to be material weaknesses.

We noted no deficiencies involving the design of the internal control over the existence and completeness assertions related to key performance measures.



The results of our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements disclosed the following instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

#### H. *Single Audit Act Amendments of 1996*

The following sections discuss our opinion on Interior's financial statements; our consideration of Interior's internal controls over financial reporting and performance measures; our tests of Interior's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements; and management's and our responsibilities.

### OPINION ON THE FINANCIAL STATEMENTS

We have audited the accompanying balance sheets of the U.S. Department of the Interior as of September 30, 2007 and 2006, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity, for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of the Interior as of September 30, 2007 and 2006, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 20 to the financial statements, Interior's fiscal year 2007 statement of net cost is not comparable to its fiscal year 2006 statement of net cost because Interior revised its method of allocating certain costs and revenues between programs in fiscal year 2007. Also discussed in Note 22 to the financial statements, Interior changed its method of reporting the reconciliation of net cost to budget in fiscal year 2007. Further, as discussed in Note 27 to the financial statements, Interior changed its method of accounting for and reporting allocation transfers and the SFRBTF in fiscal year 2007.

The information in the Management's Discussion and Analysis, Required Supplementary Information, and Required Supplementary Stewardship Information sections is not a required part of the financial statements, but is supplementary information required by U.S. generally accepted accounting principles and OMB Circular No. A-136, *Financial Reporting Requirements*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The consolidating information in the Other Supplementary Information subsection within the Financial Report section is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net position of Interior's components individually. The consolidating information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole. The Introduction, Performance Data and Analysis, the Other Accompanying Information sections, and the special account funds in the Other Supplementary Information subsection within the Financial Report section are presented for purposes of additional analysis and are not required



as part of the financial statements. This information has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

### INTERNAL CONTROL OVER FINANCIAL REPORTING

Our consideration of the internal control over financial reporting was for the limited purpose described in the Responsibilities section of this report and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Interior's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Interior's financial statements that is more than inconsequential will not be prevented or detected by Interior's internal control over financial reporting. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Interior's internal control.

In our fiscal year 2007 audit, we consider the deficiencies described below to be significant deficiencies in internal control over financial reporting. However, we believe that none of the significant deficiencies described below are material weaknesses. Exhibit I presents the status of prior year reportable conditions.

#### A. General and Application Controls over Financial Management Systems

Interior continues to improve the security and controls over its information systems; however, we determined that Interior needed to improve controls in the areas described below, as required by OMB Circular No. A-130, *Management of Federal Information Resources*. These conditions could have affected Interior's ability to prevent and detect unauthorized changes to financial information, to control electronic access to sensitive information, and to protect its information.

##### 1. *Entity-wide Security Program and Planning*

An entity-wide security program, including security policies and a related implementation plan, is the foundation of an entity's security control structure. Interior did not fully document its certification and accreditation procedures for certain systems and applications, and did not perform certain procedures to support its certification and accreditations. Additionally, Interior had not certified and accredited one facility, used an earlier version than authorized for one of its applications, and had not assigned security responsibilities for one system. Finally, Interior did not establish agreements to document the minimum security requirements for the interconnections and interfaces between certain applications.

##### 2. *Access Controls*

Access controls protect computer resources from unauthorized modification, disclosure, and loss. Interior did not fully establish controls to prevent and detect unauthorized access. Interior did not formally document and approve policies and procedures regarding access control procedures, segregation of system roles and responsibilities, the monitoring and



revocation of inactive user accounts, monitoring security profile changes, and periodic recertification of user access for certain applications and systems.

In addition, Interior did not consistently complete the appropriate level of investigation for users, obtain and maintain rules of behavior forms, obtain and maintain user access approval forms, obtain and maintain awareness training evidence, review and document reviews of user access to ensure conflicting access rights are not granted, limit users to one account, limit access of administrator accounts, follow its password policies, perform and document periodic re-certifications to ensure that all users are authorized and the level of access rights was appropriate, or identify and review changes to user account and security profiles. Finally, Interior did not consistently monitor or remove inactive user accounts, remove access of separated users in a timely manner, complete the appropriate exit procedures, or maintain exit clearance documentation for certain systems.

3. *System Software Controls*

System software controls protect computer resources from unauthorized modification, disclosure, and loss. Interior had not implemented formal change management procedures for one system, and had not formally approved procedures regarding the system development life-cycle, segregation of duties, administrator access, and audit logging for certain systems. In addition, Interior did not consistently establish controls to limit access to systems, document the approval for system software changes, maintain system change documentation, identify and monitor for inappropriate changes to systems, review system change logs, or monitor activities performed by administrators.

4. *Software Development and Change Controls*

Software development and change controls ensure that only authorized programs and modifications are implemented. Interior needs to improve its change management policies to ensure that it includes detailed testing procedures for normal and emergency changes for certain applications and configuration management. Interior did not use library management software to control changes to one of its applications, fully segregate software development and change duties, and identify and review changes to ensure the changes were approved for certain applications.

5. *Service Continuity*

Service continuity plans protect information resources, minimize the risk of unplanned interruptions, and recover critical operations should interruptions occur. Interior did not have a finalized, approved, fully documented, and/or tested contingency plan to be used in the event of service disruption for certain systems and applications. Interior did not have a comprehensive plan to train certain essential employees on emergency responsibilities outlined within the critical system and application contingency plans. Interior also did not demonstrate that certain contingency plan test results and corrective actions were reviewed by the appropriate officials. Furthermore, Interior did not track and report service interruptions for one application or fully establish environmental controls for one of its server rooms. In addition, Interior personnel involved with media sanitization were not always aware of policies and procedures. Finally, Interior did not consistently sanitize tapes, maintain evidence that backup tapes were completed, use a tape library log, store backup tapes at off-site locations, or test backup tapes.



6. *Segregation of Responsibilities*

Proper segregation of responsibilities helps prevent and detect unauthorized actions. Interior did not formally document application-specific roles or access privileges that should be segregated for certain financial systems or formally document compensating controls when access privileges cannot be segregated. In addition, Interior did not consistently require management to review the design and operation of segregation of responsibility controls. Finally, Interior did not fully segregate responsibilities for certain applications and systems.

**Recommendations**

We recommend that Interior continue to improve the security and general controls over its financial information systems to ensure adequate security and protection of the information systems as follows:

1. Certify and accredit its facilities and systems, perform all certification and accreditation procedures, fully document its certifications and accreditations, assign security responsibilities, and establish agreements for interconnections and interfaces between applications.
2. Establish controls to prevent and detect unauthorized access, develop and finalize access control policies, complete investigations, obtain and maintain user access documentation, review and approve user access, restrict access, follow password policies, periodically re-certify user access, monitor user account and security profile changes, monitor inactive accounts, remove access of separated users timely, complete the appropriate exit procedures, and maintain exit documentation.
3. Implement and approve change management procedures, establish controls to limit access to systems, document the approval for system software changes, maintain system change documentation, identify and monitor for inappropriate changes to systems, review system change logs, and monitor activities performed by administrators.
4. Improve its change management policies, use library management software to control software changes, fully segregate software development and change duties, and identify and review changes.
5. Finalize, approve, and test contingency plans and related training plans, review test results and corrective actions, track and report service interruptions, establish environmental controls, communicate and follow media sanitation policies, and control and test back up tapes.
6. Formally document application-specific roles or access privileges that should be segregated, periodically review segregation of duties, and fully segregate responsibilities.

**Management Response**

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our recommendations. We did not audit Interior's response and, accordingly, we express no opinion on it.

**B. Controls over Accruals**

In accordance with Federal accounting standards, Interior is required to record liabilities based on the probable future outflow or other sacrifice of resources as a result of past transactions or events. Interior did not properly develop its accounts payable accrual methodology at two Interior components to consider changes in operations, and did not properly test the assumptions used to calculate its accounts payable accrual at two Interior components. In addition, Interior did not ensure that its accounts payable accruals consistently agreed to the supporting documentation





or consistently documented its approval of the accounts payable accruals. Furthermore, Interior did not fully consider the results of its grants accrual analysis and adjust its grant accrual methodology appropriately for one of its grant programs.

As a result of our observations, Interior adjusted its accrual methodologies, tested its assumptions, and increased its accruals by \$154 million. However, Interior did not effectively review the accrual adjustments because Interior did not properly de-obligate \$58 million of undelivered orders when Interior recorded the accrual adjustments. As a result of our observations, Interior recorded the de-obligation.

### **Recommendations**

We recommend that Interior implement the following recommendations to improve controls over its accruals:

1. Evaluate and revise accounts payable accrual methodologies for changes in operations.
2. Test the assumptions used in the accounts payable accrual, including the subsequent activity report, to ensure that the subsequent activity report is accurate and complete.
3. Analyze the grants accrual analysis to ensure that the results support the grant accrual methodology.
4. Require supervisors to compare the accounts payable accrual adjustments from the accounting system to the calculations and the supporting documentation to ensure that the amounts are properly recorded and to document approval evidencing completion of comparison.

### **Management Response**

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our recommendations. We did not audit Interior's response and, accordingly, we express no opinion on it.

### **C. Controls over Undelivered Orders**

Undelivered orders should be promptly recorded, properly classified, and accounted for, in order to prepare timely and reliable reports. Interior policies requires its components to review and certify undelivered orders quarterly, including undelivered orders with no activity during the past 12 months, and to de-obligate invalid obligations; however, four of the nine Interior components did not effectively follow these policies. Two of the Interior components did not review and certify undelivered orders because the components were unable to obtain certain undelivered order reports from the accounting system. Two other components certified the undelivered order balances; however, the components did not effectively certify the undelivered order balances because they incorrectly certified 16 of the 166 undelivered orders tested. In addition, Interior did not consistently maintain documentation or modify orders that had expired in a timely manner to support its undelivered orders. As a result of our observations, Interior analyzed and decreased its undelivered orders by \$80 million. Subsequent to management's analysis and adjustment, we identified 6 additional exceptions in the 281 undelivered orders tested at one Interior component.

### **Recommendations**

We recommend that Interior implement the following recommendations to improve controls over its undelivered order balances:

1. Provide training to program and finance personnel on certifying and closing out undelivered orders.
2. Configure its accounting system to provide undelivered order reports.



3. Review and certify all undelivered order balances, on at least a quarterly basis.
4. Monitor and close out as appropriate undelivered orders with minimal to no activity during the past three months, on at least a quarterly basis.
5. Modify expired orders in a timely manner.
6. Improve and maintain documentation to support its undelivered order balances.

### **Management Response**

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our recommendations. We did not audit Interior's response and, accordingly, we express no opinion on it.

### **D. Financial Reporting Controls**

Interior needs to improve financial reporting controls to ensure transactions are properly recorded for reliable financial reports. Interior did not properly classify certain financial transactions resulting in over \$181 million of activity being reported in the other fund column, rather than the earmarked fund column on the statement of changes in net position and resulting in misclassifications of \$188 million in the reconciliation of net cost to budget disclosure and other note misclassifications. In addition, Interior did not effectively segregate responsibilities because certain individuals have the authority to both enter and approve journal entries in the accounting system without a secondary review at four of the nine Interior components.

### **Recommendations**

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

1. Require a second person to analyze the financial statements and disclosures to ensure financial transactions are properly classified and presented and document such review.
2. Configure the accounting system to prevent the same individual from entering and approving journal entries in the accounting system or require an individual who does not have access to enter or approve journal entries to compare the journal entries recorded in the financial systems to the approved journal entries to ensure that all journal entries have been approved and were properly entered into the financial system, and document evidence of completion of the comparison.

### **Management Response**

Management has prepared an official response presented as a separate attachment to this report. In summary, management partially agreed with our findings and its comments were responsive to our recommendations. Management believes that there are adequate and mitigating controls. We did not audit Interior's response and, accordingly, we express no opinion on it.

### **Auditors' Response to Management's Response**

As summarized above, Interior did not effectively segregate responsibilities because we identified certain individuals have the authority to both enter and approve journal entries in the accounting system without a secondary review. In addition, Interior implemented the mitigating controls after we identified the control deficiency and the mitigating controls did not operate effectively because the same people who performed the mitigating controls had the ability to enter and approve journal entries and therefore Interior did not segregate the responsibilities over journal entries. Therefore, we continue to believe that the control deficiencies identified constitute a significant deficiency.



### **E. Controls over Charge Cards**

Interior issues purchase, fleet, and travel charge cards to its employees to streamline acquisition and payment procedures and to reduce the administrative burden associated with traditional and emergency purchasing of travel items, supplies, and services. Interior uses charge cards to purchase goods and services totaling several hundred million dollars. In conjunction with the issuance of these cards, Interior published the *Integrated Charge Card Program Guide*. This guide sets forth restrictions on the use of the cards as well as certain internal control procedures such as timely and complete reconciliation of billing statements by the cardholders and approving officials.

However, we determined that Interior did not consistently follow these internal control procedures because we identified 69 exceptions in the 361 statements that we tested at 3 of the 7 Interior components that we tested. For example, cardholders and supervisors did not always sign and date the charge card statements, did not consistently sign and date the charge card statements in a timely manner, and did not consistently maintain charge card receipts to support the charges.

#### **Recommendations**

We recommend that Interior perform the following:

1. Continue to provide training to personnel on proper charge card procedures.
2. Require approving officials to be more diligent in monitoring and enforcing compliance with Interior's charge card policies.
3. Periodically test a sample of charge cards for compliance with Interior's charge card policies.

#### **Management Response**

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our recommendations. We did not audit Interior's response and, accordingly, we express no opinion on it.

### **F. Controls over Grants**

Interior is required to monitor its grantees in accordance with the *Single Audit Act Amendments of 1996*, and the related OMB Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (OMB Circular No. A-133). Interior needs to improve controls over grant monitoring at four Interior components. Interior did not maintain documentation that Interior formally communicated the grant award name, grant number, catalog of federal domestic award number, and/or the list of applicable laws and regulations to the grantees for 32 of the 45 grant awards tested at one component. Interior also did not have a complete listing of grantees to ensure that it obtained Single Audit reports and issued management decisions on audit findings for one Interior component. In addition, two Interior components did not obtain Single Audit reports within nine months of the grantee's fiscal year-end for 13 of 44 grantees tested and did not issue management decisions on audit findings within six months after receipt of Single Audit reports or ensure that the grantees completed appropriate and timely corrective action on such findings for 8 of the 66 grantees tested. Further, two Interior components, did not obtain or follow up on past due Financial Status Reports for 15 of the 77 grantees tested. Additionally, one Interior component did not obtain Grant Performance Reports for 8 of 32 grantees tested or obtain Annual Reports for 3 of the 32 grantees tested. Finally, Interior did not review the reconciliation from the grant system to the accounting system at one Interior component.



### Recommendations

We recommend that Interior perform the following to improve its grant monitoring process:

1. Review the grant award to ensure that the grant awards include the award name and number, the catalog of federal domestic number and title, award year, if the award is for research and development, and list of laws and regulations and document approval on the grant award.
2. Maintain a complete and accurate listing of grantees to enable monitoring of receipt of Single Audit Reports and issuance of management decisions on findings.
3. Follow up on Single Audit, Financial Status, Grant Performance, and Annual Reports not received and consider the need to limit future grant awards until these reports are received.
4. Issue management decisions on audit findings within six months after receipt of Single Audit reports and verify that grantees take appropriate and timely corrective action.
5. Require a supervisor to review the reconciliation from the grant system to the accounting system and to document evidence of such review.

### Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our recommendation. We did not audit Interior's response and, accordingly, we express no opinion on it.

### G. Controls over the Indian Trust Funds

The United States Congress has designated the Secretary of the Interior as the trustee delegate with responsibility for the financial and non-financial resources held in trust on behalf of American Indian Tribes (Tribal Trust Funds), individual Indians, and other trust funds (hereafter collectively referred to as the Indian Trust Funds). The Secretary carries out this fiduciary responsibility through the Office of the Special Trustee for American Indians (OST), Indian Affairs (IA), other Interior bureaus, and agreements with American Indian Tribes.

The Indian Trust Funds' balances include two categories: (1) Trust Funds that are held by Interior because the corpus of specific accounts is non-expendable or the funds that are held for future transfer to Indian Tribes upon satisfaction of certain conditions and thus are reflected in Interior's financial statements; (2) Trust Funds for Indian Tribes and individual Indians that are considered non-Federal accounts and thus are not reflected in Interior's financial statements but are disclosed in a footnote to Interior's financial statements, in accordance with the accounting standards.

Interior has invested a significant amount of resources to improve controls over Indian Trust Funds; however, we noted that Interior needs to continue its efforts to resolve historical differences for items 1 through 4 below, and to improve procedures and internal controls for entering and maintaining Trust Fund information, including recording receivables, to ensure that the Indian Trust Funds' activity and balances are recorded properly and timely, as follows:

#### 1. Trust Fund Balances

The financial information systems and internal control procedures used in the processing of Indian Trust Fund transactions have suffered historically from a variety of system and procedural internal control weaknesses. In addition, Interior is burdened with the ongoing impact of decades of accumulated discrepancies in the accounting records. Furthermore, certain Indian Trust Fund beneficiaries do not agree with the trust fund balances and/or have requested an accounting of the Indian Trust Funds. However, Interior has invested a significant amount of resources identifying historical records, isolating and working to



resolve historical differences, and preparing an accounting of the Indian Trust Fund balances and will continue with this historical accounting effort.

**2. Individual Indian Monies Subsidiary Ledger**

The control account for Individual Indian Monies (IIM) account holders represents the aggregate net balance of trust funds held on behalf of IIM account holders, house accounts, and suspense accounts as reflected in the detailed subsidiary ledger of IIM accounts (subsidiary ledger). The control account balance has historically not agreed to the sum of the balances from the subsidiary ledger, and it cannot be determined which balance, if either, is correct. The amount invested for IIM is based on the IIM control account balance. Consequently, the balance of funds invested for IIM account holders may not be correct, which in turn would affect interest earnings. As of September 30, 2007, the aggregate sum of all balances included in the subsidiary ledger exceeded the control account by approximately \$6 million.

As of September 30, 2006, the subsidiary ledger contained negative account balances totaling approximately \$44 million (of which approximately \$164,000 was attributed to individual Indian accounts as of September 30, 2006). During fiscal year 2007, management adjusted the subsidiary ledger eliminating the negative account balances totaling approximately \$44 million (of which approximately \$113,000 was attributed to individual Indian accounts as of September 30, 2007); however, we were unable to conclude on the propriety of such adjustment.

**3. Special Deposit Accounts**

As of September 30, 2007 and 2006, there were approximately 13,000 and 22,000 special deposit accounts reflected in the subsidiary ledger with balances totaling approximately \$33 million and \$36 million, respectively. In accordance with Title 25 of the Code of Federal Regulations and as directed by IA, historically OST recorded receipts into special deposit accounts within the subsidiary ledger when the recipient trust fund account was unknown at the time of receipt. When IA identifies the trust fund account(s), OST transfers the amount from the special deposit account(s) to the designated trust fund account(s) in accordance with IA instructions. A significant number of special deposit accounts have remained inactive for the past several years and new special deposit accounts were established during fiscal year 2007 and 2006. As of September 30, 2007, a significant number of special deposit accounts represent historical balances and continue to require resolution.

**4. Undistributed Interest and Unusual Balances**

OST and/or IA had not been able to determine the proper recipients of undistributed interest related to Tribal Trust Funds of approximately \$2.0 million as of September 30, 2006. However, in prior years OST commissioned a report to assist in determining the recipients of these funds, and based on that report distributed the balance of these funds during fiscal year 2007. Additionally, OST and/or IA have not been able to determine the proper recipients of undistributed interest related to IIM of approximately \$3.8 million and \$3.6 million as of September 30, 2007 and 2006, respectively. Furthermore, there were Tribal Trust Funds accounts with negative cash balances totaling approximately \$721,000 as of September 30, 2007 and 2006, which continue to require resolution.



5. *Entering and Maintaining Trust Fund Information*

The regional and agency offices of IA perform a critical role in the initial input and subsequent changes to the Indian Trust Funds' information disclosed by Interior. We noted weaknesses in the following areas:

a. *Trust Fund Records*

IA did not consistently maintain ownership records for rights of way lease agreements on lands held in trust for the Indian Trust Funds because IA was unable to provide evidence of ownership for 38 of the 45 lease agreements tested. Additionally, IA did not consistently obtain appraisals from the Bureau of Land Management prior to entering into the lease agreements related to lands held in trust for the Indian Trust Funds. Finally, IA did not consistently follow its policies contained in Part 53 of the Indian Affairs Manual because IA did not obtain and approve Forest Management Plans for 2 of 30 locations tested.

b. *Distribution of Funds to OST*

IA did not consistently sign the Trust Funds Receivable Worksheet prior to submitting funds to OST for 9 of the 115 items tested. In addition, IA did not consistently transfer funds to OST within 24 hours of the lease agreement approval for 15 of 115 items tested and within 24 hours of receipt for 3 of the 115 items tested in accordance with its policies. Finally, IA did not use the fastest means possible in forwarding funds to the lockbox in accordance with its policies for 5 of 115 items tested.

c. *Accounts Receivable*

IA had not fully developed and communicated standardized policies and procedures for establishing, tracking, and pursuing historical accounts receivable for the Indian Trust Funds. This resulted in inconsistent processes and increases the risk that amounts due to Indian Trust Funds are not identified and ultimately collected.

d. *Probate Backlog*

IA did not consistently enter probate orders for land title into the trust management systems timely. Although IA made progress in reducing the backlog, IA indicated that it had probate orders that had not been prepared, adjudicated, recorded, and/or encoded. IA expects to have the backlog resolved in September 2009. This increases the potential for untimely distributions of income to the account holders of the Indian Trust Funds.

e. *Supervised and Restricted Accounts*

IA did not consistently perform reviews over active supervised accounts. Finally, although each of the regions that we visited had compiled a listing of active supervised accounts, the regions expended significant efforts generating the listing. IA has identified reports from the Trust Fund Accounting System (TFAS) and Strata Vision, which list all active supervised accounts and needs to work with OST to ensure its timely distribution to the appropriate agency offices.

**Recommendation**

We recommend that Interior develop and implement procedures and internal controls to address the deficiencies in controls related to Indian Trust Funds.



### Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management disagreed with the findings because management believes that its efforts to address internal control deficiencies in the Indian Trust Funds are substantially complete and that the auditors' report did not contain findings suggesting current operational control deficiencies. We did not audit Interior's response and, accordingly, we express no opinion on it.

### Auditors' Response to Management's Response

As summarized above, we identified control deficiencies in the current year that adversely affect Interior's ability to initiate, authorize, record, process, and report Indian Trust Fund data reliably. Therefore, we continue to believe that the control deficiencies identified constitute a significant deficiency.

\* \* \* \* \*

We noted certain additional matters that we have reported to management of Interior in a separate letter dated November 13, 2007.

## INTERNAL CONTROL OVER PERFORMANCE MEASURES

Our tests of internal control over performance measures, as described in the Responsibilities section of this report, disclosed no deficiencies involving the design of the internal control over the existence and completeness assertions related to key performance measures.

## COMPLIANCE AND OTHER MATTERS

Our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, as described in the Responsibilities section of this report, exclusive of those referred to in the *Federal Financial Management Improvement Act of 1996* (FFMIA), disclosed one instance of noncompliance or other matters that is required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04, and is described below.

### H. *Single Audit Act Amendments of 1996*

As discussed in the Internal Control over Financial Reporting section of this report, Interior did not perform adequate monitoring of grantees in accordance with the *Single Audit Act Amendments of 1996* and the related OMB Circular No. A-133. Interior needs to ensure that it communicates grant award information, obtains Single Audit, Financial Status, Grant Performance, and Annual Reports, and issues management decisions on audit findings in a timely manner.

### Recommendation

We recommend that in fiscal year 2008, Interior obtain Single Audit, Financial Status, Grant Performance, and Annual Reports and issue management decisions on audit findings in accordance with the requirements of the *Single Audit Act Amendments of 1996* and the related OMB Circular No. A-133.

### Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our



recommendation. We did not audit Interior's response and, accordingly, we express no opinion on it.

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The results of our tests of compliance as described in the Responsibilities section of this report, exclusive of those referred to in FFMIA, disclosed no other instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04.

The results of our tests of FFMIA disclosed no instances in which Interior's financial management systems did not substantially comply with the three requirements discussed in the Responsibilities section of this report.

### RESPONSIBILITIES

**Management's Responsibilities.** The United States Code Title 31 Sections 3515 and 9106 require agencies to report annually to Congress on their financial status and any other information needed to fairly present their financial position and results of operations. To meet these reporting requirements, Interior prepares and submits financial statements in accordance with OMB Circular No. A-136.

Management is responsible for the financial statements, including:

- Preparing the financial statements in conformity with U.S. generally accepted accounting principles;
- Preparing the Management's Discussion and Analysis (including the performance measures), Required Supplementary Information, and Required Supplementary Stewardship Information;
- Establishing and maintaining effective internal control; and
- Complying with laws, regulations, contracts, and grant agreements applicable to Interior, including FFMIA.

In fulfilling this responsibility, management is required to make estimates and judgments to assess the expected benefits and related costs of internal control policies.

**Auditors' Responsibilities.** Our responsibility is to express an opinion on the fiscal year 2007 and 2006 financial statements of Interior based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin No. 07-04. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Interior's internal control over financial reporting. Accordingly, we express no such opinion.





An audit also includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.

In planning and performing our fiscal year 2007 audit, we considered Interior's internal control over financial reporting by obtaining an understanding of Interior's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in *Government Auditing Standards* and OMB Bulletin No. 07-04. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of our audit was not to express an opinion on the effectiveness of Interior's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Interior's internal control over financial reporting.

As required by OMB Bulletin No. 07-04 in our fiscal year 2007 audit, with respect to internal control related to performance measures determined by management to be key and reported in the Management's Discussion and Analysis and Performance sections, we obtained an understanding of the design of internal controls relating to the existence and completeness assertions and determined whether these internal controls had been placed in operation. We limited our testing to those controls necessary to report deficiencies in the design of internal control over key performance measures in accordance with OMB Bulletin No. 07-04. However, our procedures were not designed to provide an opinion on internal control over reported performance measures and, accordingly, we do not provide an opinion thereon.

As part of obtaining reasonable assurance about whether Interior's fiscal year 2007 financial statements are free of material misstatement, we performed tests of Interior's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, including certain provisions referred to in FFMIA. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to Interior. However, providing an opinion on compliance with laws, regulations, contracts, and grant agreements was not an objective of our audit and, accordingly, we do not express such an opinion.

Under OMB Bulletin No. 07-04 and FFMIA, we are required to report whether Interior's financial management systems substantially comply with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA Section 803(a) requirements.



This report is intended solely for the information and use of Interior's management, Interior's Office of Inspector General, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 13, 2007

## Exhibit I

## U.S. DEPARTMENT OF THE INTERIOR

## Status of Prior Year Findings

September 30, 2007

Ref	Condition	Status
A	Controls over the Indian Trust Funds	This condition has not been corrected and is repeated in fiscal year 2007. See finding G.
B	Application and general controls over financial management systems	This condition has not been corrected and is repeated in fiscal year 2007. See finding A.
C	Controls over property, plant, and equipment	This condition has been corrected.
D	Reporting the Sport Fish Restoration and Boating Trust Fund	This condition has been corrected.
E	Controls over the U.S. Park Police Pension Plan	This condition has been corrected.
F	Controls over charge cards	This condition has not been corrected and is repeated in fiscal year 2007. See finding E.
G	Control assessment and assurance statement process	This condition has been corrected.
H	Controls over spending authority	This condition has been corrected.
I	Museum collections	This condition has been corrected.
J	<i>Single Audit Act Amendments of 1996</i>	This condition has not been corrected and is repeated in fiscal year 2007. See finding H.
K	Potential non-compliance with the <i>Anti-Deficiency Act</i> , acquisition regulations, and leasing laws and regulations	This condition has been corrected.
L	<i>Federal Financial Management Improvement Act of 1996</i>	This condition has been corrected.



THE ASSOCIATE DEPUTY SECRETARY OF THE INTERIOR  
WASHINGTON

NOV 13 2007

Memorandum

To: Earl E. Devaney  
Inspector General

KPMG LLP  
2001 M Street, NW  
Washington, DC 20036

From: James E. Cason *James E Cason*  
Associate Deputy Secretary and Chief Financial Officer

Subject: Management's Response to the Independent Auditors' Report on the Department of the Interior Financial Statements for Fiscal Year 2007 and 2006 (Assignment No. X-IN-MOA-0012-2007)

The Department has reviewed the draft report prepared by KPMG LLP and provides the following in response to the findings and recommendations. Interior is pleased that the result of the audit is an unqualified opinion on the Department Consolidated Financial Statements and that no Material Weaknesses were identified. The Department appreciates the recognition noted in several findings and recommendations regarding the improvement and progress achieved during Fiscal Year 2007. We appreciate the value of the audit process and look forward to working with you to continue our marked improvement of financial management at the Department of the Interior.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

**I. Reportable Conditions that are considered to be Material Weaknesses**

**A. None Reported**

**II. Reportable Conditions that are considered to be Significant Deficiencies**

**A. General and Application Controls over Financial Management Systems**

**Management concurs.** During FY 2007 Interior continued to improve its policies and guidance, and will continue to enhance application and general controls over financial management systems during FY 2008. Although compliance with policies and guidance needs improvement, actual physical testing of our financial systems has demonstrated positive results. We are

constantly striving to implement improvements and strengthen the related programmatic aspects of the IT security program (including awareness training), and will continue to review all aspects of the IT program for refinement as appropriate.

**B. Controls over Accruals**

**Management concurs.** Interior management recognizes the need to continuously evaluate and revise accrual methodologies in a dynamic and multi-faceted operational environment. Interior components make every effort to properly develop and analyze reasonableness of the accrual methodologies. The differences identified primarily relate to the underlying assumptions utilized and differing views as to what should be included. Management will work with all components to improve processes to ensure that evaluation are conducted and will review the integral pieces of the methodology documentation for consistency.

**C. Controls over Undelivered Orders**

**Management concurs.** Interior agrees that two components did not perform a quarterly review and certification of the undelivered orders (UDO) balances due to the components' inability to generate an aged UDO report from the accounting system. Both Interior and these components will work to obtain the necessary aged UDO report required for the review and certification requirements on a quarterly basis.

Interior agrees that documentation including or modifying orders that had expired can be improved and completed in a timely manner. This is a complex process that impacts many areas and functional disciplines across Interior. Management is committed to bring all components together to address these concerns from an integrated and consistent basis.

**D. Financial Reporting Controls**

**Management partially concurs.** Interior does not agree with the finding. Interior believes that there are adequate and mitigating controls currently in place to ensure proper control of journal entry adjustments to financial statement amounts. Nonetheless, Interior concurs that additional actions can be taken to improve the documentation of these controls.

**E. Controls over Charge Cards**

**Management concurs.** Although compliance issues were identified, Interior continues to believe it has a charge card program that has effective internal controls, Management intends to review the existing controls and to consider development of new or additional control tests. Beginning in September 2007,

new Approving Official and cardholder training were launched. This training will soon be rolled out across the Department for completion by December 31, 2007.

**F. Controls over Grants**

**Management concurs.** Interior will work with the components to ensure that all necessary reports are obtained and that management decisions on audit findings are issued in a timely and compliant manner. In addition, Interior will review and revise, if necessary, any required reconciliations between the grant system and the accounting system. Management will review the procedures in place to determine if any modifications would yield a more timely and effective treatment.

**G. Controls over the Indian Trust Funds**

**Management does not concur.** Upon careful consideration of the significant corrective action progress and procedures and internal controls that have been implemented, Interior continues to believe that efforts to address the deficiencies in controls related to Indian Trust Funds are substantially complete and provide for reliable information. This position is based on the results of extensive internal controls testing and that controls are in place and operating effectively; therefore, there is no adverse impact on the current financial internal control environment. We believe that there is a high degree of accuracy in the Trust Fund account balances, accounting and asset management resource systems are reliable, and monies are being properly and timely accounted for.

The concerns regarding historical differences do not imply that a current control deficiency exists. Current system design and operations allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. Therefore, these four historical differences do not fit the description of a current control deficiency and should not continue as a barrier to recognition of the improved control environment. The auditors' report did not contain findings suggesting current operational control deficiencies. Indian Affairs and the Office of the Special Trustee continue to seek resolution for the four inconsequential historic differences.

**H. Single Audit Act Amendments of 1996**

**Management concurs.** During FY 2008 Interior will ensure that it obtains Single Audit, Financial Status, Grant Performance, and Annual Reports and that it issues management decisions on audit findings in a timely manner. Enhancements will be made to the business process for complying with the Single Audit Act.

In closing, aggressive correction action plans will be established for each of these findings and they will be tracked through completion/correction. The Department is committed to improving these and all other elements of financial management.

## **PART FOUR**

# **Other Accompanying Information**







## United States Department of the Interior

OFFICE OF INSPECTOR GENERAL  
Washington, DC 20240

Memorandum

OCT 03 2007

To: Dirk Kempthorne  
Secretary

From: Earl E. Devaney  
Inspector General

Subject: Inspector General's Statement Summarizing the Major Management and Performance Challenges Facing the Department of the Interior

In accordance with the Reports Consolidation Act of 2000, we are submitting the attached summaries of issues we have determined to be the most significant management and performance challenges facing the Department of the Interior (Department), to be included in the Department's Performance and Accountability Report for fiscal year 2007. The challenges listed reflect what the Office of Inspector General considers to be significant impediments to the Department's efforts to promote economy, efficiency, and effectiveness in its agencies' management and operations.

The top challenges are as follows:

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

These issues are important to the Department's mission, involve large expenditures, require significant management improvements, or involve significant fiduciary relationships. We believe the Department could enhance and improve its overall operational effectiveness and efficiency by developing strategies to identify and correct deficiencies, especially in activities that cut across bureau and program lines.

Attachment



## Office of Inspector General Update of the Top Management Challenges for the Department of the Interior

### 1. Financial Management

Sound financial management is critical to providing accurate financial information, managing for results, and ensuring operational integrity. The independent public accounting firm of KPMG LLP, under a contract monitored by the Office of Inspector General (OIG), rendered an unqualified opinion on the Department of the Interior's (Department) consolidated financial statements for fiscal year 2006. However, KPMG also identified one material weakness and seven significant deficiencies in internal controls, one deficiency in internal control over Required Supplementary Information, and three instances of noncompliance with laws or regulations.

The Department has several initiatives aimed at improving financial management including the Financial and Business Management System (FBMS) and Performance and Budget Integration. Although these initiatives should upgrade financial management in the future, they are placing increased demands on already stretched financial resources.

#### Financial and Business Management System

The implementation of FBMS continues to be a major management challenge in the Department. FBMS will replace a variety of outdated, stand-alone, mainframe-based systems that are costly to operate and difficult to secure. The current systems do not provide timely financial and performance information, and do not comply with financial system standards. About 160 systems will be affected by this implementation.

The Department began implementing FBMS in fiscal year 2005 and had planned to have the system fully implemented by the end of fiscal year 2008. However, after the Department removed the original contractor from the project in September 2005 and contracted with a new system integrator in February 2006, the Department revised their implementation date from fiscal year 2008 to fiscal year 2012.

The Minerals Management Service (MMS) and the Office of Surface Mining and Reclamation are currently using the core financial module of the system, however, operational problems plague the system. These problems have already resulted in delays in implementing the core financial module at the National Business Center's (NBC) GovWorks.

Also, funding for the next fiscal year may not be adequate for the next phase of deployment. In prior years, the project received funds from GovWorks. The anticipated

level of funds may not be available during the next fiscal year due to decreased contracting activity for GovWorks on external contracts. (See Procurement, Contracts and Grants section). In addition, Congress has proposed reductions in the amount of funds requested by the Department for the project. Lack of adequate funding could result in a reduction in the scope of work for the next fiscal year and may extend the project completion date beyond fiscal year 2012.

### **Budget and Performance Integration**

Better budget and performance integration is essential to results-oriented management and efficient allocation of scarce resources among competing needs. The variety and number of programs within the Department makes budget and performance integration particularly difficult.

From 2002 to 2007, the Office of Management and Budget (OMB) assessed 72 of the Department's programs, reflecting almost \$10 billion in annual budget authority. OMB rated only 8 programs (11 percent) of the 72 as "Effective." OMB rated 16 programs (22 percent) as "Results Not Demonstrated" because OMB was unable to determine whether these programs were performing satisfactorily due to the lack of reliable performance information. These 16 programs reflected approximately a quarter of the Department's assessed spending. The Department needs to continue to focus on developing useful performance measures.

## **2. Information Technology**

The Department continues to strive towards a comprehensive Information Technology (IT) Security Program which complies with the Federal Information Security Management Act of 2002. However, weaknesses in information security policies and practices continue to threaten the confidentiality, integrity and availability of information and information systems used to support the Department's missions.

Our 2007 Trusted Insider Threat Evaluations of networks managed by the Bureau of Land Management (BLM), MMS, and NBC all demonstrated the Department remains vulnerable to an inside attacker. Additionally, the evaluations revealed ineffective internal intrusion detection and prevention capabilities.

During the year, we completed both vulnerability assessments and external penetration testing on a sample of the Department information resources. Our technical testing at BLM, Bureau of Reclamation (BOR), Office of the Secretary, and the U.S. Geological Survey (USGS) disclosed vulnerabilities which could potentially be exploited. The Enterprise Services Network infrastructure has improved the Department's perimeter security. However, application security at the bureau level continues to present attackers with targets of opportunity. We determined that the Department has not fully implemented continuous monitoring and system testing, which is an essential part of the federal Certification and Accreditation guidance.

We completed evaluations of a sample of Federal Information Processing Standards Publication 200 baseline controls and selected National Institute of Standards and Technology 800-53 IT Security Controls at BLM and NBC. We determined that the Department is not in full compliance with all of the baseline controls. These IT security control weaknesses hinder the success of a comprehensive and consistent IT Security Program at the Department.

### **3. Health, Safety, and Emergency Management**

Annually, the Department has over 500 million visits to national parks, BLM recreational sites, U.S. Fish and Wildlife Service (FWS) wildlife refuges, and BOR recreation sites. The Department must protect hundreds of millions of visitors, employees, and volunteers, thousands of facilities, and millions of acres of property from both internal and external threats. The physical isolation of some Department lands and facilities increases their vulnerability to threats and inhibits the Department's response time. The Department's Office of Law Enforcement, Security, and Emergency Management continues to struggle with its role involving policy and oversight of bureau law enforcement, security, and emergency management programs.

The devastating hurricanes of 2005 had a two-fold impact on the Department. First, the Department assisted with federal relief efforts under the National Response Plan (NRP). Second, bureaus directly experienced the impact of the disasters. The Department sustained significant damage to 12 parks and preserves, 86 refuges, 68 water monitoring gauges, and the MMS Gulf of Mexico Regional Office. As of September 30, 2006, the Department spent approximately \$104 million on hurricane relief and recovery. This included approximately \$61 million for NRP activities and \$43 million to address internal damage. The OIG is pleased to report that overall the bureaus effectively managed their 2005 hurricane related expenditures. Given the magnitude of the damage to the Gulf Coast and the Department's facilities, the issues the OIG identified through expenditure testing proved relatively insignificant. The bureaus performed well.

We found that the Department has an unsafe and unreliable radio communications environment that jeopardizes the health and safety of Department employees and the public. Technical studies have identified over 100 Department radio sites in poor or hazardous conditions. These conditions result in physical safety hazards that pose an immediate risk of injury or death to employees and the public. In addition, severe deterioration at some Indian Affairs (IA) elementary and secondary schools, including boarding schools, may directly affect the health and safety of Indian children. Some of these buildings have been condemned for over 10 years and pose the potential for serious injury or death for students and faculty. Finally, FWS employees and USGS biologists are working in unsafe buildings that were condemned nearly 8 years ago; FWS has made little progress in replacing the condemned facilities.

We issued two flash reports to notify the Department of serious health and safety issues. One report noted a serious system failure at a National Park Service (NPS) facility that is used by visitors and staff, placing users' lives in danger. The second report noted that

an abandoned mine site on BLM land was contaminated with high levels of arsenic. In both instances, bureau officials knew of the health risks but had not taken timely action to mitigate danger to the public and employees. Our reports were intended to prompt immediate action.

#### **4. Maintenance of Facilities**

The Department owns, builds, purchases, and contracts services for assets such as roads, bridges, schools, office buildings, dams, irrigation systems, and reservoirs. Repair and maintenance of some of these assets have been postponed until future years due to budgetary constraints. The Department refers to these unfunded repair and maintenance needs as deferred maintenance.

According to the February 2007 Government Accountability Office (GAO) report, “Major Management Challenges, Department of the Interior,” the Department has made progress addressing prior recommendations to improve information on the deferred maintenance needs of NPS facilities and IA schools, however, its maintenance backlog continues to grow substantially.

The deferred maintenance backlog is a continuing challenge for the Department. According to the fiscal year 2006 “Annual Report on Performance and Accountability,” exact estimates of deferred maintenance costs are difficult to determine due to the scope, nature, and variety of assets entrusted to the Department, as well as the nature of deferred maintenance itself. Using the Department’s current approach for estimating the backlog, the amount needed to correct deferred maintenance for property, plant, and equipment ranges from approximately \$9.6 billion to \$17.3 billion.

#### **5. Responsibility to Indians and Insular Areas**

Management problems persist in programs for Indians and island communities. The Department provides more than \$750 million annually for basic tribal services, including tribal courts, social services, and natural resource management. The Department is responsible for administering the federal government’s trust responsibilities to Indian tribes and individual Indians and has various responsibilities to seven island communities — four territories and three sovereign island nations.

Tribal entities’ financial compliance with funding agreements should be ensured through the single audit process; however, 36 (42 percent) of the 86 single audit reports reviewed by the OIG for tribal entities (including tribal governments and tribal schools, and tribal associations) submitted delinquent single audit reports during fiscal year 2007.

The OIG found that serious loan portfolio deficiencies, coupled with a significant economic downturn, threaten the viability of the development bank of Commonwealth of the Northern Mariana Islands (CNMI). The bank, operated under the Commonwealth Development Authority (CDA), was established to drive economic growth through loans to new and existing businesses. After 20 years of operation, CDA’s uncorrected loan

portfolio deficiencies have resulted in high delinquency rates and plummeting assets. The deficiencies are long-standing and have been documented both by our office and by a 2002 CNMI Public Auditor's report. Although CDA continues to operate at a reduced level of service, it cannot begin to correct loan deficiencies, build revenues, and meet its mandate to stimulate economic progress without immediate and decisive action.

We were troubled to find that the Virgin Islands Lottery has virtually no control over video lottery terminal operations, a condition that raises serious concerns about whether the Virgin Islands Government is receiving all the lottery revenues and taxes to which it is entitled. Our audit revealed that the Lottery received \$8.3 million in total revenues for calendar years 2003 through 2005. The video lottery terminals were expected to generate revenues to the Virgin Islands Government of about \$15 million annually, thereby enabling the Virgin Islands Government to implement or supplement programs to improve the economy and quality of life for the people of the Virgins Islands. Southland Gaming of the Virgin Islands controls every aspect of video gaming on the islands as a result of a flawed contract and master license agreement.

## **6. Resource Protection and Restoration**

The Department's resource managers face the challenging task of balancing competing interests for the use of the Nation's natural resources. Federal lands account for approximately 30 percent of energy produced in the United States. The Department has jurisdiction over 1.76 billion acres of the Outer Continental Shelf, manages about one-fifth of the land area of the United States, and administers 700 million acres of subsurface mineral estate throughout the Nation. In addition, the Department protects thousands of wetlands, aquatic parcels, and native plant and animal species, including more than 1,300 with special status under the Endangered Species Act.

Annual appropriations to prepare for and respond to wildland fires have increased substantially over the past decade, in recent years totaling about \$3 billion. BLM, IA, NPS, and FWS within the Department, along with the Forest Service within the Department of Agriculture are responsible for responding to wildland fires on federal lands. The GAO found that although the agencies have established a broad goal of suppressing wildland fires at minimum cost — considering firefighter and public safety and resources and structures to be protected — they have no defined criteria by which to weigh the relative importance of these often-competing priorities. As a result, according to agency officials and reports, officials in the field lack a clear understanding of the relative importance the agencies' leadership places on containing costs and therefore are likely to select firefighting strategies without due consideration of the costs of suppression. The agencies also have yet to develop a vision of how the various cost-containment steps they are taking relate to one another or to determine the extent to which these steps will be effective. The agencies are working to develop a better cost-containment performance measure, but the measure may take a number of years to fully refine. Finally, the agencies have taken, or are beginning to take, steps to improve their oversight and increase accountability — such as requiring agency officials to evaluate

firefighting teams according to how well they contained costs — although the extent to which these steps will assist the agencies in containing costs is unknown.

The OIG reviewed the special-use permits issued by NPS and BLM that allow for the private use of public lands. The OIG found that NPS has allowed private individuals or exclusive clubs to monopolize desirable locations near major metropolitan areas for decades to the exclusion of the general public. Some of the clubs charge high membership fees or limit the number of people who can become members. NPS continues to renew the permits for these exclusive clubs and has kept the \$2.6 million in permit fees received over the 4-year period of our review instead of remitting the funds to the United States Treasury. Moreover, both NPS and BLM have allowed permits to be renewed without ensuring their compliance with the requirements of the National Environmental Policy Act.

## 7. Revenue Collections

In fiscal year 2006, mineral lease revenues collected by the Department on behalf of the federal government exceeded \$12 billion. In addition, the Department's revenue from activities such as grazing, timber, and lands sales was over \$6 billion.

In fiscal year 2006, GAO reported that oil and gas companies received over \$77 billion from the sale of oil and gas produced from federal lands and waters, and MMS reported that these companies paid the federal government about \$10 billion in oil and gas royalties. Based on the results of a number of studies, GAO found that the federal government receives one of the lowest government royalty rates in the world and has consistently ranked low in government royalty rates compared to other governments.

Historically, MMS has relied on audits to verify companies' reported royalties. In the late 1990s, MMS began reengineering its royalty verification processes, which included the establishment of the Compliance Review Process. A compliance review is less intensive than an audit and is designed to determine the reasonableness of reported royalties without obtaining detailed source documentation or conducting site visits. However, compliance reviews do not provide the same level of assurance as an audit and therefore should only be used in conjunction with audits in a coordinated compliance strategy. The OIG found that weaknesses in the compliance review process may prevent MMS from maximizing the benefits of the compliance reviews. These weaknesses related to management information, the compliance review process, and the performance measures used to evaluate the Compliance and Asset Management Program's effectiveness.

On January 23, 2006, the New York Times published an article alleging that oil and gas companies were not paying the correct amount of royalties due to the American taxpayer. The article focused on the fact that the increase in royalty payments made to the federal government in 2005 had not paralleled the increase in profits the oil and gas companies reported to their shareholders. In response to this article, the MMS Director was called to testify before the House of Representatives Committee on Government



Reform. The Director testified that MMS had issued leases in 1998 and 1999 without price thresholds that had previously been included in leases issued after the passage of the Outer Continental Shelf Deep Water Royalty Relief Act in 1995. This was done in error rather than an MMS policy decision; however, the result was that no royalties are due even though prices are high. An OIG investigation determined that the Associate Director for Offshore Minerals Management was informed of the omission in 2000. The MMS Director was not informed of the omission until 2004.

## **8. Procurement, Contracts, and Grants**

Procurement, contracts, and grants have historically been areas subject to fraud and waste government-wide; managing them is a continuing challenge. The Department spends substantial resources each year in contracting for goods and services and in providing federal assistance to states and Indian organizations. The Department provides over \$2 billion each year in funding for grants, cooperative agreements, Indian self-determination contracts, and self-governance compacts to state, local, and insular area governments; Indian tribes; colleges and universities; and other nonprofit organizations.

### **Procurement and Contracts**

Recent audits at the Department and other federal agencies highlighted concerns with interagency procurement services performed through fee-for-service organizations. Interagency contracting is a tool that, when effective, can help agencies to streamline the acquisition process and increase cost efficiency. The Department has two acquisition centers that assist other government agencies. These are GovWorks and the Acquisition Services Division, Southwest Branch (SWB), both of which are under the NBC.

In fiscal year 2005, the Department executed procurements through these centers in excess of \$1.7 billion on behalf of the Department of Defense (DOD). The National Defense Authorization Act for Fiscal Year 2006 required that the DOD Inspector General work with the other Inspectors General to review procurement policies, procedures, and internal controls, as well as administration for all agencies processing more than \$100 million in DOD procurements. To meet this requirement, the DOD OIG and the Department of the Interior OIG jointly audited the two Department contracting centers that provide acquisition services to DOD. The audit objective was to determine whether the Department complied with DOD procurement requirements, including whether the Department and DOD used and tracked funds properly. The DOD OIG also evaluated whether DOD had a legitimate need to use Department contracting services.

Overall, the audit determined that neither GovWorks nor SWB complied in full with legal requirements, with federal acquisition regulations, and with DOD supplemental requirements. In fact, the contracting centers routinely violated rules designed to protect federal interests and the public trust. These actions put the Department at risk for loss of business as well as loss of public confidence and trust and may result in Antideficiency Act violations at DOD.

An OIG audit identified that IA purchased and stored an estimated \$3.6 million in radio equipment it could not use. IA started purchasing equipment in fiscal year 2000 as part of its conversion to mandated narrowband radio technology. Since it lacked a plan to guide its equipment purchase, IA wasted valuable resources buying unusable equipment for which it will continue to incur storage and maintenance costs, as well as extensive costs to upgrade, refurbish, replace, or dispose of the aging equipment. IA also lacked inventory controls over approximately \$6.2 million in purchased equipment, resulting in potential losses due to fraud, theft, or negligence.

The OIG also found that IA maintained inadequate contract documentation to support the \$20 million expended on this technology. Specifically, it failed to locate documentation for two contracts, while documentation for other procurements proved incomplete. Finally, IA improperly awarded at least \$5.5 million in sole source tasks to a contractor by inappropriately modifying an existing task order in violation of the Federal Acquisition Regulation. Overall, the modifications more than quadrupled expenditures for the task order and nearly tripled the performance period.

### **Grants Management**

Audits of FWS grants awarded to sixteen states, the District of Columbia, and the Commonwealth of the Northern Mariana Islands revealed a potential savings of \$7.5 million. The grants are awarded under the Federal Assistance Program for State Wildlife and Sport Fish Restoration (Federal Assistance Program). The grants finance up to 75 percent of state-sponsored projects, such as developing sites for boating access and acquiring and managing natural habitats. Examples of potential savings include \$1.2 million in unsupported personnel costs charged to grants by the District of Columbia, \$678,033 in funds used in Texas on unauthorized locations, and \$269,931 in costs incurred in Arizona that were outside the grant period.

We also identified other conditions that need attention. For example;

- Nine audits identified licensing as a significant issue, including potential improper use of hunting and fishing license revenue and inaccurate counts of license holders;
- Nine audits identified grantees that earned program income using grant funds but did not account for it in an appropriate manner;
- Seven audits found grantees lacked adequate control over personal property, and four of the audits found inadequate control over real property; and
- Five audits identified deficiencies — such as using the incorrect indirect cost rate — in the accounting for indirect costs incurred under the grant.

## Department of the Interior Response to Office of Inspector General Major Management Challenges - FY 2007

(A synopsis of the OIG comments are in italics at the beginning of each section)

### 1. Financial Management

*The OIG has stated that although the Department has several initiatives aimed at improving financial management. These initiatives, the Financial and Business Management System and Performance and Budget Integration, are placing increased demands on stretched financial resources.*

The Department of the Interior, dedicated to maintaining outstanding financial management, is upgrading its financial management environment. The Department is augmenting its management partnerships; significantly expanding the scope of internal control review activities by conducting comprehensive site visits at all bureaus, the National Business Center, and Office of the Special Trustee. The Department is addressing the challenges of initial deployment of the Financial and Business Management System, now successfully implemented in two bureaus. We are working on enhancing the integration of budget and performance. Though we have made significant progress in each of these endeavors, in particular, we'd like to highlight progress with FBMS and budget-performance integration.

#### **Financial and Business Management System**

Implementation of FBMS remains a major management focus due to its importance to the entire Department. In FY 2007, the Department met its FBMS goal to deploy the core financials portion of the system to the Minerals Management Service and Office of Surface Mining, Reclamation and Enforcement in the first quarter of FY 2007. Interior is the first agency in the federal government to deploy SAP core financials in eight months. It was a challenging undertaking. As expected when replacing a legacy system that has been in operation for close to 20 years, challenges arose in the production environment. The Interior management team worked diligently to make needed corrections

for FBMS. In addition, the FBMS team conducted extensive lessons-learned sessions in early 2007, and has made other adjustments to the project operations. Future FBMS deployments will benefit from the maturation of the system and project management processes. Key accomplishments include:

- ◆ Use of FBMS by OSM and MMS as their accounting system for the entire year, closing FY 2007 on schedule;
- ◆ Opening in FY 2008 after a one-day delay with continued operation thereafter;
- ◆ Loading of historical data from the OSM and MMS legacy accounting systems into the FBMS business warehouse, enabling those systems to be retired;
- ◆ Blueprinting, configuring and testing during FY 2007 of the acquisition module;
- ◆ Planning, configuring and testing of an upgrade of the core financial software for the latest Financial Systems Integration Office-approved version, which will be deployed in November 2007;
- ◆ Completing plans to deploy FBMS to the Bureau of Land Management, the first large Federal Financial System bureau.

Every project depends on funding being available at the planned level to meet its schedule and scope. The FY 2007 continuing resolutions disrupted FBMS deployment, due to the timing and low levels of funding. Funding from the Interior Franchise Fund was not available at the level planned, which required a reduction in scope. Funding for the next fiscal year is uncertain both in timing and amount. Deployment could again be disrupted or delayed, but the Department remains committed to full implementation of FBMS.

Changing customer policies and business processes required delay of the GovWorks implementation. These changes prevented the FBMS project from being able to lock in system requirements in time to meet the November 2007 deployment.

The vision and goals of the FBMS project remain the same. The initial business case for FBMS anticipated that deployment of the full functionality would take eight years, from 2004 to 2011. The DOI began implementing FBMS in FY 2004; the original system integrator proposed that the system implementation could be completed by the end of FY 2008. After the new system integration contract was awarded, the Department's Investment Review Board approved a revised baseline for FBMS, with full deployment taking until 2011. The management team will continue to make necessary adjustments in the project to adapt to changing conditions.

#### **Budget and Performance Integration**

The OIG focuses on the Program Assessment Rating Tool, which is one element of a comprehensive suite of budget and performance integration initiatives at DOI.

In FY 2007, the Department solicited the assistance of bureau heads and Assistant Secretaries in providing direct oversight in the Program Assessment Rating Tool assessment process with the Office of Management and Budget. As a result, the number of *Results Not Demonstrated* PARTs has been reduced by six to 14 out of 70 PARTs.

The Department expects to further reduce the number of PARTs with Results not Demonstrated ratings in FY 2008 through senior leadership engagement and assistance from the OIG.

Previous PART evaluations for programs such as BLM habitat restoration and the U.S. Fish and Wildlife Service migratory bird program enabled DOI to seek additional funding. PART evaluations for BLM's oil and gas program and land and realty management also led to budget proposals to seek greater cost recovery.

The range of activities under budget and performance integration includes documenting performance targets in budget estimates; extending activity-based costing to relate financial information

to both performance goals and measures; and emphasizing budget and performance information to improve management decisions. For example, bureaus such as FWS use activity-based costing information to allocate funds across regions. The Department continues to pursue budget and performance integration in accordance with the goals agreed to with OMB.

## **2. Information Technology**

*The Department continues to strive towards a comprehensive Information Technology Security Program that complies with the Federal Information Security Management Act of 2002. However, the Department remains vulnerable to an insider attacker and application security at the bureau level continues to present attackers with targets of opportunity.*

Interior continues its efforts to build a comprehensive IT security program that is compliant with FISMA and acknowledges that better information security policies and practices will further ensure the confidentiality, integrity, and availability of its information and its IT systems. Interior made significant progress in improving and strengthening its overall security posture during FY 2007. The following milestones were achieved:

- ◆ Interior is in the final phase of completing its IT Security Policy Handbook to align Departmental policies with the National Institute of Standards and Technology Special Publication 800-53 families of controls and implementing OMB's requirements for the protection of sensitive agency information, including personally identifiable information.
- ◆ Interior completed and promulgated the Department's Privacy Loss Mitigation Strategy in accordance with OMB Memoranda on *Recommendations for Identity Theft Related Data Breach Notification, and Safeguarding Against and Responding to the Breach of Personally Identifiable Information* (M-07-16).
- ◆ Interior completed the Identity Theft Task Force charter, established the Department's ITTF, and promulgated OCIO Directive 2007-005, *Departmental Strategy to Safeguard*

*Personally Identifiable Information and Reduce the Collection and Uses of Social Security Numbers.*

- ◆ The Department established a cross-DOI Internal Security Improvement Team working group to develop an IT Security Defense-in-Depth Strategic Plan that included approximately 40 recommendations to address risks associated with insider threats to Interior's information and information systems. Initial recommendations from this team were provided, and Interior expects to make final decisions regarding an implementation strategy by November 2007. Key recommendations included in that plan are being integrated into Interior's IT Roadmap initiative to appropriately prioritize and align these initiatives with other related and planned initiatives.
- ◆ The Department established policy directing monthly monitoring of all Interior systems. Testing of select controls is also conducted in coordination with the annual completion of Internal Control Reviews. Testing is configured to ensure that all controls are tested during a three-year period.
- ◆ As part of Interior's self-assessments it performed as part of its annual Internal Control Reviews, Interior measured the progress of implementing required security controls consistent with NIST FIPS Pub. 200 and SP 800-53, and assessed in accordance with NIST SP 800-53A, for information systems using five levels of effectiveness. Based on the results of these reviews, Interior has achieved an overall Level 4.51 maturity when measured against the assessment criteria.

For FY 2008, the following priorities will be addressed in the IT security program:

- ◆ Continued improvement in Certification and Accreditation documentation and execution processes, the Plans of Action and Milestones process, security configurations using Security Technical Implementation Guides, and IT systems inventory processes.

- ◆ Certification and Accreditation revisions to address OMB requirements for protection of personally identifiable information.

### 3. Health, Safety, and Emergency Management

*The Department's Office of Law Enforcement, Security, and Emergency Management continues to struggle with its role involving policy and oversight of bureau law enforcement, security, and emergency management programs. DOI has an unreliable radio communications environment, deterioration at some Indian Affairs schools, Fish and Wildlife Service and U.S. Geological Survey employees working in unsafe buildings, and serious health and safety issues related to a National Park Service facility.*

Interior places the highest priority on protecting its many visitors, employees and volunteers and safeguarding its facilities and the vast amount of real property for which it is responsible. The Department and its bureaus have made significant progress regarding health, safety, and emergency management, but more remains to be accomplished. Regarding safety issues with radio communications, the Department continues to take actions to address those deficiencies and protect the health and safety of employees and the public.

The Secretary's law enforcement reforms encompass 25 subject areas, with a total of 61 individual directives. The OIG's April 2006 progress report showed 35 of those directives as "fully implemented," 23 with "moderate progress," and only three with "inadequate progress." Since then, there has been substantial progress in these last three areas:

- ◆ Interior completed a comprehensive revision of all law enforcement policies in December 2004. The Office of Law Enforcement, Security and Emergency Management has prioritized the numerous chapters of the Law Enforcement Handbook and has issued policy guidance as the legal review for each chapter is completed. The OLESEM and Office of the Solicitor are utilizing a "chapter-specific" review process to expedite the review of both existing and new policy chapters. As a result,

policy chapters are now being submitted on a timely schedule.

- ◆ Interior is moving forward with the Incident Management Analysis Reporting System. Initial development has been completed and further implementation is progressing.
- ◆ The OLESEM Training Branch established a permanent office at the Federal Law Enforcement Training Center in Glynco, Ga. This has enabled us to work with the various bureau law enforcement programs to upgrade and standardize training.
- ◆ The Department created a Security Advisory Council, consisting of Security Directors from all bureaus and offices, to develop and review security policy. To enhance policy oversight and compliance efforts, OLESEM completed initial staffing of its Policy Compliance and Evaluations Branch which subsequently completed a preliminary assessment of the bureaus' existing law enforcement, security, and emergency management policy compliance and evaluations capabilities; and conducted on-site security policy compliance evaluations at a majority of the Department's National Critical Infrastructure and Key Resource sites.
- ◆ DOI developed comprehensive policies to address Serious Incident Reporting and Internal Affairs. It created a Serious Incident Review Group, consisting of the Director, OLESEM, and the Law Enforcement Chiefs for all DOI bureaus. The Review Group reviewed several incidents and issued detailed reports, approved by the Deputy Assistant Secretary, to address training and other needs. As noted in the OIG progress report, Interior has also implemented an automated Case Tracking System for internal affairs matters. The interim policy guidance for both Boards of Review/SIRG and Internal Affairs has been revised.
- ◆ The OLESEM continues to oversee Indian Affairs' efforts to improve Indian country detention.

One IG report noted of Indian school facilities that "Some of these buildings have been condemned for over ten years and pose the potential for serious injury or death for students and faculty." The Department does not believe these facilities in use pose significant risks. Indian Affairs sent a certified professional engineer to all facilities visited by the OIG. No school buildings that have been condemned are occupied and appropriate measures to prevent access are taken at those that are closed or abandoned and pending disposal.

Where facilities represent imminent danger to students, staff, and visitors, the facilities are closed and alternative facilities are provided pending construction or repairs. Currently, no buildings known to present imminent safety or health risks are occupied. Indian Affairs will continue to vacate any building that represents an imminent danger to students, employees, or visitors. The buildings remain vacated until appropriate measures are taken to correct the condition or the buildings are demolished.

The Department continues to aggressively implement the law enforcement directives and all others that have not yet been fully implemented. Non-law enforcement managers who supervise law enforcement positions are subject to investigation by internal affairs investigators to the same extent as law enforcement officers themselves. In addition, the bureaus have fully embraced the need for all such managers to undergo a background investigation and receive comprehensive "Law Enforcement for Managers" training. Each bureau that allows supervision of law enforcement officers by non-law enforcement managers (BLM, BOR, NPS, and FWS-NWRS) has trained the majority of its managers, with a schedule to complete training for all managers. This process is overseen by OLESEM.

Additionally, a Law Enforcement Board of Advisors, consisting of the bureau law enforcement program directors and the Director, OLESEM, meet monthly with the Deputy Assistant Secretary-Law Enforcement, Security and Emergency Management to discuss Interior and bureau law enforcement policy, training, staffing, equipment, operations, and other issues.

Beyond the specific directives addressed in the Secretary's law enforcement reforms, the Department provides strong oversight of a wide range of law enforcement, security and emergency management programs. Examples include:

- ◆ Active participation in implementing numerous Homeland Security Presidential Directives, including HSPD-3 (*Homeland Security Advisory System*), HSPD-5 (*Management of Domestic Incidents*), HSPD-7 (*Critical Infrastructure Protection*), HSPD-8 (*National Preparedness*), HSPD-12 (*Common Identification Standards*), HSPD-13 (*Maritime Security*), and HSPD-20 (*National Continuity Programs*).
- ◆ Active participation in numerous Homeland Security Council-led Policy Coordinating Committees, including Avian and Pandemic Influenza, Biodefense, Border and Transportation Security, Maritime Security, Continuity, Critical Infrastructure Protection, Domestic Readiness, Information Sharing, and Plans and Training.
- ◆ Development of a National Infrastructure Protection Plan for the National Monuments and Icons Sector, including creation of a security assessment methodology noted by DHS, OMB, and GAO.
- ◆ Development of a Departmental Avian and Pandemic Influenza Plan.
- ◆ Revision of the Departmental Manual to provide a comprehensive policy framework for the Emergency Management program.
- ◆ OLESEM is working closely with Border Patrol to improve access to encrypted radio communications by our law enforcement officers in the Southwest.
- ◆ In 2007, OLESEM revised the Department's 1999 Continuity of Operations Plan and completed "tabs" to the plan for elements within the Office of the Secretary. With extensive participation of Departmental leadership, OLESEM tested the COOP Plan as part of a government-wide continuity

exercise and formulated "lessons learned" for continual process improvement for coordination of emergency situations.

- ◆ OLESEM coordinated with OCIO to develop E-Gov and OCIO Strategic Planning elements for emergency management, including compliance with National Communications System Directive 3-10 and development of a system to provide a common operational picture for decision support to senior leadership.
- ◆ Provided policy guidance for National Incident Management System training requirements required under Homeland Security Presidential Directives 5 and 8.
- ◆ Provided policy guidance to clarify mission and operations of the DOI Incident Support Team and the Interior Regional Emergency Coordinating Councils, strengthening the ability of the Department to coordinate major incidents from a national perspective and to enhance regional preparedness and operational coordination.

Interior also took immediate action in response to the OIG Flash Report to vacate the unsafe buildings being used by Fish and Wildlife Service and U.S. Geological Survey employees.

#### 4. Maintenance of Facilities

*Although progress has been made addressing Interior's deferred maintenance needs of NPS facilities and IA schools, the maintenance backlog continues to grow substantially. Exact estimates of deferred maintenance costs are difficult to determine due to the scope, nature, and variety of assets entrusted to the Department, as well as the nature of deferred maintenance itself.*

Although Interior has used significant resources to maintain and repair its facilities, deferred maintenance continues to present a difficult challenge. However, recent measures will enable Interior to better estimate deferred maintenance of assets.

Executive Order 13327 established the Federal Real Property Profile as the government-wide inventory of Federal real property assets. One of the FRPP data elements is Condition Index for each constructed asset. CI is a ratio of full maintenance requirements of the asset to the Current Replacement Value of the asset. Through FY 2007, the bureaus have been identifying and refining their CIs for all buildings and structures and reporting them into the FRPP. All constructed assets in the FRPP must have a CI value when the FY 2007 inventory is finalized in December 2007.

At the end of FY 2007, Interior's bureaus completed their first cycle of Comprehensive Condition Assessments for all buildings and structures with a CRV over \$50,000. All constructed assets with a CRV of \$5,000 and above receive an annual condition assessment. During FY 2007, some bureaus began their second five-year cycle of Comprehensive Condition Assessments on all buildings and most structures. During the second round, all buildings and structures will be reviewed again. As a result of these condition assessments, CI data for reviewed constructed assets will be updated in the FRPP inventory each year.

Although considerable action has been taken on maintenance of facilities, deferred maintenance remains a challenge to remediate. The Department is currently standardizing the methodology the bureaus will use for calculating CRV and deferred maintenance. The methodology will be implemented in Q1 '08 and fully reflected in the CRV and CI reported for FY 2008 in the FRPP. This standard methodology should enable the Department to more accurately estimate its deferred maintenance.

## 5. Responsibility to Indians and Insular Areas

*The Department continues to have management problems in programs for Indians and island communities. Tribal entities' financial compliance with funding agreements should be ensured through the single audit process but in almost half the reports reviewed, tribal entities submitted delinquent reports. Loan portfolio deficiencies threaten the viability of the development bank of Commonwealth of the Northern Mariana Islands. The Virgin Islands Lottery has little control over video*

*lottery terminal operations, raising questions as to whether the Virgin Islands Government is receiving all lottery revenues due.*

The Department has demonstrated its longstanding commitment to fulfilling its responsibilities to American Indians and island communities. This responsibility includes administering the Government's fiduciary trust responsibility to Indian tribes and individual Indians, a responsibility that the Department takes very seriously. In recent years, we have successfully corrected or mitigated the impact of most deficiencies in Indian trust fund management, and the Office of Historical Trust Accounting is conducting the historical accounting of trust fund accounts.

Indian trust, Single Audit Act reports, and insular affairs matters are discussed below.

### **Indian Trust**

The Comprehensive Trust Management Plan outlines the strategic direction for Indian trust reform and details Interior's approach for improving performance and accountability in Indian trust management. The CTM is the foundation of the Fiduciary Trust Model which was approved by the Secretary in 2004. The FTM is designed to enhance beneficiary services for tribes and individuals, ownership information, land and natural resources assets, trust funds assets, Indian self-governance and self-determination, and administrative services. The following summarizes the status of projects and initiatives that will operationalize the FTM and provides the status of the Historical Accounting Project:

- ◆ **Enhanced Beneficiary Asset Statements** – Enhanced periodic asset statements now provide more information to beneficiaries about the assets in trust. In addition to receipts and disbursements from tribal and individual Indian accounts, statements now identify the trust tracts owned by the beneficiary, percent and type of ownership in the tracts, where the tracts are located, and active encumbrances.
- ◆ **Historical Accounting** – On May 31, 2007, the Department released the Plan for Completing the Historical Accounting of about 365,000 Individual Indian Money (IIM)



accounts. The accounting is expected to take approximately four years, through 2011. Mailing Historical Statements of Account to IIM account holders has begun for Judgment and Per Capita Accounts and will begin for land-based IIM accounts by December 31, 2007.

- ◆ **Indian Trust Funds Lockbox** – Implementation of the Indian Trust commercial lockbox centralizes the collection of trust remittances and improves cash management by minimizing the physical handling of these funds. The lockbox was implemented to address two audit deficiencies: (1) segregation of duties, and (2) untimely deposits to U.S. Treasury of trust payments received.
- ◆ **Trust Asset Accounting and Management System Title and Leasing Modules** - Transitioning from the approximately 56 non-integrated Trust related information systems to an integrated trust data environment is the cornerstone of the Fiduciary Trust Model. In FY 2007, DOI converted from the Indian Affairs multiple legacy ownership, leasing and income distribution systems to a single repository of trust data.
- ◆ **Trust Funds Receivable** – The OST OCIO developed Trust Funds Receivable to capture payment information and generate invoices that OST mails out to lessees and permittees. The technology displays images of invoices generated and a payment received and provides metrics that report on automatic distribution of trust collections to beneficiary accounts.
- ◆ **Automated Income Distribution** – With the conversion to the Trust Asset and Accounting Management System complete, automatic invoicing and income distribution are possible. The Trust Fund Accounting System uses encumbrance and ownership data initially uploaded from TAAMS to TFAS to automatically generate an invoice. When payment is received at the lockbox, it is deposited with the U.S. Treasury, and an image of the payment can be viewed by staff. If an invoice coupon is submitted with payment, it is automatically matched with an invoice. Once the payment is matched, TFAS will automatically distribute the money received to the appropriate tribal or IIM accounts.
- ◆ **Data Quality & Integrity Project** – The DQ&I Project focuses primarily on improving the accuracy and completeness of Indian trust data contained in TAAMS. During conversion, IA was provided resources to assist with document encoding into the TAAMS Title and Leasing modules. More than 114,800 documents have been encoded. The project has also completed the validation of Critical Data Elements to source documents. Examples of these elements include beneficiary, account number, and land ownership interests. Element variances have been researched with recommended action provided to Indian Affairs. A third initiative includes implementation of a posting quality-assurance process to help ensure current and future transactions encoded in TAAMS are accurate.
- ◆ **Risk Management–Plus** – RM–Plus is an automated tool that enables OST management to conduct control assessments within OST. The results of the assessments provide the basis for the Annual Assurance Statement on Internal Control over Indian Trust Fund Financial Reporting.
- ◆ **Fiduciary Trust Officers** – OST has a staff of 52 FTOs in Indian Country who serve as the primary points of contact for trust beneficiaries. IA staff focuses on resource management, which leaves OST staff more time to focus on financial management. The FTOs frequently hold outreach meetings.
- ◆ **Trust Beneficiary Call Center** – The TBCC was established to provide beneficiaries with a toll-free dedicated source for answers to questions regarding their trust assets.
- ◆ **Indian Fiduciary Trust Records Storage** – The storage of records at the American Indian Records Repository in Lenexa, Kansas began in FY 2005 to ensure the preservation

and integrity of these records. The National Archives and Records Administration manages the facility, and the OST OTR provides support services for shipment of records to the AIRR, as well as records research and retrieval.

- ◆ **Indian Trust Appraisal Request System** – ITARS is an appraisal request tracking application. It is designed to follow an appraisal request from initiation to completion and allow users to track a request through the process. The application automates the reporting requirement for the Office of Appraisal Services.
- ◆ **Office of Minerals Evaluation** – This office was opened in November 2006 to address the lack of staffing and availability of mineral appraisers in Indian Country. This office conducts mineral assessments and mineral appraisals for Indian trust parcels that may undergo heirship and/or title transfer consideration.
- ◆ **Indian Land Consolidation Office** – The ILCO, managed by IA, serves primarily to purchase small fractional trust land interests at fair market value and to consolidate ownership by conveying these interests to the appropriate tribe. Consolidated ownership means recordkeeping is reduced, the number of low-dollar transactions decreases, and the number of interests subject to probate decreases; allowing better utilization of limited trust management resources.
- ◆ **Single Adjudication Office** – The Office of Hearings and Appeals consolidated IA Attorney Decision-Makers and Administrative Law Judges in March 2005 and established an Indian Probate Hearings Division to address the backlog of Indian probates. The consolidation included probate adjudication functions.
- ◆ **Training Task Analysis Report** – Consultants and OST staff broke each process described in the FTM into its detailed tasks. Tasks were aligned with job functions and the levels of knowledge and capability currently existing for each task was

mapped to the audience(s) that performs them. The report includes a gap analysis that identifies tasks targeted for training and recommendations on training.

- ◆ **BLM Indian Lands Surveyors** – The BLM recruited and placed a Cadastral surveyor in each of the 12 IA regions in FY 2006. The primary responsibility of the BILS is consultation and guidance for IA and tribal real estate programs regarding boundaries, surveys, land ownership and other legal and technical survey issues. They also ensure that survey work complies with Cadastral survey laws and regulations. Additionally, the surveyors provide oversight and monitoring for Cadastral surveys performed within their area of jurisdiction by the certified Federal surveyors.
- ◆ **Certified Federal Surveyors Program** – A Federal surveyor certification program was initiated. State licensed surveyors can become federally certified to perform Cadastral surveys in Indian country in conformance with BLM standards. The program will expand the cadre of qualified surveyors to address the Cadastral survey backlog within Indian country, ensure that surveys comply with regulations and policies and offer tribal and private land surveyors more opportunities to survey in Indian country. Of the initial 124 enrollees, 69 individuals received certification in May 2007. The remaining enrollees are scheduled to graduate in FY 2008.

#### **Single Audit Reports**

Indian Affairs recognizes the problems Indian tribes and tribal organizations have in submitting single audits within the time frame prescribed by the Single Audit Act and OMB Circular A-133, and its responsibility to assist tribes in addressing this issue. In Fiscal Year 2006, IA adopted internal operational measures to achieve a goal of full compliance with OMB Circular A-133. In addition, Indian Affairs has established, consistent with the Indian Self-Determination and Education Assistance Act and the Tribally Controlled Schools Act, a policy that tribal entities that do not submit their single audit reports in a timely manner are placed on sanctions. Indian Affairs is emphasizing obtaining single audit reports from Indian tribes. The Tribally

Controlled Schools Act precludes the Bureau of Indian Education from taking the actions prescribed by sanctions against Tribally Controlled School Boards. Of the 18 tribes identified by the OIG as delinquent in submitting single audit reports, 10 tribes were placed on sanctions for failing to submit their single audit reports. Indian Affairs will continue its enforcement efforts in this area until compliance is achieved.

**Responsibility to Insular Affairs**

DOI does not manage, have oversight responsibilities, or provide technical advice to the Development Bank of the Commonwealth of the Northern Mariana Islands. Moreover, the OIG's report on this topic offers no recommended actions. Similarly, DOI does not manage, have oversight responsibilities, or provide technical advice regarding the US Virgin Islands Lottery. Moreover, there are no recommendations for action by DOI in the OIG's report on this subject.

DOI actions focus on helping improve the skills of the workforce of the general governments within the territories and freely associated states to effectively monitor the activities of their component units and business-type entities through training for capacity-building and improving management processes.

The training helps to improve the skills of the local workforce to develop, implement, and evaluate processes, policies, and procedures. Through DOI-sponsored training and through the personal pursuit of education and experience, the local workforce responsible for development banks and lotteries is better able to develop, implement, and enforce improvements. With higher skill levels, the responsible local workforce may then spearhead improvements both within the general government and throughout component units and business-type entities.

**6. Resource Protection and Restoration**

*Wildland fire officials in the field lack a clear understanding of the importance of competing priorities which consider firefighter and public safety and resources and structures to be protected when suppressing wildland fires at minimum cost. This is due to a lack of defined criteria by which to prioritize these concerns. Special-use permits issued by NPS and*

*BLM allow private individuals to monopolize desirable locations to the exclusion of the general public and they allow some permits to be renewed without ensuring compliance with the requirements of the National Environmental Policy Act.*

Interior's responsibility for managing vast natural resources, including one-fifth of the Nation's land area, includes wildland fire-suppression with accountability, as well as issuance of special-use permits to allow for private use of public lands.

The Department seeks to suppress wildland fires with accountability at minimum cost while considering firefighter and public safety as it protects life, property, and resources. With regard to special use permits, Interior is committed to complying with NEPA. Fire suppression and special-use permits are discussed below.

**Wildland Fire**

DOI and the Forest Service have taken significant, comprehensive actions to address large fire suppression costs – actions that continue to improve program management and accountability.

Measuring large fire suppression cost savings based on costs avoided is challenging. However, the Department is committed to mitigating rising suppression costs where possible and has established objectives to achieve this goal. The objectives include: (1) fully implementing Appropriate Management Response, a risk-based approach that matches suppression effort with the potential threat to human values, (2) working with the Forest Service to develop and deploy the Wildland Fire Decision Support System, and (3) increasing oversight and accountability through a more rigorous large fire-cost containment review process.

Together with the Forest Service, these objectives are being implemented under the umbrella of goals, strategies, and implementation tasks identified in two key documents: (1) *A Collaborative Approach for Reducing Wildland Fire Risks to Communities and the Environment, 10-Year Strategy Implementation Plan* (December 2006 Update), and (2) *Protecting People and Natural Resources, A Cohesive Fuels Treatment Strategy* (February 2006). These documents provide a systematic framework of goals, outcomes, performance

measures, implementation tasks and priorities for collaborative, intergovernmental management of fire suppression, fuels reduction, restoration of fire-adapted ecosystems, fire prevention, and community assistance objectives.

DOI implemented a Stratified Cost Index performance measure in FY 2007. This measure is included in the 10-Year Implementation Plan, which serves as the program's overall strategic plan with our partners. This measure will provide managers a useful tool to better manage large fire suppression costs. This model was developed with the intent to continue refining and improving the metric as more data is collected in coming years.

### **Private use of Public Lands**

Interior plans to work closely with the OIG and others to ensure actions help to achieve a transparent, legal, and efficient Special Park Uses Program. This includes a five-year review rotation process to ensure NEPA compliance for special-use permits. The Department will also present the issue of special-use fees to the Office of the Solicitor for a determination as to the proper disposition of the fees.

## **7. Revenue Collections**

*The Federal government receives one of the lowest government royalty rates in the world. MMS issued leases in 1998 and 1999 without price thresholds; the result was that no royalties are due even though prices are high. Also, weaknesses in the compliance review process may prevent MMS from maximizing the benefits of the compliance reviews which are used to verify companies' royalties.*

The Department of the Interior places a high priority on ensuring that mineral revenues are accurately collected, verified and disbursed to recipients in a timely manner. Through MMS, Interior collects and disburses billions of dollars each year in revenues from Federal offshore mineral leases and from onshore leases from Federal and Indian lands. Interior's activities provide economic and energy benefits to the American public.

The royalty rate is part of the package of fiscal terms used in mineral conveyances, so it is difficult

to make direct comparisons with regimes across governments that use different conveyance systems with different terms and conditions. Governments in other countries often have discretionary systems with no competitive cash bonuses or small upfront fees. They tend to rely mostly on receipts from production payments, so their percentages are higher than those used by MMS. State governments within the U.S. collect very modest cash bonuses, so they also rely more on royalties.

In addition to royalties (and rentals), MMS collects cash bonuses from lease sales, which capture additional lease revenue for the public. For example, MMS received high bonus bids of almost \$3 billion from the October 3, 2007, Central Gulf of Mexico sale.

In January 2007, DOI raised the royalty rate for new leases in deep water to 16.7% to increase the revenues that the Federal government collects from oil and gas companies on behalf of American taxpayers. In selecting the 16.7% royalty rate for deep-water leases, the Administration attempted to balance competing goals of providing an appropriate return to the Treasury and taxpayers while ensuring sustained Outer Continental Shelf energy development. The new rate represents a meaningful increase (33%) from the previous standard deep-water royalty rate of 12.5%.

MMS has implemented comprehensive systems and other program enhancements to mitigate the risk of underpayments. MMS 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. MMS managers take reasonable and necessary precautions to protect the revenue stream through MMS-wide strategic plans, organizational specific business plans, risk initiatives, a highly effective internal control review program, comprehensive compliance policies and procedures, rulemaking, and the Royalty-in-Kind operation.

MMS's RIK operation, which manages a significant portfolio of the nation's oil and gas royalty assets, further mitigates the risk of underpayment as the amount of royalty due is established early through competitive sales of crude oil and natural gas based on highly transparent and unambiguous

price indices. MMS has identified business activity risks and implemented risk management processes within the RIK operation. Further, the RIK operation is governed by strong internal controls, a formal risk management policy, and an executive-level governance board supported by a Chief Risk Officer. The Government Accountability Office has closely examined RIK revenue and administrative metrics and concluded in a January 2006 report that RIK efforts in developing and executing this measurement system were good.

The MMS audit and compliance program is responsible for verifying that correct royalties are paid and for collecting the additional royalties due identified through its compliance processes. The primary tools used to ensure proper payment of royalties are audits and compliance reviews. The strategy includes audits of specific companies with emphasis on selected leases, mineral producing areas, and gathering and transportation facilities. The strategy also includes compliance reviews of select properties, which apply a series of tests to the volume, royalty rate, value, and allowances to determine if the royalty payment is reasonable. For any detected underpayments, MMS pursues collection that is subject to late payment interest. MMS also has substantial statutory penalty authority further minimizing the risk of underpayments.

Since its inception in 1982, the MMS compliance and audit program has collected well over \$3.1 billion in additional royalties that would otherwise have been lost. MMS's recent compliance activities have collected \$223 million from 2004 through 2006, with an additional \$125 million collected through part of 2007. In November 2005, an independent certified public accounting firm issued an unqualified opinion on MMS's audit operation with no material weaknesses, and no reportable conditions.

In its December 2006 report, the OIG stated that compliance reviews are a legitimate tool for evaluating the reasonableness of company-reported royalties and allow a broader coverage of royalties while requiring fewer resources than audits.

In response to the OIG's December 2006 report on the compliance review process, the MMS initiated an "Action Plan to Strengthen Minerals Management Service Compliance Program Operations." MMS

has already completed nine of the 23 improvement actions. The remaining improvement actions are on track to be completed by February 2008, as targeted in the action plan.

In recent years, MMS implemented aggressive new compliance goals to increase the percentage of revenues being reviewed and/or audited, while cutting the overall compliance cycle from six years to three years. In FY 2006, MMS achieved its highest-ever level of contemporaneous (within three years) compliance coverage by confirming reasonable compliance on 72.5% of all CY 2003 royalties. Although MMS's compliance program covered a majority of the revenue, it only covered a small percentage of companies. In early 2006, MRM began examining a risk-based compliance approach as a part of its strategic business-planning initiative, which is consistent with OIG recommendations. A pilot is scheduled for completion by February 2008, and the new risk-based compliance approach will be implemented in FY 2009. The Department anticipates that this strategy will provide the detail to identify properties or payors for which audits or compliance reviews are warranted.

Lease documents for sales held in 1998 and 1999 omitted threshold levels for royalty relief. When the omission was discovered the sale documents were modified and a review was instituted by the Chief, Economics Division to ensure that future sales would not have a recurrence of the same problem. The Administration has taken several additional steps. First was an MMS request for an investigation by the DOI Office of Inspector General to determine whether the error was simply a mistake or the result of intentional malfeasance. MMS worked with DOI Solicitors to obtain agreements with the 1998-1999 lessees to apply price thresholds to future production from these leases. Six companies have negotiated agreements covering 144 1998-1999 deep-water leases. The remaining deep-water leaseholders of the 1998-1999 leases are waiting for potential congressional action before resuming negotiations with DOI.

DOI has strengthened leasing policies and procedures. MMS documented the leasing processes and positions responsible for each step of the process in its Leasing Handbook. Responsibilities are assigned in an Interim Policy

Document signed September 10, 2007, which will become a Chapter in the MMS Manual. In addition, the Secretary, in a memo dated February 2007, directed the Assistant Secretary, Land and Minerals Management that the Solicitors Office review key lease sales documents before they are finalized. This will include consistency determinations, "Notice of Sale package" or "bidder's package", final lease contracts, and other sale documents. The DOI Solicitor now reviews each Outer Continental Shelf lease for content before it is issued after a lease sale.

## 8. Procurement, Contracts, and Grants

*Neither GovWorks nor the Acquisition Services Division, Southwest Branch, complied in full with legal requirements, with federal acquisition regulations, and DOD supplemental requirements. The contracting centers routinely violated rules designed to protect federal interests and the public trust. Also, IA wasted valuable resources buying unusable equipment for which it will continue to incur storage and maintenance costs. Other conditions need attention in the grants area, such as improper use of hunting and fishing license revenue and a lack of adequate control over personal and real property.*

The Department continues to develop and implement policies in the area of procurement and federal assistance including grants to States and Indian organizations. These efforts address challenges involved in the prevention of contractual fraud and waste. The Department stresses the importance of establishing and maintaining adequate controls over the management of contracts and grants.

### **Procurements and Contracts**

Since the initial FY 2005 OIG audits of procurements performed by the National Business Center's acquisition offices for the Department of Defense, NBC has developed and implemented numerous new policies, and enhanced procedures and guidance to ensure contracts are awarded and administered in compliance with applicable laws, regulations and policies. Numerous training sessions were conducted to reinforce new policies and procedures. The Department also:

- ◆ Adjusted operating procedures in FY 2006 to ensure compliance with Government Management Reform Act of 1994 and with new DOD rules and regulations.
- ◆ Established Performance Assessment Team to perform acquisition management reviews at all NBC acquisition sites.
- ◆ Noted that some of the findings issued in FY 2007 DOD/DOI OIG audits did not involve violations of fiscal law, but were departures from new DOD policies issued in October 2006 that were more stringent than GovWorks's authority under the Government Management Reform Act.
- ◆ Executed a joint DOD and DOI Memorandum of Agreement in March 2007 that addressed respective roles and responsibilities.
- ◆ Established and filled an SES leadership position for the NBC Acquisition Program.
- ◆ Enhanced DOI legal reviews for both solicitation and award.
- ◆ Hired an additional attorney to support the NBC Acquisition Services Directorate.
- ◆ Issued policy on March 1, 2007, prohibiting the practice of advance billing for DOD components. As with year-end deobligation, DOD's policy preferences also are narrower than the law allows regarding GovWorks's receipt of advanced funds. The Interior Franchise Fund legislation, under which GovWorks operates, specifically allows that the IFF "may be paid in advance from funds available to the Department and other Federal agencies..." Department of the Interior Appropriations Act of 1997, Pub. L. 104-208, title I, § 113, 110 Stat. 3009-316 (1996), as amended. Nevertheless, corrective action has been implemented to better comply with DOD's policy. After working with the DOD Comptroller's Office, GovWorks implemented a manual process in June 2007 that stopped the practice of advance billing for all DOD components. This process was approved by the DOD Comptroller's office, and the manual

process is being converting into an electronic process to be operational in the first quarter of FY08.

- ◆ In addition, Sierra Vista contracting office successfully achieved a green rating for the FY07 DOD/DOI-OIG audit.

NBC will also be implementing an ISO 9001A quality management program with certification scheduled for the end of FY 2008.

The DOI OIG performed an attestation in July 2007 that showed that only six out of a sample of 240 DOD awards (less than 3%) executed since February 1, 2007, were non-compliant with DOD's October 2006 policy. This shows that appropriate remedial action has been taken to ensure that this error does not occur in the future. Finally, as a result of the attestation, an additional level of review has been incorporated into the standard review process when prior-year funding is included to further ensure that awards utilizing prior-year funds are done appropriately.

Representatives from the Office of Acquisition and Property Management and the NBC participated in an OFPP-sponsored workgroup to define a government-wide approach to conducting interagency acquisitions. At this time, the end-product is still in draft but should be issued within a few months.

### **IA Radio Communications**

The OCIO completely retrofitted nine sites in the Southwest using towers, power sleds and equipment. Indian Affairs is also participating in a joint effort with the Department, transferring equipment to a joint dispatch center to support multiple DOI law enforcement and fire operations.

Indian Affairs completed a physical inventory of the equipment and reconciled this inventory to the Fixed Asset System. They also identified and located all contracting and accounting records to document the transactions. Finally, Indian Affairs continues to work with the Office of the Solicitor to address OIG concerns with the sole source task order.

### **Grants Management**

These audits are of State and Territorial Governmental entities; therefore, the Department has very limited ability to effect change to those entities policies and procedures. The entities must respond and act to correct any deficiencies that are noted.

Each audit has a Corrective Action Plan that is submitted and approved first through a regional office then through our Federal Aid Office in headquarters. These plans are very specific and progress toward closing each item is tracked. Each finding must be answered and approved by the Office of Financial Management before closure.

Interior tracks progress towards answering the findings and updates these files as each application for closure is submitted and approved. This includes recovery of funds if found to have been inappropriately spent or disbursed.

## Improper Payments Information Act of 2002 Reporting Details

The IPIA requires Federal agencies to carry out a cost-effective program for identifying payment errors and recovering 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 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 Risk Assessments and Payment Audits Performed During FY 2007

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 OIG. Different techniques were used to arrive at this determination: (1) risk assessments of internal controls related to payments for all programs performed as part of the assessment of internal control over financial reporting; and (2) prepayment and post-payment audits and recoveries.

**Risk Assessments.** Appendix C to OMB Circular A-123 states that annual risk assessments are required for all agency programs where the level of risk is unknown until the risk level is determined and baseline estimates are established. It also states that for agency programs deemed not risk-susceptible, risk assessments are required every three years unless the programs experience a significant change in legislation and/or significant increases in funding level. Programs experiencing significant changes must undergo a risk assessment during the next annual cycle.

Interior has been conducting annual risk assessments of programs exceeding \$100 million in annual outlays. These risk assessments have shown that the Department is at low risk for improper payments. Therefore, the Department issued a

FIGURE 4-1

FY 2007 Recovery Auditing Report								
Agency	Amount Subject to Review for FY07 Reporting	Actual Amount Reviewed and Reported CY	Amount Identified for Recovery CY	Amount Recovered CY	Amount Identified for Recovery PYs	Amount Recovered PYs	Cumulative Amount Identified for Recovery (CY+PYs)	Cumulative Amount Recovered (CY+PYs)
DOI Total	\$5,533,935,951	\$5,533,935,951	\$428,332	\$421,337	\$883,837	\$745,935	\$1,312,169	\$1,167,272



Financial Administration Memorandum in April 2007 converting the annual risk assessment requirement to a 3-year risk assessment plan. No risk assessment was conducted for FY 2007. The next Departmental risk assessment will be completed in FY 2009 and one will be conducted every 3 years thereafter, unless risk profiles change.

**Prepayment Audit of Government Bills of Lading.** Interior has been conducting prepayment audits of freight bills via GBL for a number of years. This effort is required by the Travel and Transportation Reform Act of 1998. Efforts have continued with Interior's bureaus to ensure that all freight bills receive prepayment audits. During FY 2007, prepayment audit contractors identified \$137,088 in savings over 4,072 GBLs reviewed with an audit base of \$15.6 million; this amounts to approximately 0.8% in savings to the Government.

**Recovery Audits.** 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 IPIA. The audit base during FY 2007 for Interior was \$5.5 billion through September 30, 2007. Figure 4-1 summarizes the results of the Department's recovery audit activities.

Since the percentage of erroneous payments is less than 0.01%, the Department considers that there are adequate controls in place, including information systems and infrastructure, to minimize the occurrence of erroneous payments to vendors.

### FY 2008 Planned Activities

During FY 2008, the Department will take the following actions to minimize the risk of improper payments:

- ◆ Continue using contractor assistance to perform prepayment audits of GBLs and recovery audits.
- ◆ Review bureau recovery audit reports to determine if any bureau experienced significant increases in improper payment percentages from FY 2007 and implement corrective action plans, as required.
- ◆ Review programs exceeding \$100 million in annual outlays to determine if there have been any significant changes in legislation and/or significant increases in funding levels affecting these programs. These changes would precipitate a risk assessment of those programs for improper payments.
- ◆ Schedule programs for risk assessment in FY 2009 based on the FY 2008 annual review of changes to program risk assessment posture, as part of the Department's 3 year risk assessment plan.

FIGURE 4-2

<b>MISSION: RESOURCE PROTECTION</b>			
<b>ID (2006 PAR)</b>	<b>Measure Description</b>	<b>Reported in 2006 PAR</b>	<b>2006 Actual</b>
1	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	84% (E)	84%
2	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	86% (E)	84%
3	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	73% (E)	73%
4	Marine and coastal areas - Percent of acres achieving desired marine and coastal conditions where condition is known and as specified in management plans	54% (E)	54%
5	Number of land acres reclaimed or mitigated from the effects of degradation from past mining	8,168 (E)	8,118
10	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	21,174 (E)	1,438
11	Percent of reporting Class I DOI lands that meet ambient air quality standards (NAAQS)	85% (E)	84%
12	Percent of reporting Class I DOI lands that meet visibility objectives	77% (E)	88%
13	Percent of acres degraded by wildland fire with post-fire rehabilitation treatments underway, completed, and monitored	51% (E)	51% (E)
14	Number of acres in fire regimes 1, 2, or 3 moved to a better condition class that were identified as high priority through collaboration consistent with the 10-Year Implementation Plan - in total	217,000 (E)	217,000 (E)
15	Number of acres in fire regimes 1, 2, or 3 moved to a better condition class that were identified as high priority through collaboration consistent with the 10-Year Implementation Plan - as a percent of total acres treated	40% (E)	40% (E)
16	Number of acres in prior measure moved to a better condition class per million dollars of gross investment	2,905 (E)	2,905 (E)
19	Number of acres treated that are in condition classes 2 or 3 in fire regimes 1 through 3 outside of Wildland-Urban Interface (WUI) , and are identified as high priority through collaboration consistent with the 10-Year Implementation Plan as a percent of all acres treated	64% (E)	64% (E)
22	Number of acres achieving watershed and landscape goals through voluntary partnerships	670,620 (E)	678,548

ID (2006 PAR)	Measure Description	Reported in 2006 PAR	2006 Actual
23	Number of stream/shoreline miles achieving watershed and landscape goals through voluntary partnerships	677 (E)	1,006
27	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	43% (E)	62%
32	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	487,670 (E)	487,670 (E)
33	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	1,685 (E)	1,735
34	Number of acres of landscapes and watersheds managed through partnerships and networked lands that achieve habitat protection	14,802,165 (E)	16,908,832
35	Number of acres achieving habitat/biological community goals through voluntary agreements	83,689 (E)	168,968
36	Number of stream/shoreline miles achieving habitat/biological community goals through voluntary agreements	5 (E)	5
39	Conservation and biological research facilities are in fair to good condition as measured by the Facilities Condition Index	0.063 (E)	0.063
40	Percent of cultural properties on DOI inventory in good condition	59% (E)	66%
44	Percent of Special Management Areas meeting their heritage resource objectives under the authorizing legislation	65% (E)	57%
46	Percent of acres of designated wilderness achieving wilderness character objectives as specified by statute	74% (E)	76%
47	Facilities are in fair to good condition as measured by the Facilities Condition Index	0.202 (E)	0.202
<b>MISSION: RECREATION</b>			
89	Number of acres made available for recreation through management actions and partnerships	432,521,763 (E)	354,279,562
90	Number of river and shoreline miles made available for recreation through management actions and partnerships	157,618 (E)	15,186
91	Percent of universally accessible facilities in relation to the total number of recreation areas	28% (E)	28%
92	Number of on-line recreation transactions supported by DOI	171,344 (E)	164,891
93	Percent of recreation areas with community partnerships	35% (E)	37%
94	Number of individuals using an interagency pass	511,937 (E)	428,560

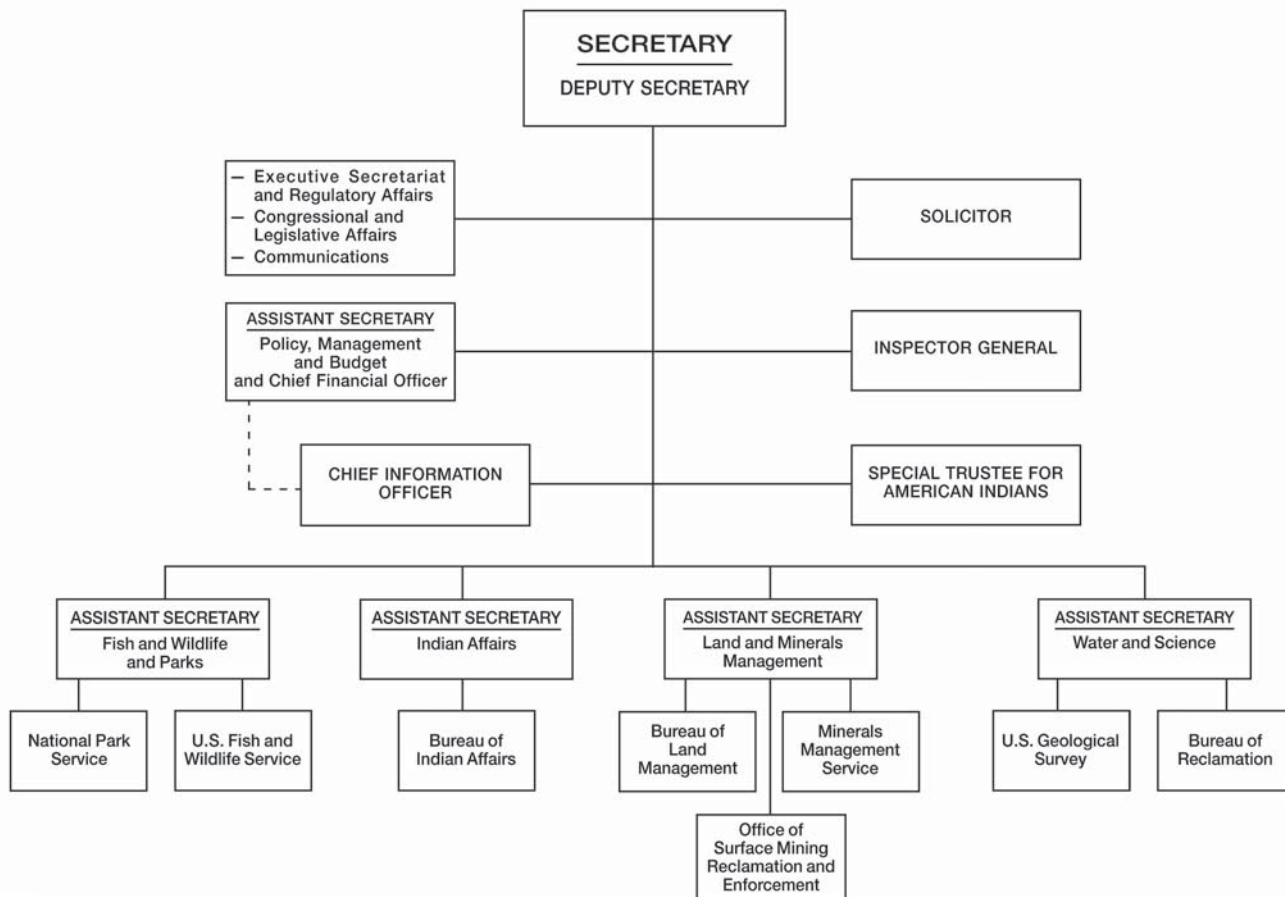
## Appendix D: Estimated 2006 Retired Measures

ID (2006 PAR)	Measure Description	Reported in 2006 PAR	2006 Actual
95	Facilities are in fair to good condition as measured by the Facilities Condition Index (lower FCI number is good)	0.085 (E)	0.085
96	Number of visitors served by facilitated programs	187,226,634 (E)	179,018,417
98	Manager satisfaction scores for technical assistance and science products for recreation purposes	83% (E)	78% (E)
100	Percent of concession activities with performance-based contracts	66% (E)	62%
101	Revenue collected from concessions	36,385,000 (E)	35,874,000
<b>MISSION: SERVING COMMUNITIES</b>			
114	Reduced number of fatalities on DOI managed or influenced lands and waters	158 (E)	148
115	Reduced number of serious injuries on DOI managed or influenced lands and waters	7,242 (E)	5,337
117	Number of acres burned by unplanned and unwanted wildland fires	3,074,232 (E)	3,074,232 (E)
118	Number of acres treated that are in the wildland-urban interface and are identified as high priority through collaboration consistent with the 10-Year Implementation Plan - in total	527,000 (E)	527,000 (E)
119	Number of acres treated that are in the wildland-urban interface and are identified as high priority through collaboration consistent with the 10-Year Implementation Plan as X percent of all acres treated	49% (E)	49% (E)
121	Percent of physical and chemical hazards mitigated within 120 days to ensure visitor or public safety	57% (E)	57% (E)
122	Buildings (eg, administrative, employee housing) in fair to good condition as measured by the Facilities Condition Index	No Report	No Report
123	Other facilities, including roads, dams (non-BOR), trails, and bridges (non-BIA) are in fair to good condition as measured by a Facilities Condition Index	0.127 (E)	0.127
137	Percent of Tribes with trust program-related performance-based PL 93-638 agreements	No Report	No Report
138	Percent of Tribes with trust program-related performance-based PL 103-413 agreements	No Report	No Report
142	Indian natural resource trust assets management - Volume of wood products offered consistent with applicable management plans	No Report	No Report
143	Indian natural resource trust assets management - Percent of eligible trust land acres that are under lease (% for energy development; % for non-energy mineral development; % for grazing land; % for agricultural use; % for commercial property use)	No Report	No Report

ID (2006 PAR)	Measure Description	Reported in 2006 PAR	2006 Actual
145	Indian natural resource trust assets management - Percent of acres of forest, grazing and agricultural leases achieving desired conditions where condition is known and where specified in management plans consistent with applicable environmental laws and regulations	No Report	No Report
146	Indian natural resource trust assets management - Percent change in baseline in the number of acres infested with invasive plant species	No Report	No Report
147	Indian natural resource trust assets management - Percent of Interior/Tribal land use agreements that incorporate protections for Indian Sacred Sites and Sacred resources and their use	No Report	No Report
148	Indian natural resource trust assets management - Percent of cultural properties in DOI inventory in good condition	No Report	No Report
151	Percent of estates in which assets are distributed and all title information is updated in standard probate process cycle time	No Report	No Report
152	Percent of probate cases where document preparation and post/record work has been completed	No Report	No Report
155	Percent of title encumbrances filed within 2 business days	No Report	No Report
164	Percent of planned enhancement/reintroduction objectives completed	No Report	No Report
165	Achieve parity between the Tribal community and US rural area national average on high school graduation	No Report	No Report
166	Achieve parity between the Tribal community and US rural area national average on college graduation	No Report	No Report
167	Achieve parity between the Tribal community and US national average on rural unemployment rates and per capita income	No Report	No Report
169	Percent of eligible Housing Improvement Program applicants whose need for safe and sanitary housing in Indian Country is met	No Report	No Report
172	Teacher retention rate	No Report	No Report
173	Student attendance rate	No Report	No Report
175	Percent of students achieving high school graduation	No Report	No Report
179	Percent of miles of road in good or better condition based on the Service Level Index	17% (E)	17% (E)
<b>MISSION: MANAGEMENT EXCELLENCE</b>			
192	Obtain unqualified audit for DOI's eight bureaus, the Departmental offices	100% (E)	100%
193	Obtain unqualified audit for DOI's consolidated financial statements	Yes (E)	Yes
209	Percent of facilities that have a calculated Facilities Condition	100% (P)	100% (P)

FIGURE 4-3

### U.S. Department of the Interior



## Glossary of Acronyms

<b>ABC/M</b>	Activity Based Cost/Management	<b>CERCLA</b>	Comprehensive Environmental Response, Compensation, and Liability Act
<b>AFRC</b>	American Forest Resource Council	<b>CFEDS</b>	Certified Federal Surveyors Program
<b>AHERA</b>	Asbestos Hazard Emergency Response Act	<b>CFO</b>	Chief Financial Officer
<b>AIRR</b>	American Indian Records Repository	<b>CI</b>	Condition Index
<b>AML</b>	Abandoned Mine Land	<b>CIO</b>	Chief Information Officer
<b>AMP</b>	Asset Management Plan	<b>COOP</b>	Continuity of Operations Plan
<b>APD</b>	Applications for Permits to Drill	<b>CORE</b>	Component Organization and Registration Environment
<b>API</b>	Asset Priority Index	<b>COTS</b>	Commercial Off-the-Shelf Software
<b>ARRI</b>	Appalachian Regional Reforestation Initiative	<b>CPIC</b>	Capital Planning and Investment Control
<b>ASG</b>	American Samoa Government	<b>CRV</b>	Current Replacement Value
<b>ASQ</b>	allowable sale quantity	<b>CSAM</b>	Cyber Security Assessment and Management
<b>AUM</b>	animal unit month	<b>CSRS</b>	Civil Service Retirement System
<b>AYP</b>	Adequate Yearly Progress	<b>CTMP</b>	Comprehensive Trust Management Plan
<b>BIA</b>	Bureau of Indian Affairs	<b>CWA</b>	Clean Water Act
<b>BIE</b>	Bureau of Indian Education	<b>DAAs</b>	Designated Approving Authorities
<b>BILS</b>	BLM Indian Lands Surveyors	<b>DCIA</b>	Debt Collection Improvement Act
<b>BISS</b>	Box Index Search System	<b>DEAR</b>	Department Enterprise Architecture Repository
<b>BLM</b>	Bureau of Land Management	<b>DO</b>	Departmental Offices
<b>BMP</b>	Best Management Practices	<b>DOD</b>	Department of Defense
<b>BOE</b>	Barrels of Oil Equivalent	<b>DOE</b>	Department of Energy
<b>BOR</b>	Bureau of Reclamation	<b>DOI</b>	Department of the Interior
<b>BPA</b>	Bonneville Power Administration	<b>DOIU</b>	Department of the Interior University
<b>C&amp;A</b>	Certification and Accreditation	<b>DOJ</b>	Department of Justice
<b>CAA</b>	Clean Air act	<b>DOL</b>	Department of Labor
<b>CAM</b>	Compliance and Asset Management	<b>DOT</b>	Department of Transportation
<b>CCSE</b>	Center for Competitive Sourcing Excellence	<b>DQ&amp;I</b>	Data Quality & Integrity Project
<b>CDEs</b>	Critical Data Elements	<b>EA</b>	Enterprise Architecture

## Appendix F: Glossary of Acronyms

<b>EFT</b>	Electronic Funds Transfer	<b>FMFIA</b>	Federal Managers' Financial Integrity Act
<b>EHP</b>	Earthquake Hazards Program	<b>FMMS</b>	Facility Maintenance Management System
<b>EIRF</b>	Environmental Improvement and Restoration Fund	<b>FOGRMA</b>	Federal Oil and Gas Royalty Management Act
<b>EPAct</b>	Energy Policy Act of 2005	<b>FRPP</b>	Federal Real Property Profile
<b>ERP</b>	Energy Resources Program	<b>FRR</b>	Facilities Reliability Rating
<b>ESA</b>	Endangered Species Act	<b>FSGT</b>	Financial Statement Guidance Team
<b>ETS</b>	Enterprise Transition Strategy	<b>FTE</b>	Full Time Equivalent
<b>FAM</b>	Financial Administration Memorandum	<b>FTM</b>	Fiduciary Trust Model
<b>Fannie Mae</b>	Federal National Mortgage Association	<b>FTO</b>	Fiduciary Trust Officer
<b>FASAB</b>	Federal Accounting Standards Advisory Board	<b>FWS</b>	U.S.Fish and Wildlife Service
<b>FBI</b>	Federal Bureau of Investigation	<b>FY</b>	Fiscal Year
<b>FBMS</b>	Financial and Business Management System	<b>GAAP</b>	Generally Accepted Accounting Principles
<b>FBU</b>	Funds to be Put to Better Use	<b>GAO</b>	Government Accountability Office
<b>FCI</b>	Facility Condition Index	<b>GBL</b>	Government Bill of Lading
<b>FDCC</b>	Federal Desktop Core Configuration	<b>GMRA</b>	Government Management Reform Act
<b>FEAC</b>	Federal Enterprise Architecture Certification	<b>GPRA</b>	Government Performance and Results Act
<b>FECA</b>	Federal Employees Compensation Act	<b>GPS</b>	Global Positioning System
<b>FEGLI</b>	Federal Employees Group Life Insurance	<b>GSA</b>	General Services Administration
<b>FERS</b>	Federal Employees Retirement System	<b>GSS</b>	General Support Systems
<b>FFMIA</b>	Federal Financial Management Improvement Act	<b>HAP</b>	Heritage Assets Partnership
<b>FFS</b>	Federal Financial System	<b>HPF</b>	Historic Preservation Fund
<b>FIPS</b>	Federal Information Processing Standards	<b>HSPD</b>	Homeland Security Presidential Directive
<b>FISMA</b>	Federal Information Security Management Act	<b>I&amp;E</b>	inspection and enforcement
<b>FLPMA</b>	Federal Land Policy and Management Act	<b>IA</b>	Indian Affairs
<b>FMCIP</b>	Financial Management Career Intern Program	<b>IA/BIE</b>	Indian Affairs/Bureau of Indian Education
		<b>ICR</b>	Internal Control Review
		<b>IDEAS</b>	Interior Department Electronic Acquisition System.



<b>IEA</b>	Integrated Enterprise Architecture	<b>NAPA</b>	National Academy of Public Administration
<b>IFF</b>	Interior Franchise Fund	<b>NAS</b>	National Academy of Sciences
<b>IIM</b>	Individual Indian Monies	<b>NBC</b>	National Business Center
<b>ILCO</b>	Indian Land Consolidation Office	<b>NCLBA</b>	No Child Left Behind Act
<b>IMARS</b>	Incident Management Analysis Reporting System	<b>NEPA</b>	National Environmental Policy Act
<b>IOI</b>	Infrastructure Optimization Initiative	<b>NFP</b>	National Fire Plan
<b>IPIA</b>	Improper Payments Information Act	<b>NIPTC</b>	National Indian Programs Training Center
<b>IRB</b>	Investment Review Board	<b>NIST</b>	National Institute of Standards and Technology
<b>ISIT</b>	Internal Security Improvement Team	<b>NMOCD</b>	New Mexico Oil Conservation Division
<b>ISSLoB</b>	Information Systems Security Line of Business	<b>NPS</b>	National Park Service
<b>IT</b>	Information Technology	<b>NRDAR</b>	Natural Resource Damage Assessment and Restoration Fund
<b>ITARS</b>	Indian Trust Appraisal Tracking System	<b>NRRS</b>	National Recreation Reservation Service
<b>ITTF</b>	Identity Theft Task Force	<b>NVEWS</b>	National Volcano Early Warning System
<b>JFP</b>	Joint Federal Project	<b>NWFP</b>	Northwest Forest Plan
<b>LHP</b>	Landslide Hazards Program	<b>NWRS</b>	National Wildlife Refuge System
<b>LTRO</b>	Land Titles and Records Office	<b>O&amp;C</b>	Oregon and California
<b>LWCF</b>	Land and Water Conservation Fund	<b>OAS</b>	Office of Appraisal Services
<b>M&amp;I</b>	Municipal and Industrial	<b>OCIO</b>	Office of the Chief Information Officer
<b>MA</b> s	Major Applications	<b>OCS</b>	Outer Continental Shelf
<b>MBT</b>	Methodology for Business Transformation	<b>OCSLA</b>	Outer Continental Shelf Lands Act
<b>MCA</b>	Management Cost Accounting	<b>OHTA</b>	Office of Historical Trust Accounting
<b>MD&amp;A</b>	Management's Discussion and Analysis	<b>OIA</b>	Office of Insular Affairs
<b>MMBF</b>	million board feet	<b>OIG</b>	Office of the Inspector General
<b>MMBtu</b>	Million British Thermal Units	<b>OLESM</b>	Office of Law Enforcement, Security, and Emergency Management
<b>MMS</b>	Minerals Management Service	<b>OMB</b>	Office of Management and Budget
<b>MOU</b>	Memorandum of Understanding		
<b>MRM</b>	Minerals Revenue Management		
<b>NAGPRA</b>	Native American Graves Protection and Repatriation Act		

## Appendix F: Glossary of Acronyms

<b>OPA</b>	Oil Pollution Act	<b>SFFAS</b>	Statement of Federal Financial Accounting Standard
<b>OPM</b>	Office of Personnel Management	<b>SFRBTF</b>	Sport Fish Restoration and Boating Trust Fund
<b>OSM</b>	Office of Surface Mining and Reclamation	<b>SIRG</b>	Serious Incident Review Group
<b>OST</b>	Office of the Special Trustee for American Indians	<b>SMCRA</b>	Surface Mining Control and Reclamation Act
<b>OTR</b>	Office of Trust Records	<b>SNPLMA</b>	Southern Nevada Public Land Management Act
<b>OWFC</b>	Office of Wildland Fire Coordination	<b>SP</b>	Special Publication
<b>PAR</b>	Performance and Accountability Report	<b>SPR</b>	Strategic Petroleum Reserve
<b>PART</b>	Program Assessment Rating Tool	<b>SSC</b>	Shared Service Center
<b>PFM</b>	Office of Financial Management	<b>STIG</b>	Security Technical Implementation Guide
<b>PI/LSI</b>	Possessory Interest or Leasehold Surrender Interest	<b>TAAMS</b>	Trust Asset and Accounting Management System
<b>PII</b>	Personally Identifiable Information	<b>TACF</b>	The American Chestnut Foundation
<b>PLMS</b>	Privacy Loss Mitigation Strategy	<b>TBCF</b>	Trust Beneficiary Call Center
<b>PMA</b>	President's Management Agenda	<b>TFAS</b>	Trust Fund Accounting system
<b>PMO</b>	Project Management Office	<b>TFR</b>	Trust Funds Receivable
<b>POA&amp;M</b>	Plan of Actions and Milestones	<b>TPIA</b>	Take Pride in America
<b>PPA</b>	Prompt Payment Act	<b>Treasury</b>	Department of Treasury
<b>RAPP</b>	Refuge Annual Performance Planning	<b>UCR</b>	Uniform Crime Reports
<b>RCRA</b>	Resource Conservation and Recovery Act	<b>UMWA CBF</b>	United Mine Workers of America Combined Benefit Fund
<b>RIK</b>	Royalty-in-Kind	<b>USBM</b>	U.S. Bureau of Mines
<b>RIV</b>	Royalty in Value	<b>USGS</b>	U.S. Geological Survey
<b>RM-PLUS</b>	Risk Management Assessment Tool	<b>USPP</b>	United States Park Police
<b>RND</b>	Results Not Demonstrated	<b>USSGL</b>	United States Government Standard General Ledger
<b>RSI</b>	Required Supplementary Information	<b>V&amp;V</b>	verification and validation
<b>SACAT</b>	Standard Accounting Classification Advisory Team	<b>VHP</b>	Volcano Hazards Program
<b>SAFOD</b>	San Andreas Fault Observatory at Depth	<b>Western</b>	Western Area Power Administration
<b>SBR</b>	Statement of Budgetary Resources	<b>WIT</b>	Workforce Improvement Team
<b>SDWA</b>	Safe Drinking Water Act		

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