U.S. DEPARTMENT OF THE INTERIOR
Annual Report on Performance and Accountability
FISCAL YEAR 2005

U.S. Department of the Interior

Fiscal Year 2005
Annual Report on
Performance and Accountability

November 15, 2005

Table of Contents

PART 3. FINANCIAL SECTION

PART 4. APPENDICES

An electronic version of this document is available on the Internet at ***www.doi.gov/pfm/par2005****. The Department of the Interior's strategic plan is available at* ***www.doi.gov/ppp/gpra****.*

The photographs in this report were furnished by many individuals. All photographs are proprietary and prior permission from the photographer is required for any use or reproduction of the photographs.

Message from the Secretary

On behalf of the more than 70,000 dedicated employees of the Department of the Interior, I am pleased to share with the American public our Annual Report on Performance and Accountability for Fiscal Year (FY) 2005. Fulfilling our mission is an increasingly complex challenge, as this report illustrates. The financial and performance data we present are fundamentally complete, reliable, and conform to Office of Management and Budget guidance. This report also presents the status of Interior's compliance with a number of legal and regulatory requirements.

The annual assurance statement required by the Federal Managers' Financial Integrity Act (FMFIA) concludes that, with the exception of the four pending FMFIA material weaknesses reported herein, the Department can provide reasonable assurance that its systems of management, accounting, and administrative controls, taken as a whole, meet the objectives specified in Section 2 of the FMFIA. These objectives are intended to ensure that: (1) programs achieve their intended results; (2) resources are used consistent with agency mission; (3) programs and resources are protected from waste, fraud, and mismanagement; (4) laws and regulations are followed; and (5) reliable and timely information is obtained, maintained, reported, and used for decision-making. In addition, the Department, as a whole, substantially complies with the Federal financial management system requirements as specified in Section 4 of the FMFIA, and the Federal Financial Management Improvement Act. However, several bureau-level deficiencies identified during the audit of the Department's FY 2005 financial statements need to be addressed. The plan to resolve those deficiencies and further improve our financial management systems during FY 2006 is presented herein.

Our FY 2005 Performance and Accountability Report is a vignette-filled narrative highlighting our contributions as the Nation's chief protector of our unique natural, cultural, and historic resources. It is our account to the American people of the way we have managed our fiscal resources—the hard-earned tax dollars entrusted to us—to support Interior programs and serve the public.

The Department of the Interior manages one of every five acres of land in the United States, providing opportunities for conservation, wildlife protection, recreation, and resource development. We supply water for much of the West so that farmers can grow food for the entire country and people can turn on their taps. We provide access to energy so that Americans can warm and cool their homes, manufacture products, and drive to their jobs and recreation destinations. We honor our special responsibilities to American Indians, Alaska Natives, and affiliated Island communities. We protect wildlife and improve the environment.

Some of the most newsworthy and emotion-charged events of FY 2005 relate to the Department of the Interior's mission. In April 2005, we accepted a rare second chance to preserve a species we thought was lost forever—the Ivory billed woodpecker. Since then, Interior's U.S. Fish and Wildlife Service has been working with local citizens and other agencies to develop a Corridor of Hope Cooperative Conservation Plan to save what is America's largest woodpecker.

In August 2005, Hurricane Katrina devastated 90,000 square miles along the Gulf Coast. We were immensely relieved to be able to account for all of the 2,000 Interior employees whose duty stations are in the affected area. We deployed more than 1,900 Interior employees to help in rescue and relief efforts for the victims of Hurricanes Katrina and Rita. Many of our employees were dispatched to the Gulf area as part of a coordinated response of the National Interagency Fire Center. Others continue to provide humanitarian assistance and assist companies in restoring oil and gas production in the region. Our U.S. Geological Survey is providing scientific data to help with recovery efforts, to repair and rebuild the area, and for long-term and real-time assessments of coastal vulnerability and post-storm damage.

In FY 2005, we also:

- Made acres available for energy exploration and development as well as non-energy mineral exploration and resource development, while complying with management plans and permitting requirements.

- Continued to implement the National Energy Policy by holding four offshore sales consistent with the Five-Year Program.

- Delivered 28 million acre-feet of water to citizens of the Western States, enough to supply 32 million families of four with their water requirements for an entire year.

- Dramatically increased our support for online recreation transactions, handling 131,671 transactions, and our goals are set even higher next year.

- Continued to support the economic health of Tribal communities by providing capital to create 1,922 jobs.

- Set a new record for the amount of hazardous fuels removed from wildland-urban interface areas, a critical factor in controlling and reducing wildland fires and their impact.

- Helped U.S. Geological Survey partners to achieve their goals, as reported by 95% of partners surveyed; 100% reported satisfaction with the accuracy, reliability, and soundness of the methodology used and 92% reported improved access.

- Achieved watershed and landscape goals for an estimated 743,192 acres and 888 stream/shoreline miles through partnerships.

But Interior is not without its challenges. These challenges cut a broad swathe, impacting the Nation's economic vitality and quality of life for many Americans.

Hurricanes Katrina and Rita have handed us costly and labor-intensive restoration activities that further complicate our habitat restoration and protection mission.

We confront financial management challenges as we operate costly, duplicative financial and business management systems that include over 107 real property databases, 16 financial systems, and 27 acquisition systems. While we need to continue to improve financial management, notable Departmental progress was made in this critical area during FY 2005. For example, 2 auditor reported material weaknesses were downgraded or corrected, new guidance was issued and implemented for full costing, and intensive planning efforts were devoted to the implementation of revised OMB Circular A-123, "Management's Responsibility for Internal Control." We also continued work on implementing our Financial and Business Management System. This project is the cornerstone of a fully integrated business management system—a system that will allow us the opportunity to consolidate and integrate standard business practices throughout the Department.
We face the inevitable challenges that reside in managing a staggering array of assets—over 40,000 facilities of every imaginable type, including schools, detention centers, historic sites, visitor centers, campgrounds,

wastewater plants, forts, houses, and even landfills. Although we now have a Strategic Asset Management Plan, we continue to identify repair and maintenance priorities and reduce maintenance deficiencies.

We need to continue to improve our Indian Trust Funds management. Once again, our Office of Inspector General identified this as a major management challenge while acknowledging that we have made progress, even during a single year.

I am confident that we will overcome these challenges through the innovation and creative talent of our employees, and by continuing to build partnerships with others. The power of partnerships is inspiring. During the time I have served as Secretary of the Interior, I have seen first-hand the success that investing in quality communication, consultation, and cooperation can bring. I have met with ranchers and farmers who have changed how they do business in order to protect wildlife and save water. I have visited landowners who are preserving habitat for endangered species. I have seen industry step up to the plate to help us address important environmental issues, for example, by donating and restoring thousands of acres of bottomland hardwood forests in the Southeast that will provide habitat for species and help sequester greenhouse gases. I have met with American Indian and Alaska Native leaders who are determined to improve the quality of life for their people through better educational opportunities and enhanced economic development. Partnerships and cooperative conservation efforts like these are helping us to preserve and improve our public lands and meet the mission of the Department.

The trend toward cooperative conservation reflects a significant conservation movement. The September 2005 White House Conference on Cooperative Conservation reaffirmed that we are entering a new era of environmentalism. The conference, hosted by five executive agencies—the Departments of the Interior, Agriculture, Commerce, and Defense, and the Environmental Protection Agency—along with the Council on Environmental Quality, yielded a wealth of ideas and suggestions for improving the interactions of the Federal Government with those working for conservation, whether these are other organizations or citizen stewards. We are building on the energy of the conference to adopt many of its ideas as well as exploring processes to extend the dialogue started at the conference across the cooperative conservation community.

I am proud to reflect on Interior's contributions and accomplishments. We are indeed making a difference. Together, we are all realizing goals for achieving healthy lands and thriving communities, while preserving a legacy for future generations.

Gale A. Norton

Gale A. Norton
Secretary of the Interior
November 15, 2005

From Mission to Measurement: How to Read This Report

This Performance and Accountability Report (PAR) is the principal report to the President and the American people regarding the Department of the Interior's management of public funds to fulfill its multi-faceted mission. The report offers various levels of details to serve multiple audiences with differing levels of interest.

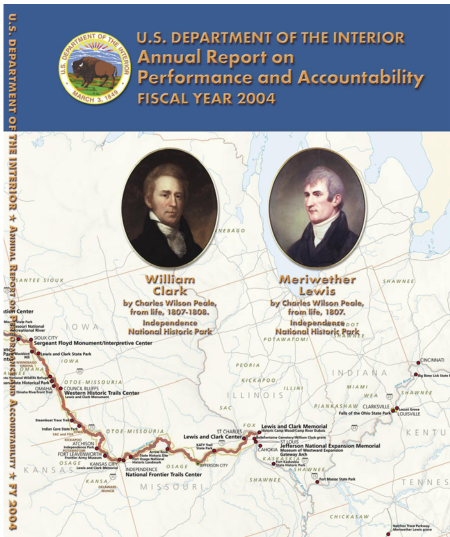
Our report contains four parts. Combined, these four elements provide an accurate and thorough accounting of the Department's stewardship of our critical resources and services to the American people.

Part 1: Management's Discussion and Analysis presents an overview of the Department's performance in FY 2005 and provides a general summary of our accomplishments.

Part 2: Performance Data and Analysis presents the Department's performance results in detail for those seeking an in-depth understanding of our work last year.

Part 3: Financial Section will interest those concerned with tracking the Department's financial performance. This section comprises consolidated financial statements, footnotes, deferred maintenance data, intra-governmental transaction disclosures, stewardship information, and other supplementary information. It also includes the Independent Auditors' Report and a summary of the most serious management challenges facing the Department.

Part 4: Appendices contain Improper Payments Information Act data, an organization chart for the Department, and a glossary of acronyms.



AGA®

CERTIFICATE OF EXCELLENCE IN ACCOUNTABILITY REPORTING®

Presented to the

Department of the Interior

In recognition of your outstanding efforts preparing DOI's Performance and Accountability Report for the fiscal year ended September 30, 2004.

A *Certificate of Excellence in Accountability Reporting* is presented by AGA to federal government agencies whose annual Performance and Accountability Reports achieve the highest standards demonstrating accountability and communicating results.

ASSOCIATION OF GOVERNMENT ACCOUNTANTS CORPORATE SEAL DISTRICT OF COLUMBIA 1951

John H. Hummel, CGFM
Chair, Certificate of Excellence
in Accountability Reporting Board

Relmond P. Van Daniker, DBA, CPA
Executive Director, AGA

Part 1. Management's Discussion and Analysis

Who We Are and What We Do

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

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

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

FIGURE 1-1

Interior's Mission, Vision, and Key Business Principles

Mission

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

Vision

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

Key Business Principles

Value Accountability Modernization Integration

FIGURE 1-2

Interior's Workforce
(Full-Time Equivalents)

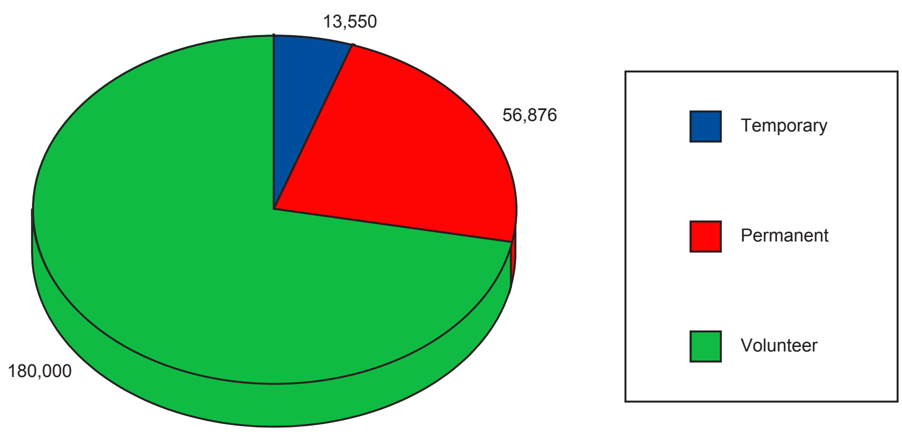


FIGURE 1-3

Bureau Missions

BUREAU OF LAND MANAGEMENT (BLM)

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

OFFICE OF SURFACE MINING (OSM)

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

U.S. GEOLOGICAL SURVEY (USGS)

Mission: Provide the Nation with reliable, unbiased information to describe and understand the earth; minimize loss of life and property from natural disasters; manage water, biological, energy and mineral resources; and enhance and protect our quality of life.

NATIONAL PARK SERVICE (NPS)

Mission: Preserve unimpaired the natural and cultural resources and values of the national park system for the enjoyment, education, and inspiration of this and future generations. The Park Service cooperates with partners to extend the benefits of natural and cultural resource conservation and outdoor recreation throughout this country and the world.

MINERALS MANAGEMENT SERVICE (MMS)

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

BUREAU OF RECLAMATION (BOR)

Mission: Manage, develop, and protect water and related resources in an environmentally and economically sound manner in the interest of the American public.

FISH AND WILDLIFE SERVICE (FWS)

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

BUREAU OF INDIAN AFFAIRS (BIA)

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

This page
intentionally
left
blank

How We Performed in FY 2005

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

- Resource Protection
- Resource Use
- Recreation
- Serving Communities

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

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

TABLE 1-1

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

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

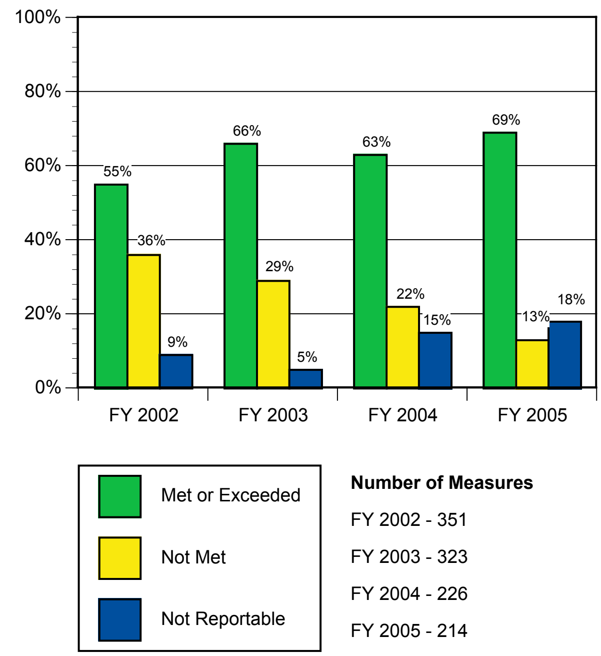
The Department of the Interior's 2003-2008 Strategic Plan can be viewed at *http://www.doi.gov/ppp/strat_plan_fy2003_2008.pdf*. In July 2005, Interior began the statutorily required revision of the DOI Strategic Plan under GPRA. We anticipate providing the final revised plan to Congress and the Office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

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

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

FIGURE 1-4

Performance Measures Met or Exceeded



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

FIGURE 1-5

Department of the Interior
MISSION AREAS & OUTCOME GOALS
MANAGEMENT
PARTNERSHIPS
SCIENCE
Serving Communities
• Protect Lives, Resources and Property
• Advance Knowledge Through Scientific Leadership and Inform Decisions Through the Applications of Science
• Fulfill Indian Fiduciary Trust Responsibilities
• Advance Quality Communities for Tribes and Alaska Natives
• Increase Economic Self-Sufficiency of Insular Areas
Recreation
• Provide for a Quality Recreation Experience, Including Access and Enjoyment of Natural and Cultural Resources on DOI Managed and Partnered Lands and Waters
• Provide for and Receive Fair Value in Recreation
Resource Use
• Manage or Influence Resource Use to Enhance Public Benefit, Promote Responsible Use, and Ensure Optimal Value
• Deliver Water and Generate Hydropower, Consistent with Applicable Federal and State Law, in an Environmentally Responsible and Cost Efficient Manner
Resource Protection
• Improve the Health of Watersheds, Landscapes, and Marine Resources that are DOI Managed or Influenced in a Manner Consistent with Obligations Regarding the Allocation and Use of Water
• Sustain Biological Communities on DOI Managed and Influenced Lands and Waters in a Manner Consistent with Obligations Regarding the Allocation and Use of Water
• Protect Cultural and Natural Heritage Resources

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

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

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

TABLE 1-2

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

The President's Management Agenda and Scorecard

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

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

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

The Executive Branch Scorecard dated September 30, 2005, shows Interior made significant improvement in the areas of Human Capital, Competitive Sourcing, Budget and Performance Integration, and Real Property. We moved to a green status and progress rating for Human Capital and Competitive Sourcing, improving from a 2004 yellow status rating for both of these areas. Our improvement was attributed in part to our successful conversion from a pass-fail to a five-level performance system during the year and modest increases in the diversity of our workforce. We exceeded Competitive Sourcing goals, completing more than 90% of our standard and streamlined competitions during the past four quarters. We expect to report a substantial increase in savings by December 2005 when all FY 2005 streamlined studies are complete.

TABLE 1-3

Interior's FY 2005 and FY 2004 Scorecards - How OMB Scored Us

	September 30, 2005		September 30, 2004	
	Status	Progress	Status	Progress
President's Management Agenda				
Human Capital	🟢	🟢	🟡	🟢
Competitive Sourcing	🟢	🟢	🟡	🟡
Financial Performance	🔴	🟢	🔴	🟢
E-Government	🔴	🔴	🟡	🟢
Budget and Performance Integration	🟡	🟢	🔴	🟢
Other Government-wide Initiatives in which DOI Participates				
Real Property	🔴	🟢	🔴	🟡
Research and Development	N/A	N/A	N/A	N/A

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

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

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

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

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

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

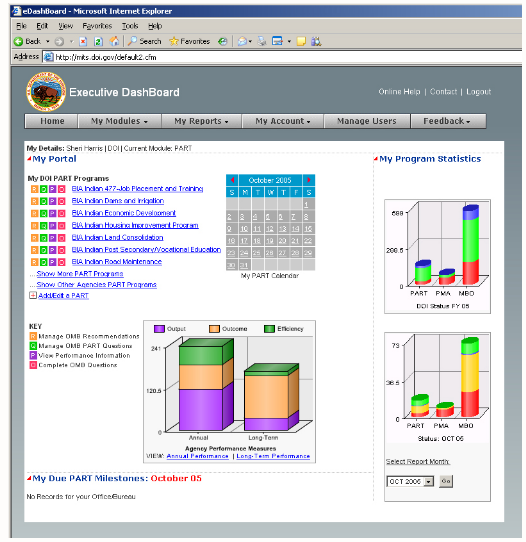
In response to other PART assessments, Interior program managers have taken action to effect improvements. For example:

- A PART review of the Office of Surface Mining's (OSM's) Abandoned Mine Lands (AML) Grants program identified three recommendations for improvement. One of these led to a proposal for legislative changes to extend the authorization of fee collection authority. This proposal also focused on balancing the interests of all coal States while accelerating the cleanup of dangerous abandoned coal mines by directing funds to the highest-priority risk areas. Under this plan, reclamation could occur at a faster rate, thereby removing the risks to those who live, work, and recreate in the coalfields as soon as possible. Although this legislation was not passed, Interior continues to work with Congress to review current bills for AML reauthorization. Interior was able to work to get fee collection authority extended until June 30, 2006.

- The Bureau of Reclamation's (BOR's) Water Management/Supply—Operations and Maintenance Program was rated "Adequate" after a PART assessment in 2005. This program ensures that water is delivered to irrigators and municipal users in a reliable manner and condition. BOR program managers have implemented several recommendations resulting from the evaluation, including facilitating water transfers and clarifying acre limitations for those who receive federally subsidized irrigation water. BOR has asked the National Academy of Sciences to further review the program so that it can better understand any flaws and continue to make improvements.

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

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



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

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

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

Mission Area 1: Resource Protection–Protect the Nation's Natural, Cultural, and Heritage Resources

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

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

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

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

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

TABLE 1-4

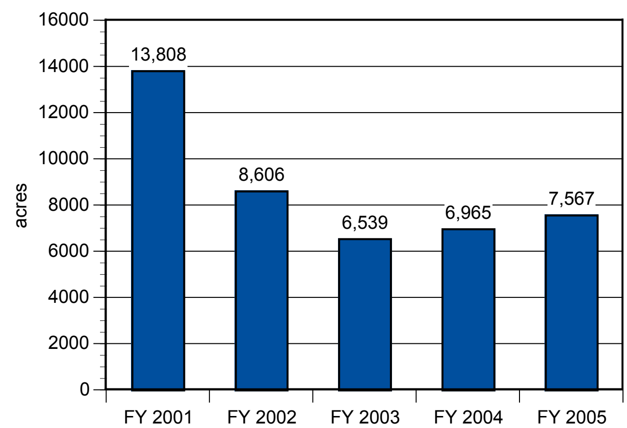
Mission Area 1: Resource Protection Performance and Resource Scorecard					
End Outcome Goal	**Number of Measures Met (including estimates)**	**Number of Unmet Measures (including estimates)**	**Number of Measures Containing Preliminary Data**	**Number of Measures Containing No Reports**	**Costs (in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

Restoring Our Lands and Waters to Healthy and Productive Status

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

FIGURE 1-6

Lands Reclaimed from Past Mining *



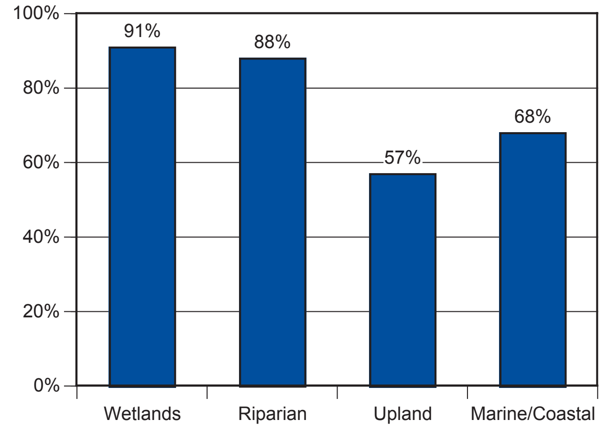
* Notes - Data prior to FY 2005 represent OSM contribution only. Data for FY 2005 are preliminary.

Habitattitude: Adopt a Conservation Attitude

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

FIGURE 1-7

Percent of Targeted Wetlands, Riparian, Upland, and Marine/Coastal Areas Restored in FY 2005



Note - All data are preliminary.

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

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

In FY 2005, partnerships enabled us to achieve watershed and landscape goals for an estimated 743,192 acres (Ref #22), exceeding our target of 240,230 acres. We achieved goals for 888 stream/shoreline miles against a target of 460 miles (Ref #23). This compares to 770,065 acres and 596 miles in FY 2004. We were also able to protect and/or restore an estimated 21,137 surface and groundwater systems (Ref #10) directly managed or influenced by Interior by working with State and local resource managers. Our collaborative efforts helped achieve desired conditions for upland, riparian, wetland, and marine and coastal areas, as specified in our management plans (see *Figure 1-7*, Ref #1, 2, 3, 4). Our work with wetland areas addresses President Bush's Wetland Initiative. Successes in meeting these goals are attributed to exceptional voluntary contributions by landowners as part of the FWS Coastal Program restoration efforts and to the removal of invasive fox populations from islands in Alaska Maritime National Wildlife Refuges that contributed to about 140,000 restored acres. The removal of foxes permitted birdlife to land and nest on the islands, fertilizing the land and encouraging plant growth, thus contributing to restoration of wetland areas.

Fighting the War on Invasive Species

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

Go Native!

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

Here are some common invasive species:

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

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

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

Interior's challenge to control the spread of invasive plant species on lands we manage continues to grow. Although the data indicate that the number of infested baseline acres controlled at the end of FY 2005 (614,027 acres) was more than 60% greater than the number controlled at the end of FY 2004 (372,971 acres), the overall percentage of infested acres under control declined from 9% to 2%. The Department's recent efforts to better coordinate its invasive plant control efforts are promising. However, the ultimate measure of success will be our ability to use these and other techniques to reverse the current harm or degradation that invasive plants are having on the health of public lands.

Knock on Woods—Two Endangered Species Have Hope

Red-cockaded woodpecker

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

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

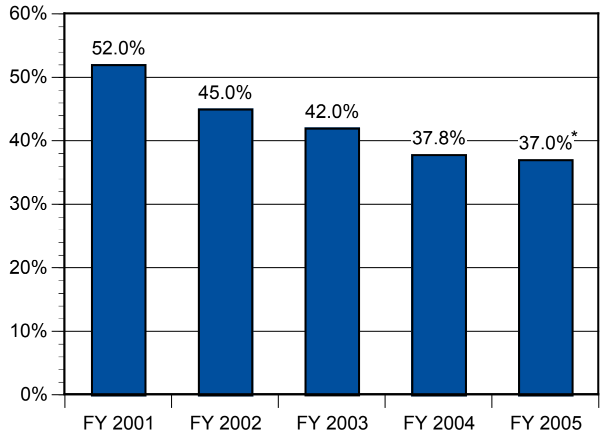
Recent census counts provided by the FWS reveal that the red-cockaded woodpecker experienced a 23% population boom between 1994 and 2004. FWS partner programs have provided increased habitat for the species by involving private landowners in conservation efforts through Habitat Conservation Plans and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

Improving Endangered Species Status

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

FIGURE 1-8

Percent of Threatened or Endangered Species Stabilized Over Time



* Denotes preliminary data.

Note - Data represent only those species listed a decade or more.

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

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

When reviewing the progress to improve the condition of America's threatened and endangered species, the percentage of these species listed a decade or more that are stabilized or improving, when calculated as a percentage, decreases. This is due to the fact that the overall number of threatened or endangered species has increased significantly, and species recently listed are unlikely to become stable or improved for some years. For example, from FY 2001 to FY 2005, the number of species listed a decade or more increased from 616 to 937, a 52% increase. Meanwhile the number of species that were stabilized or improved during this period increased from 320 to 350, a 9% increase. The principal causes for this trend include habitat degradation and invasive species proliferation to which our response requires coordinated action over a long period of time. The Department and its partners must continue to practice timely and effective cooperative conservation to ensure the best means for potentially slowing this trend.

Protecting, Preserving, and Restoring Physical Assets

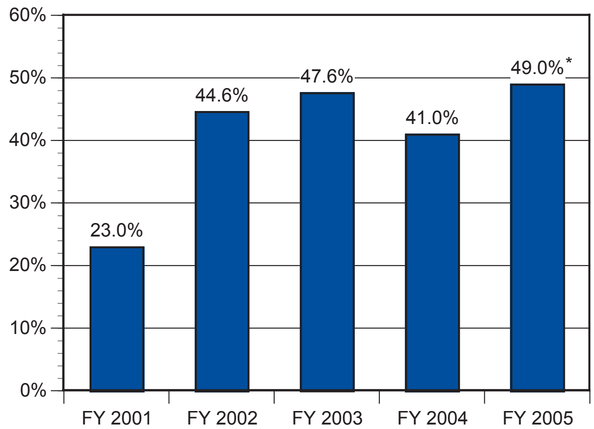
As guardians of the Nation's cultural heritage, we are responsible for priceless national assets, ranging from commemorative sites like the World War II Memorial in Washington, D.C., to Native American archeological and cultural sites such as Tuzigoot in Arizona. In 2005, Interior finalized its Asset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

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

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

FIGURE 1-9

Percent of Paleontological Localities in Good Condition



* Denotes preliminary data.

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

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

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

National Park Service Maintenance Efforts

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

FIGURE 1-10

How We Measure Up: Performance on Key Resource Protection Goals

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

FIGURE 1-10

How We Measure Up: Performance on Key Resource Protection Goals

Performance Goal (Total Number of Reported Results)	Average Performance Rating and Number of Reported Results				
	Target Not Met	Below Target	On Target	Above Target	Target Exceeded
Percent of baseline area infested with invasive plant species that is controlled *4 Results*		2	1		1
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 *2 Results*				2	
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 *2 Results*					2
Number of acres of landscapes and watersheds managed through partnerships and networked lands that achieve habitat protection *1 Result*			1		
Conservation and biological research facilities are in fair to good condition as measured by the Facilities Condition Index *2 Results*	1		1		
End Outcome Goal – Protect Cultural and Natural Resources					
Percent of cultural properties on DOI inventory in good condition *3 Results*		1	1		1
Percent of collections in DOI inventory in good condition *3 Results*	1		1		1
Percent of paleontologic localities in DOI inventory in good condition *3 Results*	2		1		
Facilities are in fair to good condition as measured by the Facilities Condition Index *2 Results*			1		1

KEY

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

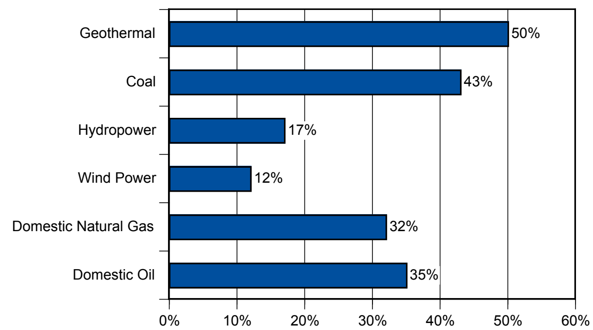
Mission Area 2: Resource Use–Manage Resources to Promote Responsible Use and Sustain a Dynamic Economy

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

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

FIGURE 1-11

Interior's Role in the Nation's Energy Production



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

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

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

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

TABLE 1-5

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

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

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

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

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

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

Royalty in Kind Generates Solid, Measurable Results

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

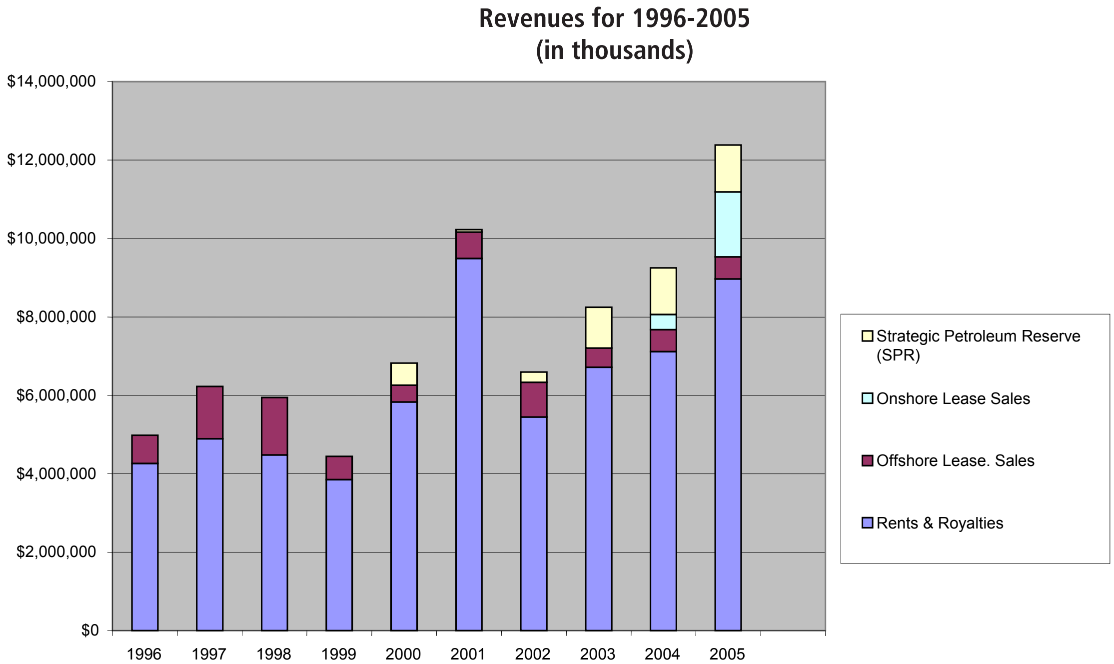
When there is economic advantage through increased revenues, greater administrative efficiency, and/or security needs of the Nation, MMS collects royalties in kind rather than in value (cash).

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

Did You Know ...

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

FIGURE 1-12



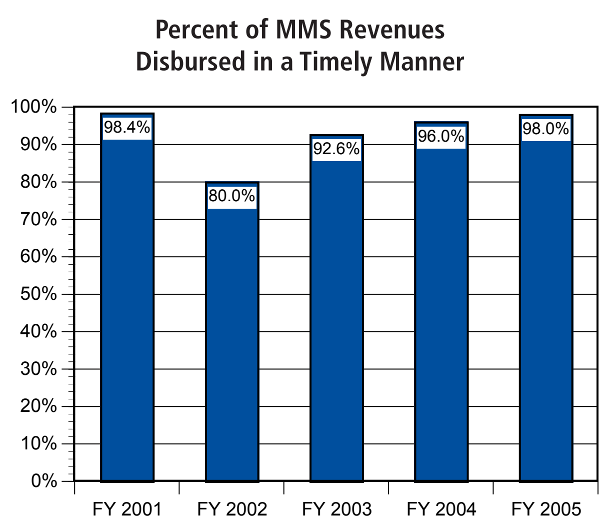
Note: SPR revenues represent value of oil taken in-kind for delivery to SPR rather than actual dollars. Beginning in FY 2005, the Statement of Custodial Activity was revised to present an additional revenue category for onshore lease sale activity. For comparative purposes in the current Statement, FY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

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

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

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

FIGURE 1-13



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

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

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

Processing additional APDs to expand access to Federal lands for oil and gas development provides several significant potential benefits for the Nation. For example, processing an additional 3,000 APDs in 5 years could result in the following benefits over a 15-year period: increased production equivalent to approximately 1, 670 billion cubic feet of natural gas; additions to reserves equivalent to approximately 2,900 billion cubic feet of natural gas; and a net present value of approximately $4.7 billion in revenues.

A Big Horse with a Little Footprint

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

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

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

Maintaining Healthy Forests

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

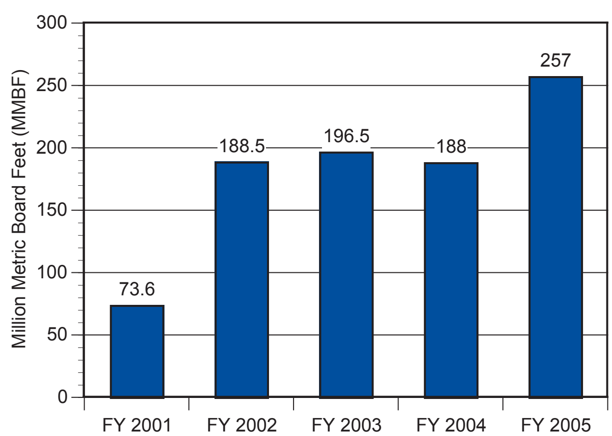
The BLM and BIA also oversee the harvesting of timber on public and Indian trust lands. In FY 2005, the BLM offered 257 million metric board feet (MMBF) of timber for sale on Interior lands, exceeding its target of 223 MMBF (Ref #71). In FY 2004, BLM offered 188 MMBF of timber (*Figure 1-14*). The BIA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

Less Fuel for the Fire

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

FIGURE 1-14

Volume of Timber Offered for Sale by BLM



Providing Water and Water Power

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

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

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

BOR is among the lowest-cost hydropower producers. In FY 2005, it estimated that it was in the top 25% of lowest cost producers, when comparing the cost per megawatt of installed capacity (*Figure 1-16*) (Ref #84). On the average, BOR generates about 42 million kilowatt-hours of hydroelectricity, enough to meet the annual needs of 9 million people.

FIGURE 1-15

Delivering Water to the West

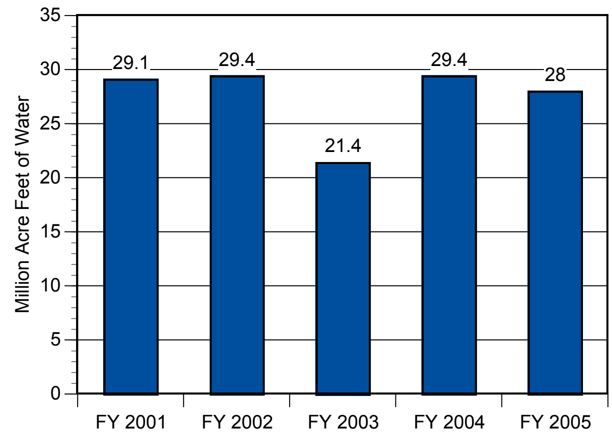
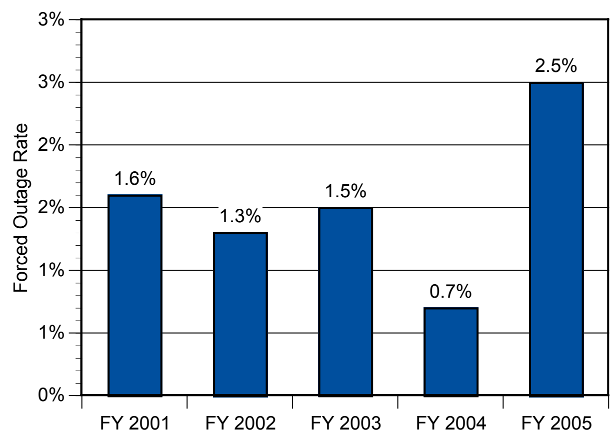


FIGURE 1-16

BOR'S Forced Outage Rate (Industry Average is 2.5%)



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

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

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

FIGURE 1-17

How We Measure Up: Performance on Key Resource Use Goals

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

FIGURE 1-17

How We Measure Up: Performance on Key Resource Use Goals

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

KEY

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

Mission Area 3: Recreation– Provide Recreation Opportunities for America

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

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

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

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

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

Did You Know ...

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

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

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

TABLE1-6

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

- Our success related to increased numbers of on-line transactions and use of interagency passes can be attributed to the fact that the public is becoming more familiar with these tools, as well as our own efforts to make the tools more user-friendly.

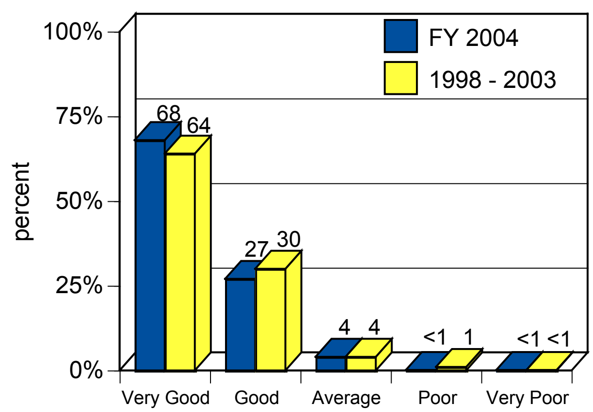
- We continue to experience difficulties reporting to some of our measures because of our inability to develop concise and consistent data recording methods. We are working to address these problems in FY 2006.

Measuring the Quality of Visitor Services

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

FIGURE 1-18

Overall Visitor Satisfaction with Park Facilities



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

FIGURE 1-19

Visitor Ages at Saint-Gaudens National Historic Site (Cornish, NH)

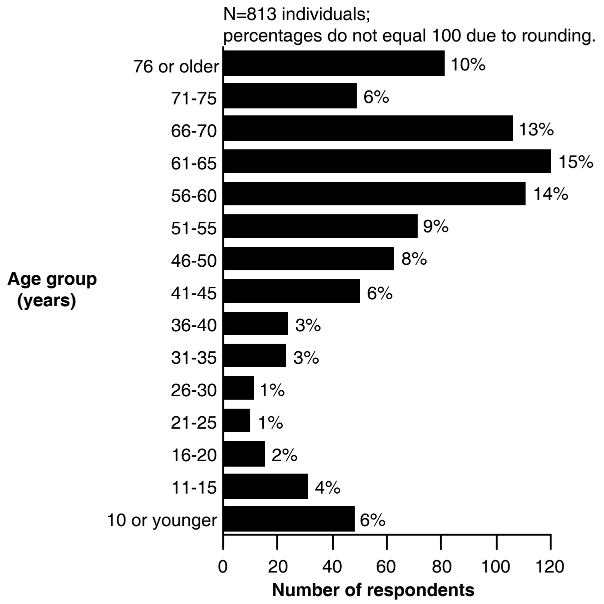
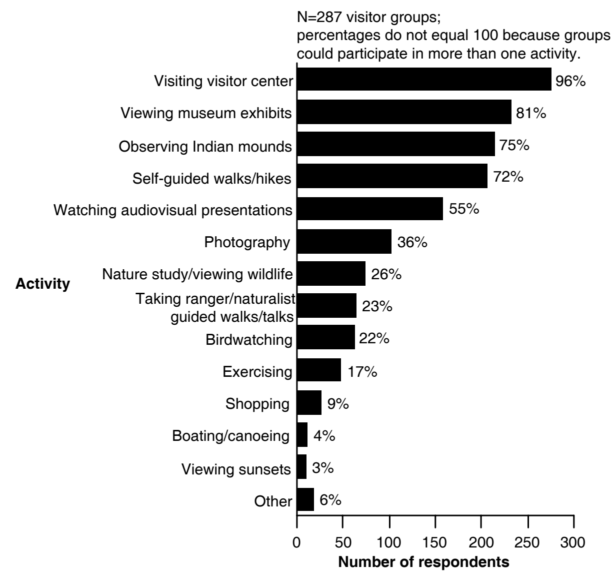


FIGURE 1-20

Visitor Activities Inside Effigy Mounds National Monument (Harpers Ferry, IA)

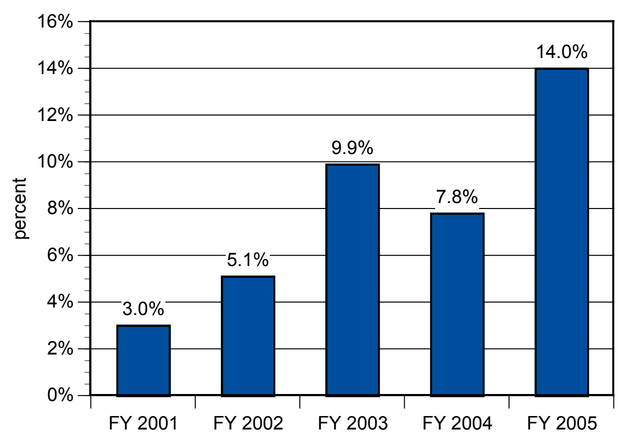


Educating the Visitor

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

FIGURE 1-21

Percent of Facilities Accessible in Relation to Total Number of Recreation Areas



Making Recreational Opportunities More Accessible

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

The Web-based, information-rich portal *www.recreation.gov* (part of our Recreation One-Stop initiative) continues to provide citizens with a wealth of data about our public lands through a single point. Eventually, Recreation One-Stop will ascend to a new level of citizen service by providing a means to make recreation-related reservations using one Federal site and a single on-line "shopping cart."

Already we have increased our capacity for handling on-line recreation transactions. In FY 2005, we handled 131,671 transactions against a target of 103,500 (Ref #93). This is significant progress over 2004, when we handled only 12,960 transactions, which still exceeded our performance target for the year. The number of individuals using an interagency pass also jumped from 10,750 users in FY 2004 to an estimated 545,220 individuals in FY 2005, again exceeding our performance target of 497,000 (Ref #95). However, much of the increase in the number of individuals using the interagency pass from FY 2004 to FY 2005 is due to additional bureaus reporting results from FY 2005.

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

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

FIGURE 1-22

FY 2005 Recreation Fees (in millions)

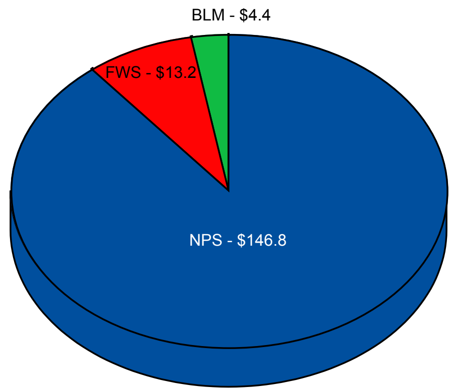


FIGURE 1-23

How We Measure Up: Performance on Key Recreation Goals

Performance Goal (Total Number of Reported Results)	Average Performance Rating and Number of Reported Results: Target Not Met	Below Target	On Target	Above Target	Target Exceeded
End Outcome Goal – Provide for a Quality Recreation Experience, Including Access and Enjoyment of Natural and Cultural Resources on DOI Managed and Partnered Lands and Waters					
Satisfaction with quality of experience *3 Results*		1	1		1
Percent of universally accessible facilities in relation to the total number of recreation areas *3 Results*	1		1		1
Number of online recreation transactions supported by DOI *2 Results*	1				1
Number of individuals using an interagency pass *2 Results*		1			1
Number of visitors served by facilitated programs *3 Results*	2				1
End Outcome Goal – Provide For and Receive Fair Value in Recreation					
Percent of recreation fee program receipts spent on fee collection *3 Results*			1		2

KEY

Range 95% - 105% of Target

▼ DOI FY05 Aggregate Actual compared to FY05 Target

▼ DOI FY04 Aggregate Actual compared to FY04 Target

(Relative position of Bureau results identified by number)

This page intentionally left blank

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

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

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

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

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

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

TABLE 1-7

Mission Area 4: Serving Communities
Performance and Resource Scorecard

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

Safeguarding Communities from Hazards

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

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

TABLE 1-8

Wildland Fires and Their Impacts: An 11-Year Snapshot

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

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

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

Providing Relief to Hurricane Victims

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

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

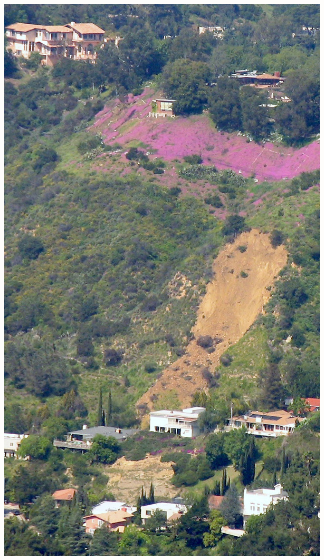
- One team managed one of the largest air operations staging areas in the storm-affected region. Crews unloaded, refueled, and stored 10 to 12 747 plane-loads of commodities everyday.
- Personnel from one team provided round-the-clock distribution and processing of nearly 4,000 semi-truckloads of Meals-Ready-to-Eat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

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

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

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

Reducing Landslide Hazards through a Partnership with the American Planning Association



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

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

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

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

Interior's law enforcement officers work to protect against illegal activities on our lands. In addition to providing for the safety and security of residents and employees, volunteers, and Indian Country citizens and visitors, our law enforcement programs protect natural and cultural resources and facilities in every State. Interior is in its third year of reforming its law enforcement activities, responding to 25 specific areas of improvement identified by a 2002 Inspector General report and mandated for reform by the Secretary of the Interior. We continue to make strategic investments in our law enforcement and security programs, improve oversight of related budgets, and assure accountability through effective performance goals and measures.

Using Science for Decision-Making

At the Department of the Interior, science informs our land management decisions, helps us protect employees and visitors to our lands, and helps safeguard the lives of those in the communities that we serve. The USGS is Interior's principal science agency. Founded in 1879, the USGS serves the Nation by providing reliable scientific information to describe and understand the earth; minimize loss of life and property from natural disasters; manage water, biological, energy, and mineral resources; and enhance and protect our quality of life.

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

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

One example of the way the USGS works with communities to provide scientific data critical to them is an effort related to mercury in fish. Many Federal, State, and other agencies monitor mercury levels in fish samples to identify streams and lakes susceptible to contamination. These agencies face formidable challenges in interpreting data on mercury concentrations in fish tissue because important spatial and temporal trends in the data are often obscured by variations in fish sample characteristics—different fish species, fish of different sizes, and different parts of fish (whole fish or fish fillet tissue). To help resource managers with this problem, USGS scientists developed a national model of mercury concentrations in fish tissue. The statistical model can be used to analyze monitoring data and to predict mercury concentrations in single fish species, in a specified size of fish, or in a type of fish tissue based on monitoring data. By accounting for differences in sample characteristics, the statistical model can reveal variations in fish-mercury concentrations between sites and over time that otherwise might go unnoticed. Additionally, the model can estimate mercury concentrations in many fish with very different characteristics, thus providing the potential to dramatically lower the number of fish samples needed for analysis (and therefore lowering sampling costs) without decreasing accuracy. The model is available on-line and was developed in cooperation with the National Institute of Environmental Health Sciences, the National Map Program, and the Water Resources Program.

Science and the Tsunami

The tsunami that occurred on December 26, 2004, in the Indian Ocean was one of the worst ever recorded in history in terms of lives lost. Scientists at the USGS are trying to understand the mechanics and impact of this tsunami in the hope that disasters such as this one can be avoided in the future. Their research ranges from the geologic aspects of the event, including the earthquake that generated the tsunami, to hydrologic characteristics, including the transport of sediments during the tsunami run-up. USGS, for example, recently participated in an international team that studied the effects of the tsunami on Sumatra. The team documented wave heights of 20 to 30 m (65 to 100 ft) at the island's northwest end and found evidence suggesting that wave heights may have ranged from 15 to 30 m (50 to 100 ft) along at least a 100-km (60 mi) stretch of the northwest coast. These wave heights are higher than those predicted by computer models made soon after the earthquake that triggered the tsunami. Such wave height measurements will contribute to improved tsunami assessment and forecast products that will help communities mitigate risk.

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

Fulfilling Our Trust Responsibilities

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

- For the first time, Interior has placed Fiduciary Trust Officers at the local level. These Officers' sole purpose is to address beneficiaries' trust issues.

- A new American Indian Records Repository has been established at the National Archives and Records Administration in Lenexa, Kansas, to house consolidated inactive records of BIA and OST. The repository can store 250,000 boxes of records in a world-class, archival-quality facility.

- Interior is establishing a new National Indian Programs Training Center in Albuquerque, New Mexico. The training center will become a hub for trust training of all Interior Indian fiduciary and trust services, Tribal employees involved in trust reform and self-governance and self-determination programs.

- Between 2002 and 2005, Interior reconciled and distributed more than $49.3 million of special deposit account monies to their rightful owners.

- Interior has improved information technology systems, spending more than $100 million, to protect trust data Department-wide.

- Interior has implemented financial lockboxes nationwide to receive trust generated receipts.

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

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

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

Advance Quality Communities for Tribes and Alaska Natives

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

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

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

- Interior made progress toward its goal of achieving parity between the Tribal community and the U.S. rural area national average on high school graduation. Based on preliminary data, we estimate that 82% of eligible BIA students graduated from high school in 2005, meeting our performance target for the year (Ref #168, 178).

- Preliminary data point to a significant rise in teacher proficiencies in select subject areas, including math and language arts. We estimate that 94% of BIA school teachers are proficient in these areas against a target of 76%. This is a projected increase over the 2004 target of 73.5% (Ref #174).

- The Department helped create 1,922 jobs for Native Americans and Alaska Natives, exceeding our target of 1,700, through capital provided by Interior loans (Ref #179).

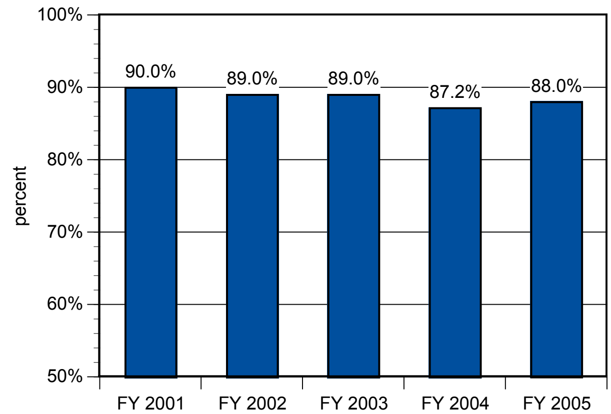
- Interior is continuing to ensure that facilities are in fair to good condition as measured by the FCI. Our index for BIA schools in FY 2005 was reported at 0.107, which meets our performance target and improves upon the FY 2004 FCI of 0.124 (Ref #173).

- During the last 4 years, Interior has heightened its commitment to the education of American Indian children and adults. Priority attention is being given to repairing and replacing BIA elementary and secondary schools. Between 2001 and 2005, BIA made progress toward replacing 34 schools on the Education Facilities Construction Priority Ranking List. Nine of these schools are now completed and operating. BIA completed three more schools in 2005.

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

FIGURE 1-24

Student Attendance Rates



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

FIGURE 1-25

How We Measure Up: Performance on Key Serving Communities Goals

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

FIGURE 1-25

How We Measure Up: Performance on Key Serving Communities Goals

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

KEY

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

This page
intentionally
left
blank

Strategic Goal: Management Excellence–Manage the Department to be Highly Skilled, Accountable, Modern, Functionally Integrated, Citizen-Centered, and Result-Oriented

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

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

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

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

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

TABLE 1-9

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

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

Maintaining a Skilled Workforce

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

TABLE 1-10

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

Ensuring Accountability

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

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

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

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

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

FY 2004 marked the first time ever that the audit of Interior's Performance and Accountability Report was completed 45 days after the end of the fiscal year—a huge improvement from the 5 months it took us just 5 years ago (*Figure 1-26*). We repeated that performance in FY 2005 thanks to the outstanding efforts of our financial and strategic planning workforce. In FY 2005, we once again obtained an unqualified audit opinion, continuing a record established 9 years ago, for our consolidated financial statements (*Figure 1-27*) (Ref #196, 197).

TABLE 1-11

Making the Grade: Interior's E-government and Budget and Performance Integration Scorecards

	September 30, 2005		September 30, 2004	
	Status	Progress	Status	Progress
E-Government	Red	Red	Yellow	Green
Budget and Performance Integration	Yellow	Green	Red	Green

FIGURE 1-26

Number of Days to Complete PAR After September 30

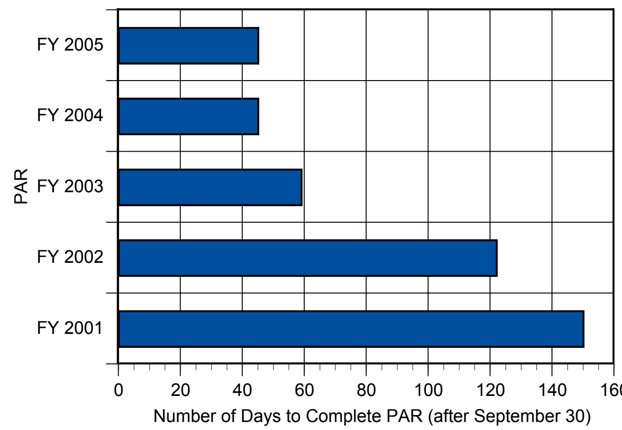
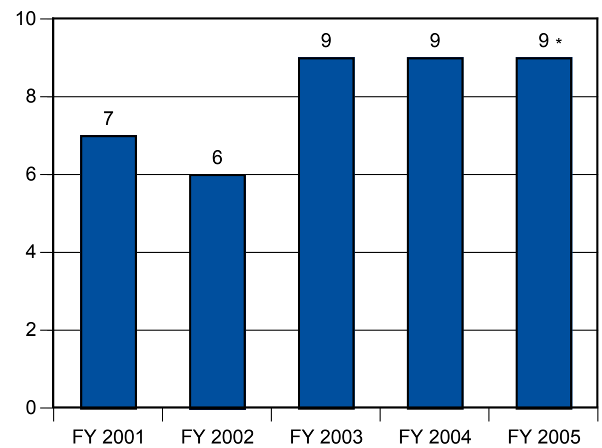


FIGURE 1-27

Interior's Unqualified Audit Opinions (Department and Bureaus)



* Includes OSM balance sheet audit.

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

TABLE 1-12

Making the Grade: Interior's Competitive Sourcing and Financial Performance Scorecards

	September 30, 2005		September 30, 2004	
	Status	Progress	Status	Progress
Competitive Sourcing	Green	Green	Yellow	Yellow
Financial Performance	Red	Green	Red	Green

Integrating and Modernizing Our Business Practices

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

The blueprints also highlight system redundancies and identify opportunities for data sharing. We have been able to save money by making large-volume IT purchases and by adopting Department-wide systems, instead of maintaining redundant systems. We have completed a Department-wide Intranet. By the end of 2006, all of Interior's bureaus and offices will have transitioned to managed services and be operating on the Enterprise Services Network (ESN). This will provide access to the Internet and the Department-wide intranet and will be supported by a fully operational technical support center. In addition to providing better services for many Interior bureaus and offices, the system will provide a uniformly secure environment, standardized and efficient 24 hour/7 day operations, and improved technical support. ESN will also facilitate efforts to consolidate directory services, web hosting, messaging, data warehousing, and other applications and systems.

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

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

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

The following highlights show IT security achievements in FY 2005:

- Over 98% of our systems were certified and accredited compared to 2002, when *none* of our systems were certified and accredited, demonstrating considerable progress in securing our IT systems so that our service to the public will not be interrupted by security breaches.

- The Department is maintaining a continuous monitoring program as part of the Certification and Accreditation (C&A) processes (*Figure 1-28*). This includes:

  - independent third-party review of C&A packages;
  - routine automated vulnerability scanning and remediation of identified weaknesses; and
  - internal and external penetration testing of networks and major applications.

- Interior initiated state-of-the-art penetration testing, independently conducted by the OIG, for our bureaus and offices. The enhanced monitoring program provided critical information needed to prioritize further improvements to our operational security posture.

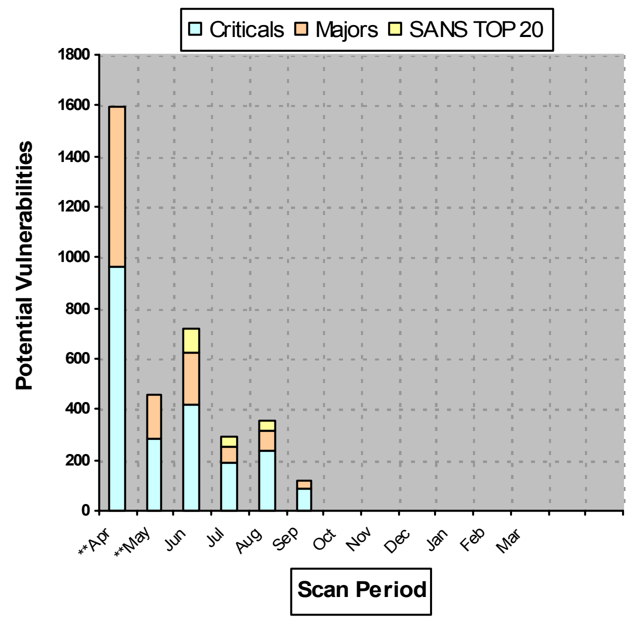
- We entered into an agreement with USALearning.gov to deliver a standardized curriculum for individuals with significant IT security roles.

- Interior's CIO conducted an independent IT security assessment to evaluate DOI against the myriad of security policies and guidance. We achieved a 3.63 maturity level out of 5 from this assessment.

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

FIGURE 1-28

IT Security Vulnerability Scans Conducted in FY 2005



- Implementing the new Internet Protocol version 6 represents a significant workload, one that will require new technical skills for DOI employees to meet mandated deadlines.

- Completion of planned Enterprise Services Network, enterprise messaging and Active Directory initiatives will require continued a commitment of resources.

- Implementation of Homeland Security Presidential Directive 12 is expected to further enhance security, but it will require implementation of an Active Directory and a significant commitment of resources.

- The ongoing *Cobell vs. Norton* litigation continues to hamper our ability to provide access to Interior Internet services for many key customers, while redirecting significant resources away from needed security and other improvements.

- Hurricanes Katrina and Rita relief efforts highlighted the need for additional interoperable telecommunication abilities. Interior intends to conduct an assessment to find opportunities for sharing resources with other Federal agencies as well as with State, Tribal, and local governments.

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

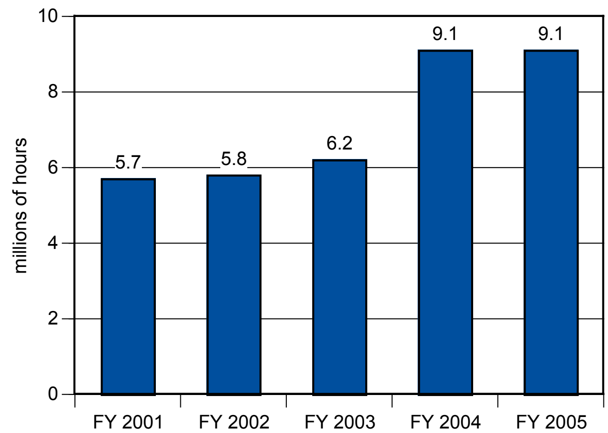
Assuring Customer Value

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

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

FIGURE 1-29

A History of Volunteers
(Volunteers Hours Contributed to DOI)



Looking to the Future—Our Challenges

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

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

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

These issues are considered top challenges because they are important to the Department's mission, involve large expenditures, require significant management improvements, or involve significant fiduciary responsibilities. For additional details concerning the top management challenges, please see "Compliance with Legal and Regulatory Requirements," *Table 1-25*.

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

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

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

FIGURE 1-30

How We Measure Up: Performance on Key Management Excellence Goals

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

KEY

Range 95% - 105% of Target

▼ DOI FY05 Aggregate Actual compared to FY05 Target

▼ DOI FY04 Aggregate Actual compared to FY04 Target

(Relative position of Bureau results identified by number)

Compliance With Legal and Regulatory Requirements

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

- Federal Managers' Financial Integrity Act (FMFIA);
- Federal Financial Management Improvement Act (FFMIA);
- Inspector General Act Amendments (Audit Follow-Up);
- Improper Payments Information Act (IPIA);
- Federal Information Security Management Act (FISMA); and
- Other key legal and regulatory requirements including:
  - Prompt Payment Act
  - Debt Collection Improvement Act
  - Biennial review of user fees

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

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

Federal Managers' Financial Integrity Act

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

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

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

Annual Assurance Statement

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

Management Control Assessments

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

FIGURE 1-31

FISCAL YEAR 2005
ANNUAL ASSURANCE STATEMENT

During FY 2005, the Department conducted the annual assessment of its systems of management, accounting, and administrative controls in accordance with the requirements and guidelines prescribed by the Federal Managers' Financial Integrity Act (FMFIA) and Office of Management and Budget (OMB) Circular A-123, "Management Accountability and Control." Based on the results of this assessment, with the exception of the four material weaknesses noted herein, the Department can provide reasonable assurance that its systems of management, accounting, and administrative controls, taken as a whole, meet the objectives specified in Section 2 of FMFIA, and OMB Circular A-123.

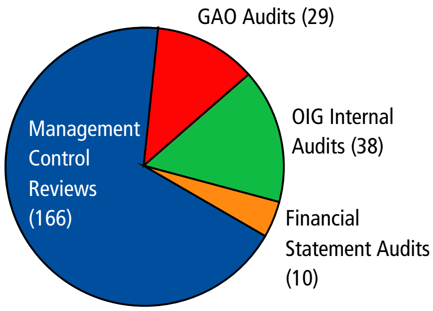
The Department received an unqualified audit opinion from the independent audit of its FY 2005 financial statements. The audit did indicate that the Department achieved substantial compliance with the Federal Financial Management Improvement Act (FFMIA) component for Federal financial management systems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

Gale A. Norton

Secretary of the Interior

FIGURE 1-32

Basis for FY 2005 Assurance Statement



of the Chief Financial Officers (CFO) Act of 1990 and the Government Management Reform Act (GMRA) of 1994. As in prior years, management control reviews performed by the Department and its bureaus provided the majority of the support (68%) for the Annual Assurance Statement. In addition, many of Interior's management control reviews and related accountability and integrity program activities focused on areas identified as major management challenges and on components of the President's Management Agenda. *Figure 1-33* presents a crosswalk of those activities.

Material Weaknesses and Accounting System Non-Conformances

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

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

FIGURE 1-33

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

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

TABLE 1-13

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

TABLE 1-14

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

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

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

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

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

Mission Critical Material Weaknesses

OMB Circular A-123, "Management Accountability and Control," requires that each agency identify and report on the most critical material weaknesses affecting the agency. The Department has adopted the guidelines for mission critical material weakness designations recommended by the GAO. These guidelines are noted in *Figure 1-34*. Interior recognizes the importance of correcting mission critical weaknesses in a timely manner. The Department and senior program management officials continuously monitor corrective action progress for all mission critical weaknesses.

Interior's Implementation of OMB's Revised Circular A-123 Appendix A

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

- Expanded the existing DOI Internal Control and Audit Follow-up Council to include the Department's Chief Information Officer and Procurement Executive as encouraged by the circular, and established a Senior Assessment Team.

- Provided training on the requirements of the new Circular at a DOI-wide conference.

TABLE 1-15

Pending FMFIA Material Weaknesses as of September 30, 2005

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

TABLE 1-15

Pending FMFIA Material Weaknesses as of September 30, 2005

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

TABLE 1-15

Pending FMFIA Material Weaknesses as of September 30, 2005

Bureau	Date First Reported	Description	Corrective Actions	FY 2005 Progress	FY 2004 PAR Target Date	Status
Mission Critical Material Weaknesses						
BIA	FY 2004	Indian Detention Facilities: Serious safety, security, and maintenance deficiencies exist at the majority of BIA detention centers. These deficiencies are a hazard to inmates, staff, and the public.	BIA will immediately commence the implementation of corrective actions that will improve the security, safety, management, and operating efficiency of detention facilities. These actions include: • The Deputy Assistant Secretary for Law Enforcement will become actively engaged in overseeing the detention program; • The Department's Office of Law Enforcement will conduct frequent scheduled and unscheduled compliance inspections; • Clear "serious incident" reporting and follow-up protocols will be established and implemented; • Facility staffing models will be developed, and shortages related to officer safety should be immediately identified and corrected; • Recruiting standards and guidelines for detention officers will be developed and adhered to; • A system for identifying and prioritizing facilities repairs impacting inmate and officer safety will be implemented; • Internal controls and other improvements for budgeting, cost tracking and reporting purposes will be developed and implemented; • Strategic plans for jail replacement and renovation based on comprehensive condition assessments will be developed; • Training standards and models for detention offices will be developed and compliance/certification reviews will be conducted; and, • Regular regional meetings of detention administrators will be held to identify best practices and address and resolve emerging issues.	BIA completed restructuring of the Office of Law Enforcement; issued the Indian Country Detention Strategic Planning summary; obtained funding to hire detention manager and additional staff; developed a policy prioritizing repairs to detention facilities; and developed training standards for detention officers.	FY 2005	Delayed. A targeted correction date of FY 2007 has been assigned by BIA.

TABLE 1-15

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

- Developed an implementation plan that identifies milestones, responsible organizations, and target completion dates; submitted plan to OMB in August 2005.

- Revised the Departmental Handbook on Internal Control and Audit Follow-up to reflect the revised Circular A-123's new financial reporting requirements.

- Defined a methodology and determined the materiality level for each of the Department's financial statements.

- Identified DOI's significant financial reports and business processes.

- Hired a contractor to assist the Senior Assessment Team in carrying out its responsibilities such as documenting and assessing significant financial reporting processes and related internal controls, and developing a detailed assessment plan. A draft detailed assessment plan was completed September 30, 2005.

FIGURE 1-34

Material Weakness Guidelines

The Department defines a mission critical material weakness as:

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

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

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

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

Federal Financial Management Improvement Act

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

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

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

Highlights of FFMIA Improvement Plan

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

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

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

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

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

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

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

Inspector General Act Amendments (Audit Follow-Up)

Interior believes that the timely implementation of OIG and GAO audit recommendations is essential to improving efficiency and effectiveness in its programs and operations, as well as achieving integrity and accountability goals. As a result, Interior has instituted a comprehensive audit follow-up program to ensure that audit recommendations are implemented in a timely and cost-effective manner and that disallowed costs and other funds due from contractors and grantees are collected or offset. In FY 2005, Interior monitored a substantial amount of new Single Audit, OIG, and GAO audits, including 292 Single Audits, 26 OIG audits, and 19 GAO audits. Audit follow-up actions include analyzing audit reports referred; advising grantors of audit findings; tracking, reviewing, and validating audit recommendations; developing mutually acceptable and timely resolution to disputed audit findings and recommendations; and monitoring the recovery of disallowed costs.

TABLE 1-16

FY 2005 GPRA Performance Goal for Implementation of OIG and GAO Audit Recommendations

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

GPRA Goal for Timely Implementation of Audit Recommendations

To further demonstrate the importance of timely implementation of OIG and GAO audit recommendations, beginning in FY 2001, Interior established an aggressive annual GPRA performance goal of implementing 75% of all GAO and OIG audit recommendations within one year of the referral of those recommendations to the Department for tracking of implementation. After successfully meeting that goal for the first time in FY 2002, Interior has continuously raised the performance goal for timely implementation of audit recommendations for consecutive fiscal years. For FY 2005, the performance goal was 85%, which was higher than its FY 2004 goal of 80%.

Interior exceeded its GPRA performance goal with a composite implementation rate of 87% (*Table 1-16*). The primary reason for Interior's success in achieving the GPRA performance goal for the third consecutive year was the aggressive progress monitoring plan implemented at the direction of the Assistant Secretary – Policy, Management and Budget. Quarterly management control and monthly audit follow-up program and financial statement progress scorecards were prepared by each bureau and office to ensure audit recommendation implementation commitments were being met, and that immediate senior management attention was directed to slippage when it occurred. Interior will employ the same aggressive progress monitoring plans in FY 2006 to ensure the continued achievement of this GPRA performance goal.

Single Audits

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

Collecting and Offsetting Disallowed Costs in Single Audits

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

Internal Audits

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

One category of OIG internal audits is those audits where the OIG presents recommendations to improve efficiency and where funds can be put to better use (FBU audits). Interior tracks the successful implementation of FBU audit recommendations and FBU dollar estimates, which are agreed to by management. As noted in *Table 1-18*, 2 audits with $38.2 million in FBU dollars were carried over from FY 2004 for tracking during FY 2005.

TABLE 1-17

FY 2005 Summary of Actions Taken on Contract, Grant, and Single Audits with Disallowed Costs

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

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

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

TABLE 1-18

FY 2005 Summary of Actions Taken with Funds to be Put to Better Use (FBU)

			Number of Reports	FBU Dollars
(A) Reports on hand at beginning of report period			2	$38,219,271
(B) New reports received during report period			0	0
Total reports in tracking			2	$38,219,271
(C) Reports closed during report period			0	0
(D) Reports in progress at end of report period			2	$38,219,271
Mgmt Dec < 1 yr old	0	0		
Mgmt Dec > 1 yr old	2	$38,219,271		
Mgmt Dec under formal appeal	0	0		

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

GAO Audits

GAO audits are a major component of Interior's audit follow-up program workload and cover a variety of programs, operations, and activities. A total of 29 GAO reports with 86 recommendations were carried over from FY 2004. During FY 2005, GAO issued a total of 19 new reports with 27 recommendations. The Department was successful in closing 26 of the 48 (54%) reports in tracking during FY 2005, along with 44 of the reports' 113 (39%) recommendations (*Table 1-19*).

Audited Financial Statement Results

As required by the GMRA, Interior prepares consolidated financial statements. Beginning in FY 2001, these financial statements have been audited by KPMG LLP, an independent public accounting firm (the OIG audited the financial statements prior to FY 2001). Additionally, each individual bureau prepares financial statements that are also audited.

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

The results of the FY 2005 and FY 2004 financial statement audit process are summarized in *Table 1-20*. As shown in the table, Interior again achieved unqualified audit opinions for each bureau and the Department's consolidated financial statements.

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

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

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

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

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

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

Major Management Challenges Confronting Interior

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

TABLE 1-19

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

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

TABLE 1-20

Summary of FY 2005 and FY 2004 Financial Statement Audits

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

(a) Balance sheet audit only.
(1) Debt Collection Improvement Act
(2) Prompt Payment Act
(3) Single Audit Act
(4) OMB Circular A-25

TABLE 1-21

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

TABLE 1-21

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

TABLE 1-22

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

TABLE 1-23

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

TABLE 1-24

FY 2005 Audited Financial Statements Noncompliance with Laws and Regulations				
Bureau	**Noncompliance Description**	**Corrective Action**	**Target Date**	**New or Carryover from FY 2004**
DEPT	Federal Financial Management Improvement Act	Improve controls to comply with Federal accounting standards and the SGL at the transaction level.	12/31/05	Carryover
DEPT	Debt Collection Improvement Act	Establish a process to ensure bureau receivables are referred to the U.S. Department of the Treasury in a timely manner.	9/30/05	Carryover
DEPT	Single Audit Act	Improve grantee monitoring processes to ensure compliance with the reporting requirements of the Single Audit Act Amendments.	9/30/05	Carryover
DEPT	OMB Circular No. A-25, "User Charges"	Implement policies and procedures to ensure compliance with the requirements of OMB Circular No. A-25.	9/30/06	New
BIA	Federal Financial Management Improvement Act	Develop and implement appropriate controls to ensure full compliance with Federal accounting standards and the SGL at the transaction level.	9/30/05	Carryover
BIA	Debt Collection Improvement Act of 1996	Establish, implement, and monitor policies and procedures addressing debt collection issues to ensure compliance with the Debt Collection Improvement Act.	9/30/05	Carryover
BIA	Single Audit Act Amendments	Improve grantee monitoring processes to ensure compliance with the reporting requirements of the Single Audit Act Amendments.	9/30/05	Carryover
BIA	OMB Circular No. A-25, "User Charges"	Implement policies and procedures to comply with OMB Circular No. A-25 and properly charge Federal entities for reimbursable administration costs.	9/30/06	New
BLM	Federal Financial Management Improvement Act	Develop and implement appropriate controls to ensure full compliance with Federal accounting standards.	9/30/05	Carryover
BOR	Federal Financial Management Improvement Act	Develop and implement appropriate controls to ensure full compliance with Federal accounting standards.	9/30/05	Carryover
DO	Federal Financial Management Improvement Act	Develop and implement appropriate controls to ensure full compliance with Federal accounting standards.	9/30/05	Carryover
DO (OIA)	Single Audit Act Amendments	Improve grantee monitoring processes to ensure compliance with the reporting requirements of the Single Audit Act Amendments.	9/30/05	Carryover
FWS	Federal Financial Management Improvement Act	Develop and implement appropriate controls to ensure full compliance with Federal accounting standards.	9/30/05	Carryover
MMS	Debt Collection Improvement Act of 1996	Establish, implement, and monitor policies and procedures addressing debt collection issues to ensure compliance with the Debt Collection Improvement Act.	9/30/05	Carryover
NPS	Single Audit Act	Develop controls to ensure grantees complete, report on, and implement timely corrective actions for single audits.	9/30/05	Carryover
NPS	Federal Financial Management Improvement Act	Improve controls to comply with the Federal accounting standards and the SGL at the transaction level.	9/30/05	Carryover

TABLE 1-25

Summary of Major Management Challenges Facing Interior				
Major Management Challenge	Description	New or Carryover from FY 2004	Interior Actions to Date	Status at end of FY 2005
Financial Management	Sound financial management is critical to providing accurate financial information, managing for results, and ensuring operational effectiveness. Although DOI has made some progress, internal control weaknesses continue to hinder the Department's financial management systems.	Carryover	DOI has a diverse and decentralized operating environment that is very challenging. In addressing the internal control issues associated with this environment, the Secretary provides strong support and active leadership that embodies sound financial management. As a result of her efforts to actively engage executives throughout the organization, DOI has made significant progress in improving internal controls in FY 2005, as evidenced by the reduction in Departmental-level audited financial statement material weaknesses from 4 to 2, correction of 3 of 4 noncompliance issues, and the elimination of Departmental-level FMFIA weaknesses. Internal control systems include the underlying information technology systems as well as manual processes and procedures, all of which are subjected to rigorous control reviews and reporting. DOI will continue its aggressive management control and audit follow-up program, and align it with Revised OMB Circular A-123. In addition, DOI is implementing an integrated enterprise system for finance and business management, which will further enhance the control environment. DOI began implementing the Financial and Business Management System (FBMS), the enterprise system, in FY 2005 and completed the first phase of the project in April 2005 with the launch of the financial assistance module for grant and cooperative agreement programs at MMS, OSM and selected programs at FWS. DOI selected the National Business Center (NBC) to host FBMS, established the training and production infrastructure and completed system Certification and Accreditation for the financial assistance deployment. DOI also updated the FBMS requirements, began configuration of the FBMS core systems and key departmental interfaces and completed initial testing of the core system configurations. On September 29, 2005, DOI severed its relationship with the system integration contractor. The vision and goals of the project remain the same. Although DOI is currently revising the implementation timelines and related schedules for the project, the vision and goals of the project remain the same.	Ongoing
Information Technology	Since the enactment of FISMA in 2002, the DOI IT Security Program has seen increased management awareness, involvement, focus, and funding. However, after a thorough evaluation to assess compliance with FISMA, the OIG determined that there was a need for con-tinuted improvement in the DOI IT security program and compliance with FISMA's requirements.	Carryover	Interior made significant progress in improving its overall security posture in FY 2005, in spite of the extraordinary burden placed on Interior by the ongoing Cobell vs. Norton litigation. In the Cobell case, Interior produced over 4 ½ million pages of documentation, and testified throughout a 59 day evidentiary hearing. The significant demands placed on Interior to respond to the court impacted a number of IT security initiatives. In spite of these challenges, the following progress demonstrates Interior's commitment and attention towards continuous improvement of Interior's IT security program by: • Completing management control reviews (MCRs) for IT systems and IT security programs: Bureaus and offices completed MCRs for 163 of 166 major applications and general support systems. • Implementing the DOI-wide Enterprise Services Network (ESN) that pro-vides a more secure computing and networking environment by providing multiple layers of firewalls, intrusion detection and prevention systems, and "24x7" security monitoring for connected bureaus' connection to the Internet, consolidating 13 networks into a single Departmental network, and performing proactive vulnerability discovery and management on a continuous basis. • Enhancing the DOI Vulnerability Scanning Program by testing of over 5,000 Internet-accessible systems and network devices against 7,400 types of known vulnerabilities, including the SANS Top 20 list of vulner-abilities. • Performing internal and external penetration testing of networks and major applications.	Ongoing

TABLE 1-25

Summary of Major Management Challenges Facing Interior				
Major Management Challenge	**Description**	**New or Carryover from FY 2004**	**Interior Actions to Date**	**Status at end of FY 2005**
			• Implementing Active Directory and the use of group policy for consistent implementation and enforcement of Microsoft- based security configurations. • Significantly improving content and usability of the DOI end-user IT security training and awareness program and achieving over a 98% completion rate of all employees and contractors requiring annual awareness training. • Entered into an agreement with USALearning.gov to deliver standardized curriculum for Role-based training to individuals with significant IT security roles and responsibilities and achieving over a 66% completion rate. • Improving the Plan of Action and Milestones process implementing changes recommended by the OIG. • Completing independent third-party reviews of C&A packages to continuously improve them. • Completing its E-Authentication risk assessments. • Received the highest rating from OMB among 25 EA programs reviewed for DOI's EA that incorporates a security standards profile, and aligned to the Technical Reference Model. • Completed an independent IT security program assessment to evaluate Interior's level of compliance against Federal laws, regulations, policies, standards and guidelines ranging from the Federal Information Security Management Act (FISMA), to OMB, to NIST, among others. Interior achieved a 3.6 maturity level out of 5 from this assessment. • Initiated plans to update IT security policies, C&A standards, and further enhance the POA&M process standards to remain current with new emerging and constantly evolving security standards frequently being issued by NIST. • Implementing a significant number of corrective actions based on weaknesses identified by IG audits, penetration test, and monthly internal/external vulnerability scans further reducing risks to Interior's IT security programs and systems. IT security has been, and will continue to be, one of Interior's highest priorities, as evidenced by the major improvements made throughout the DOI during FY 2005. This progress builds on accomplishments of the past. The percentage of IT systems certified and accredited increased from 83% for FY 2004 to over 98% in FY 2005. With better accountability and standardization, DOI, and ultimately the taxpayers, avoided $17 million in C&A costs. Interior continues to benefit from the OIG's efforts to continuously raise the bar for evaluating the IT security program, based on DOI's increasing maturity, by identifying opportunities to further strengthen and enhance its overall security posture. The OCIO enlisted the support of, and provided $1.1 million in funding to, the OIG to perform penetrations tests to augment the Department's compliance and continuous monitoring efforts. The enhanced monitoring program provided critical information needed to prioritize further improvements to Interior's operational security posture. Although Interior recognizes that the C&A process is not perfect, particularly in light of the many new or revised standards published by the National Institute of Standards and Technology (NIST) within the past year, some of which are still in draft, Interior recognizes that adequate security involves managing risks by striking a balance between implementing security controls commensurate with the sensitivity of IT systems and associated information and the operational necessity for those systems that enable effective and efficient delivery of services supporting Interior's mission.	

TABLE 1-25

Summary of Major Management Challenges Facing Interior				
Major Management Challenge	**Description**	**New or Carryover from FY 2004**	**Interior Actions to Date**	**Status at end of FY 2005**
Health, Safety, and Emergency Management	Annually, DOI has over 275 million visits to national parks, 69 million visits to recreational sites provided by BLM, and 39 million visits to 545 national wildlife refuges. In addition, there are 90 million visitor days of use at 308 BOR recreation sites. DOI must protect these visitors, hundreds of thousands of employees and volunteers, thousands of facilities, and millions of acres of property from both internal and external threats. DOI continues to be slow to change its mission and priorities to reflect its new security responsibilities and commitment. Specifically, enhancements are needed in DOI's radio communications, DOI's hazardous material program, and security surrounding national icons and BOR dams.	Carryover	In summary, DOI actions on areas of concerns and actions have been focused on the following areas: • Radio Communications. In FY 2005, the Department was granted waivers from NTIA to continue wide-band operation in support of mission-critical operations such as fire, law enforcement and emergency services. The Department initiated development of plans to maximize radio system sharing and minimize supporting infrastructure requirements; and initiated an enterprise contracting option to maximize the use of wireless commercial services. BIA completed an assessment of 155 radio communication sites, to be used to guide future investments and corrective actions. BLM reduced the number of unsafe radio towers from 57 in FY 2003 to 17 at the end of FY 2005, which are scheduled for repair or replacement in FY 2006 and FY 2007. NPS made significant investments in upgrading radio facilities in FY 2005. • NPS's Structural Fire Program. A comprehensive structural fire program has been substantially implemented. • NPS's Hazardous Material Program. A comprehensive corrective action plan on the safety of the public, employees, concessionaires, and park resources was completed that ensures compliance with applicable laws, regulations, Executive Orders, and policies. • Security Surrounding National Icons. DOI has taken actions to put in place a security professional and improve security at national icons. • DOI Law Enforcement. Each bureau now has senior-level law enforcement managers in place and an internal affairs office to address integrity-related issues. A Department-wide policy to provide guidance on internal affairs was also issued.	Ongoing
Maintenance of Facilities	DOI owns, builds, purchases, and contracts services for assets such as visitor centers, schools, office buildings, telecommunication facilities, roads, bridges, dams, irrigation systems, and reservoirs. These assets include some deteriorating facilities that lack adequate funding for repair and maintenance. In FY 2004, this effort was still a challenge for the Department. For example, in the FY 2004 Annual Report on Performance and Accountability, the Department reported that exact estimates of deferred maintenance are difficult to determine due to the variety of assets entrusted to the Department. The FY 2004 estimates for DOI's deferred maintenance were between \$8.9 billion and \$15.3 billion. The lack of concrete data makes it difficult to ascertain if the deferred maintenance backlog has even been reduced. The Department also stated that bureau estimates of deferred maintenance were based on data from a variety of systems, procedures, and data sources; therefore the reliability of these sources as a basis for deferred maintenance estimates is variable.	Carryover	DOI has taken aggressive action to develop a life cycle management approach to its facilities. In FY 2005, the first Department-wide Asset Management Plan was developed to address facilities and other assets. In addition, DOI revised its performance measures and is in the process of updating and revising its inventory data. At the end of FY 2005, 75% of the DOI inventory (all buildings and most structures) have 'Comprehensive Condition Assessments'. This is a 5-year cycle that will eventually look at all constructed assets with a Current Replacement Value (CRV) of over \$50,000. All constructed assets with a CRV of \$5,000 and above receive an 'Annual Condition Assessment'. As an outgrowth of Executive Order 13327, the Federal Real Property Profile (FRPP) data elements have been changed. One of the data elements to be reported is 'Condition Index' (CI) for each constructed asset reported in the FRPP. For each asset this is the ratio of deferred maintenance of the asset divided by the CRV of the asset. Through FY 2005, the bureaus have been calculating CIs. It is estimated that 25% of constructed assets in the FRPP have a CI value by the end of FY 2005. By the end of FY 2006, all bureaus will have completed their first round of "Comprehensive Condition Assessments" on all buildings and most structures. During the second round, all buildings will be reviewed again as well as all structures. Complete CI data for all constructed assets will be in the data base for the issuance of the FY 2006 report. BIA completed an assessment of 155 radio communication sites. Specific problems, overall condition, and recommendations for improvements of these sites were included in the assessment. BIA's facilities capital investment plan will use this assessment as a guide to direct investments to correct the serious issues identified. The Department negotiated an agreement with the State of South Dakota to provide Interior's access to State radio systems, allowing BIA to abandon 21 unsafe radio facilities. Although BLM has not yet completed correctives actions for identified safety issues identified in FY 2001 – FY 2003 radio facility site assessments, BLM reduced the number of unsafe radio towers from 57 in FY 2003 to 17 by the end of FY 2005. BLM has scheduled the remaining unsafe towers to be replaced during FY 2006 and FY 2007. During FY 2006, the Department will review an OIG report regarding health and safety issues related to telecommunication infrastructure.	Ongoing

TABLE 1-25

Summary of Major Management Challenges Facing Interior				
Major Management Challenge	Description	New or Carryover from FY 2004	Interior Actions to Date	Status at end of FY 2005
			As a part of the FBMS implementation, the Department will standardize its software, asset data, and business practices. Currently, there are more than 25 instances of MAXIMO being operated as the Facility Maintenance Management System (FMMS). In addition, BIA Education continues to use their own version of FMMS. With the FBMS implementation, the Department will have a much more reliable source of information relating to its assets and their condition. Although considerable action has been taken on maintenance of facilities, these additional actions will provide management with additional tools to prioritize and address deferred maintenance and asset management.	
Responsibilities to Indians and Insular Areas	DOI needs to address persistent management problems in programs for Indians and island communities. DOI is responsible for administering the Federal Government's trust responsibilities to Indian tribes and individual Indians, and it provides more than $750 million annually for basic tribal services, such as social services, tribal courts, and natural resource management. Over the years, GAO and OIG have reported on DOI's poor management of Indian trust funds and programs. Despite DOI's efforts, inadequate accounting and information systems and internal controls, as well as other weaknesses, prevent DOI from ensuring that trust and program funds are properly managed. The single audit is the mechanism to ensure financial compliance with funding agreements; however, during FY 2005, 86 tribes were delinquent in submitting their audit reports. We continue to be concerned about Indian schools that remain in poor condition (70 out of 184 schools), but those numbers have been steadily declining as replacement schools are built and other schools are renovated. DOI also has various responsibilities to seven island communities—four U.S. territories and three sovereign island nations. The Insular Area governments have serious long-standing financial and program management deficiencies.	Carrryover	Interior has improved its collection of Indian trust funds and has placed a high priority on further improvements. In the historical accounting for Individual Indian Monies (IIM), the work done as of today represents over 55% of individual account balances and has not identified any significant differences or errors in accounts. Based on the results of this work and other activities, Interior is in a position to draw conclusions with a high degree of confidence about the overall accuracy of the transactions in the Land-Based IIM accounts covering the 1985-2000 period. Additionally, current BIA program funds have been subjected to financial audits and have received clean audit opinions for the last 5 years. Based on these results and other control reviews conducted, noted improvements have been achieved in developing, implementing and improving Departmental trust policies, procedures, systems, and internal controls and achieving the goals of the Comprehensive Trust Management Plan. Records Management. An updated work plan with strategies, tasks, time lines and resource requirements was developed by the Office of Trust Records. Significant progress has been achieved in implementing the work plan and many of the previously identified deficiencies have been resolved. The completion of the work plan will result in an active and comprehensive records management program for BIA and OST. Single Audits. BIA has made tremendous improvements in responding to single audit report findings. The bureau had 85 responses delinquent at the end of the fiscal year which is a 47% decrease from the prior year. BIA has issued warning and sanction letters to entities that have not filed single audits timely. BIA also has provided audit resolution training and revised its Indian Affairs Manual to provide policies and procedures to be followed for resolution and closure of single audit reports. Education. A strong focus was placed on school management and monitoring to ensure student proficiency improvements and that BIA schools were making "Adequate Yearly Progress" in accordance with "No Child Left Behind" legislation. A comprehensive strategic operating plan and major improvement plan was developed and submitted to the U.S. Department of Education for review. The immediate benefit of the plan is streamlining the functions to address P.L. 100-2097 grant control and the chain of command throughout the program will be evident. Indian Country Detention Facilities. The U.S. Department of Justice has partially funded the construction of nine new detention centers in Indian Country. Justice is also funding another 14 facilities that are in various stages of planning and construction. BIA will provide funds for staffing and operation. Interior is assisting the island communities in developing more efficient and effective government by providing financial and technical assistance and helping manage Federal-island relations by promoting appropriate Federal policies.	Ongoing

TABLE 1-25

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

TABLE 1-25

Summary of Major Management Challenges Facing Interior				
Major Management Challenge	**Description**	**New or Carryover from FY 2004**	**Interior Actions to Date**	**Status at end of FY 2005**
Revenue Collections	DOI revenue collected in FY 2004 was about $11.4 billion and includes revenue from energy, minerals, grazing, timber, lands sales, and other revenue producing activities. The highest revenue collector in DOI is by far the MMS. For FY 2005, MMS estimated that they will collect over $12 billion in mineral revenues alone, representing a $2.8 billion increase in collections from FY 2004. The revenues are collected from companies with onshore and offshore Federal leases. Since 1982, the MMS Minerals Revenue Management (MRM) Program has collected and distributed about $139 billion to Federal, State, and Indian accounts. The MMS also conducts a comprehensive compliance effort to ensure that royalty payments from lessees are on time and accurate. Because of the amount of revenues collected by MMS can have a significant potential for underpayments, the OIG believes that revenue collections should continue as one of the top management challenges for DOI.	Carryover	Based on controls in place and the results of reviews completed in MMS's MRM Program, Interior believes that the potential risks have been mitigated and does not consider the risk of underpayment as significant. MMS has implemented comprehensive systems and other program enhancements to address OIG audit concerns. MRM continually implements and refines its internal evaluation criteria for self assessment to meet the challenge of accomplishing its responsibilities and to maintain a high level of efficiency. Program managers take reasonable and necessary precautions to protect the revenue stream through MRM-wide strategic plans, organizational specific business plans, risk initiatives, internal control enhancements, comprehensive compliance policies, rulemakings, and continued movement toward a robust royalty-in-kind (RIK) program. Of FY 2004's $9.2 billon of identified reported royalties, approximately $3.6 billion, or one-third of the royalty stream, came directly from the RIK program. MRM engaged an outside contractor to identify business activity risks and implement risk management processes within the RIK framework to assess the effectiveness of existing internal control and to ensure their proper level and location. The remaining $5.6 billion is subject to a comprehensive compliance strategy. Compliance and audit initiatives have specific goals that must be achieved in order to meet mandated legislation and mission objectives as stated in GPRA. MRM conducts strategy audits to achieve its compliance goals and has an internal control program to assure substantial compliance with Generally Accepted Government Auditing Standards. MRM recently received an unqualified opinion from its external peer review, conducted by an outside CPA firm. Peer Reviews are required every 3 years for audit programs. For any detected underpayments, MMS pursues collection by issuing orders to pay. The resulting collections are subject to late payment interest representing the time value of money associated with the underpayment, thereby assuring that the government is made whole. MMS also has substantial statutory penalty authority further minimizing the risk of underpayments.	Ongoing
Procurement, Contracts, and Grants	DOI spends substantial resources each year in contracting for goods and services and in providing Federal assistance to States and Indian organizations. Procurement has historically been an area subject to fraud and waste government-wide, and managing procurement activities is a continuing challenge requiring constant attention.	Carryover	DOI developed and implemented comprehensive plans to address identified deficiencies. To improve internal control over the issuance and administration of orders by the NBC for franchised services provided to Department of Defense military operations, DOI merged its franchise organizations and transferred the GovWorks organization to the NBC. To ensure compliance with Federal Acquisition Regulations, DOI assigned a Senior Procurement Policy Advisor to participate with the franchise organizations in the development of consistent policies and practices. The first of three policy development meetings is scheduled for November 2005. Also, DOI anticipates assigning additional resources to provide dedicated policy development and oversight to continuously address weaknesses. To address deficiencies in grants management, the Office of Acquisition and Property Management participated in Government wide initiatives related to Grants.gov, Grants Line of Business, and P. L. 106-107 streamlining. Through coordinated efforts with Bureau Federal Assistance Liaisons, DOI will address inconsistency issues via standardized forms, policies, and practices, some of which are being accomplished by implementing FBMS and Grants.gov. Additionally, continued emphasis will be placed on quality control in data entry into automated systems to ensure the data's accuracy and completeness. Also, training and oversight will be administered to further address inconsistencies and to improve our responsibility for ensuring that Federal funds are used for their intended purpose.	Ongoing

Improper Payments Information Act of 2002

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

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

Summary of Risks Assessments and Payment Audits Performed during FY 2005

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

TABLE 1-26

FY 2005 Outlays by Major Program Area

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

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

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

2. Pre- and Post-Payment Audits and Recoveries. *A. Prepayment Audit of Government Bills of Lading (GBLs).* Interior has been conducting prepayment audits of its freight bills via GBL for a number of years. This effort is required by the Travel and Transportation Reform Act of 1998. We are continuing that effort and have worked with our bureaus to reasonably assure that all freight bills receive pre-payment audits. During FY 2005, prepayment audit contractors identified $114,033 in savings in the 4,786 government bills of lading reviewed; this amounts to approximately .7% in savings to the government.

TABLE 1-27

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

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

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

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

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

First Quarter
- Issue management control guidance for FY 2006 requiring bureaus to conduct annual risk assessments of all programs.

- Continue to perform recovery audits.

Second Quarter
- Continue to perform recovery audits.

Third Quarter
- Complete bureau risk assessments.

- Continue to perform recovery audits.

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

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

Federal Information Security Management Act

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

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

- Conducting independent third-party reviews of Certification and Accreditation (C&A) packages, and updating C&A documentation to improve quality;
- Developing new and revised IT security policies;
- Developing new and revised security configuration standards in the form of Security Technical Implementation Guides (STIGs);
- Revising C&A standards and guidelines;
- Improving the Plan of Action and Milestones (POA&M) process implementing the changes recommended by the IG;
- Implementing continuous monitoring programs based on more frequent and robust automated vulnerability scanning of systems and network resources to detect and correct potential new vulnerabilities and weaknesses; and,
- Performing internal and external penetration testing of networks and major applications.

Interior made significant progress in improving and strengthening its overall security posture during FY 2005, in spite of the extraordinary burden on the Chief Information Officer's (CIO's) office, the OIG and other Department staff associated with the ongoing *Cobell vs. Norton* litigation. The highlights are:

- Interior initiated state-of-the-art penetration testing, independently conducted by the OIG, for all bureaus and offices. The enhanced monitoring program provided critical information to help identify potential vulnerabilities and how to better prioritize further improvements to our operational security posture.
- Interior was successful in thwarting 677 incidents, detecting and preventing over 660 million potential attacks or probes, and cleaning and deleting over 4 million viruses. This contrasts with fewer than 70 successful incidents. None of the successful incidents resulted in any known compromise of sensitive data.
- Interior continued integrating its IT security program with enterprise architecture, capital planning and consolidated operations. Enterprise Architecture (EA) is a means of capital asset control in which DOI has made substantial progress. Clear security architecture enables system owners to build and change systems in accordance with pre-approved patterns. The benefits of EA include operational consistency, cost-effective licensing, and ease of security control maintenance/validation.
- OMB rated Interior's EA the highest maturity score (4.06 out of 5.0) among the 25 EA programs reviewed. The DOI EA was noted as incorporating a security standards profile, and aligned to the Technical Reference Model.
- The DOI CIO contracted an independent IT security assessment to evaluate DOI against the myriad of security policies and guidance. The assessment concluded that DOI achieved a 3.63 maturity level on a 5-point scale.
- Substantial progress towards a single Departmental Enterprise Services Network (ESN) was achieved. The ESN architecture includes robust network perimeter security controls and enables Interior

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

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

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

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

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

Specific milestones achieved or initiated in FY 2005 include:

- ***Control Objectives Documented in Security Policy***

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

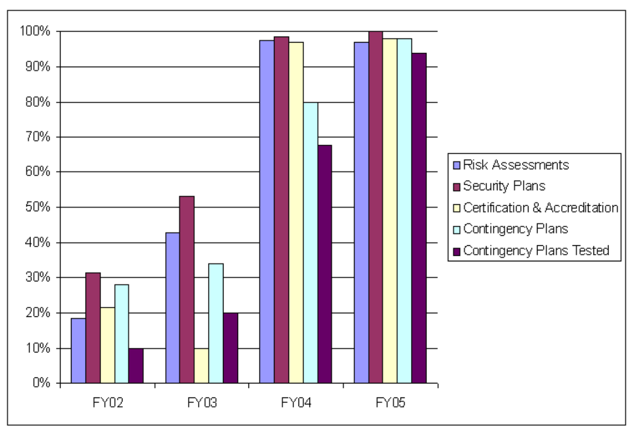
- ***Security Controls Documented as Procedures***

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

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

FIGURE 1-35

Certification and Accreditation Activities



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

- ***Implemented Procedures***

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

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

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

TABLE 1-28

FISMA Statistics

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

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

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

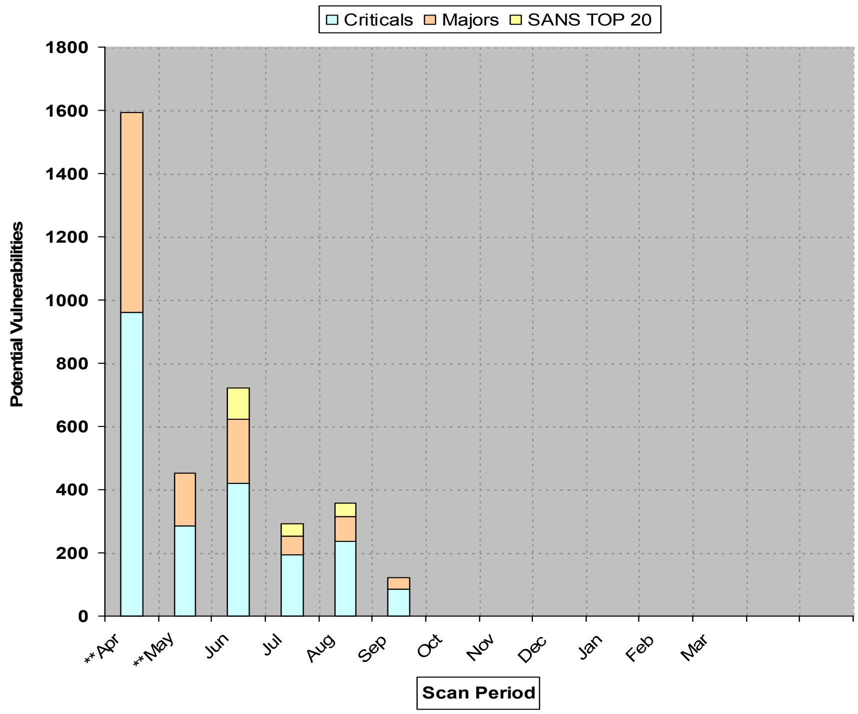
  In addition to C&A Security Test & Evaluations, Interior followed NIST guidance in conducting security self-assessment reviews (NIST SP 800-26) for all systems. Independent technical testing was commissioned via monthly scanning of perimeter network Internet-accessible systems against the SANS Top 20 vulnerability list. In September 2003, almost 100 hosts had vulnerabilities on the SANS Top 20 list. By March 2004, Interior achieved no related vulnerabilities and has maintained that status to this day. In addition, in FY 2005, Interior initiated more robust automated vulnerability scan testing of over 5,000 Internet-accessible systems and network devices against 7,400 types of known vulnerabilities, including the SANS Top 20 vulnerability list. Interior has been aggressively addressing newly identified potential vulnerabilities resulting from the more rigorous monthly scanning efforts (*Figure 1-36*).

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

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

FIGURE 1-36

Potential Vulnerabilities



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

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

  In FY 2005, Interior made substantial progress towards implementing a single Departmental ESN. The ESN architecture includes robust network perimeter security controls and enables Interior to manage perimeter controls more consistently, effectively, and cost-efficiently. A total of 13 bureau networks are to be consolidated; three remaining bureau networks are targeted for consolidation in early FY 2006. This enhanced network perimeter architecture significantly reduces network attack vectors and enables security resources to focus on further enhancing perimeter security controls and monitoring for potential intrusions in a more cost-effective manner. Interior systems are also migrating to Interior's Enterprise Directory System (Active Directory) which enables more consistent implementation of security control configurations relating to authentication, access, and authorization.

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

  As demonstrated, the nearly $100 million identified for DOI IT security program initiatives in FY 2003 - FY 2005 is both focused on the right objectives and achieving lasting results. The annual FISMA evaluations of both the OIG and CIO appropriately recognized that IT security at Interior is not perfect, that risks and vulnerabilities still remain, and that improvements need to be made. Nonetheless, Interior believes the policies and processes in place to address those risks are adequate, that improvements have been and will continue to be made in a timely and cost-effective manner, and that DOI substantially complies with FISMA.

Compliance with Key Legal and Regulatory Requirements

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

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

Prompt Pay, Debt Collection, and Electronic Funds Transfer

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

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

FIGURE 1-37

Prompt Payment

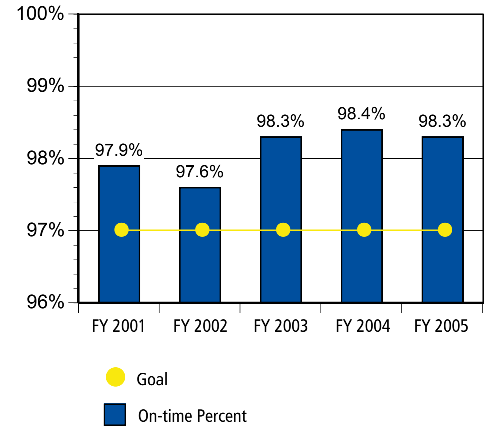


FIGURE 1-38

Debt Referral

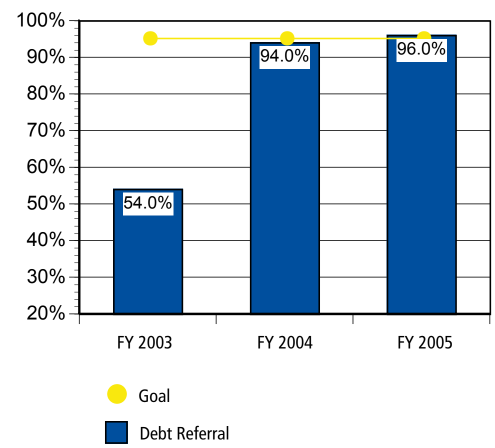
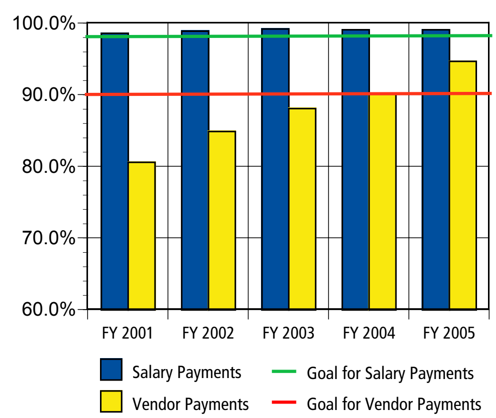


FIGURE 1-39

Electronic Funds Transfer



Financial Management Improvement Initiatives

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

Financial Management Systems

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

Financial Management Systems Improvement Strategy

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

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

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

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

- ***Financial and Business Management System.*** Define, carefully plan, and implement a new generation of financial management systems to take advantage of new technology and processing opportunities.

- ***Critical Programmatic/Financial Management Systems.*** Continue to improve critical bureau-based programmatic/financial management programs: Minerals Revenue Management and Indian Trust Funds.

- ***Improvement of the IT Infrastructure Supporting Financial Systems.*** Continue to improve the IT infrastructure that is critical to maintaining quality financial management systems. One of the major IT infrastructure efforts is the Interior Information Architecture Program.

Financial and Business Management System

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

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

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

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

FY 2005 Accomplishments

- Implemented the FBMS financial assistance module in MMS, OSM, and selected FWS programs.

- Selected Interior's National Business Center as the FBMS hosting provider.

- Established the training and production environments for FBMS and completed system Certification and Accreditation for the financial assistance deployment.

- Updated the FBMS Departmental blueprint, which will govern the operation and configuration of the FBMS modules.

- Began configuration of the FBMS core systems and key Departmental interfaces and completed initial testing of the core system configurations.

FY 2006 Planned Activities

- Award a contract for FBMS implementation.

- Accomplish the necessary activities to ensure successful FY 2007 FBMS implementation. Activities include, but are not limited to the following:

  - Complete all system configuration, business process procedures, and test scripts for core financials, acquisition, property, permanent change of station, and enterprise information management.

  - Complete the development and testing of conversion and interface programs, including e-travel and other external interfaces.

  - Conduct integration testing.

  - Conduct user acceptance testing.

  - Conduct user training.

- Finalize the FBMS cutover plan for core financials, acquisition, and property.

Critical Programmatic/Financial Management Systems

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

MMS's Minerals Revenue Management System

The Minerals Revenue Management (MRM) program is responsible for ensuring that all mineral revenues from Federal and Indian lands are efficiently, effectively, and accurately collected, accounted for, verified, and disbursed to recipients in a timely manner. These revenues average more than $8 billion annually. To ensure revenues are properly collected and disbursed, MMS utilizes a broad range of financial services and pursues a comprehensive compliance strategy that includes an automated compliance verification program to validate the accuracy and timeliness of revenues paid. MRM also administers a robust Royalty-In-Kind (RIK) program, which utilizes an asset management approach to ensure the receipt of optimal value for mineral resources.

FY 2005 Accomplishments

- MRM developed its Strategic Business Planning Initiative (Initiative), which will be the platform for charting the course and direction of future MRM business through the year 2012. The new Initiative will focus on identifying and implementing best-value services with high quality and integrity. Key outcomes include an MRM program-wide strategic plan and business plans that emphasize market-based regulatory guidance, valuation certainty, and improved business processes and systems with effective performance measures and strong internal controls. Importantly, the Initiative will support and fully integrate with, Department and MMS strategic planning guidelines and respond to the Administration's management improvement goals and objectives.

- MMS's Indian outreach team was presented with the Secretary's 4C's Award on February 2, 2005, in Washington, D.C., because of the strong and effective relations it has established with Indian Tribes and individual Indian mineral owners. The Indian outreach team organizes and participates in over 70 outreach sessions in Indian Country and resolves 6,000 Indian inquiries every year, reaching out to approximately 30,000 individual Indian mineral owners.

- In a joint effort with the Department of Energy (DOE), MMS completed filling the Strategic Petroleum Reserve (SPR) to the 700-million-barrel capacity level in 2005, thus fulfilling the Presidential directive. In filling the SPR, two specific dates were notable: July 31, 2005, which was the last day of routine royalty oil deliveries to the Department of Energy (DOE), and August 31, 2005, which was the last day of oil deliveries by DOE's contractors into the SPR. As of August 1, 2005, MMS had completely converted SPR contracts to outright sales agreements for the remaining 2 months of their terms.

- MMS completed an analysis that examined the performance of the RIK program during FY 2004, the first full year the program was in an operational status following 6 years of pilot testing. Among the highlights of the report were that RIK sales of oil and gas generated a revenue gain that was $17.2 million more than what would have been received if MMS had taken the royalties in value, or as cash payments. Additionally, administrative costs were from 26% to 36% less than the costs that would have been incurred under a universal royalty in value approach.

- MMS established a RIK internal control and performance/risk monitoring framework to support the RIK operational program and MMS policy oversight functions. A conceptual framework has been developed that can qualitatively monitor and measure the combined impact of the Risk, Reward and Control parameters in relation to the risk drivers of the RIK program. The different exposures in the RIK program can be classified into four main categories of risk: market, operational, credit, and oversight.

- MRM completed the Competitive Sourcing Study of 40 MRM Yellow Book Auditor functions in Denver, Dallas, Houston, Farmington, Oklahoma City, and Tulsa and determined that these activities should be retained in-house. The results of the streamlined cost comparison indicated that the government's adjusted in-house cost estimate was almost $7 million less than the estimated cost for contract performance over the next 5 years. This determination was made pursuant to the Streamlined Cost Comparison procedures in OMB Circular A-76 (revised).

- During FY 2005, MMS completed implementation of all 39 actions in MMS's Audit Quality Improvement Action Plan, a comprehensive plan to improve MRM's compliance and audit activities and related internal controls.

- MMS completed the initial phase of a Risk Management Initiative. The MMS evaluated internal controls within and across the organization and identified 29 recommendations program-wide. Corrective action for 20 recommendations will be implemented in FY 2006. The remaining nine high-risk processes have been scheduled for Alternative Management Control Reviews in the next 3 years as part of MMS's 3-year Internal Review Plan.

- MMS published the final Federal Gas Valuation rule on March 10, 2005. This rule, effective June 1, 2005, provided consistency on allowable and non-allowable transportation deductions from gas royalty payments.

- MMS held three public workshops in March 2005 and five consultations in June 2005, with Indian Tribal leaders and individual Indian mineral owners. The sessions provided preliminary comments and discussion opportunities in anticipation of publishing a draft new proposed Indian Oil Valuation Rule by January 2006.

FY 2006 Planned Activities

- Implement an effective risk management and performance metrics program to support asset management decision-making for Royalty-In-Value/RIK conversions.

- Expand RIK portfolio through diversification after enhancing internal controls, risk policy framework, and human resource skill sets.

- Continue to implement the MRM Strategic Business Planning Initiative.

- As part of MRM's Risk Management Initiative, MRM will take corrective action for 20 program-wide recommendations.

- Publish a final Indian Oil Rule.

- Publish a proposed Takes vs. Entitlements Rule.

- Publish a proposed rule for Prepayment of Royalties on Marginal Properties.

- Publish a proposed rule on Late-Payment and Overpayment Interest.

American Indian Trust Funds Systems

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

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

- Beneficiary services that are trusted, accurate, and responsive;

- Tribal self-governance and self-determination that increase participation in managing assets;

- Ownership information that is accurate, timely, and reliable;

- Land and natural resources management that maximizes return while meeting beneficiary desires;

- Trust fund assets management that meets fiduciary standards; and

- Administrative services that: (1) enable and empower the organization and workforce to be an effective fiduciary trustee; and (2) provide modern, appropriate systems and tools to manage the fiduciary trust.

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

FY 2005 Accomplishments

- Received Secretarial approval of the "To-Be Business Process" re-engineering effort to standardize and streamline trust business processes. This resulted in a project to implement these processes through the Fiduciary Trust Model.

- Completed work on enhancements to the Trust Asset and Accounting Management System (TAAMS) Title module and the Trust Funds Accounting System (TFAS) to produce performance statements that identify the source of income and list real property assets owned by each account holder. Asset statements were implemented at the pilot agencies. Testing continued on the use of this enhancement to distribute trust income.

- Implemented financial lockboxes nationwide to receive trust generated receipts and implemented enhanced lockboxes, designed to enable distribution of funds within 24 hours of receipt, at the pilot agencies.

- Established ProTrac, the new probate case management system, as the source of probate data. The system will enable the Department to track cases within BIA, OHTA, and OST throughout their lifecycle. BIA continued encoding new cases, examining "initial load" cases, and making corrections.

- Designed and implemented a trust portal.

- Established a toll-free Trust Beneficiary Call Center.

- In historical accounting work on IIM accounts to date, digitally imaged and coded over 8 million pages of Indian records for search and retrieval, and fully reconciled 25,800 out of a total of 42,218 judgment and per capita IIM accounts—those based on payments to Tribal members—with December 2000 balances (representing 56% of account balances) and over 17,000 transactions in land-based accounts—those that derive income from sale or use of land assets and resources (10% of the dollars in such accounts); only about one percent of transactions reconciled differed from expectation (dollar total is less than one percent of all dollars reconciled). Since the end of 2000, more than 57,000 judgment and per capita accounts have been added to the population of accounts to be reconciled.

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

FY 2006 Planned Activities

- Continue implementation of the Fiduciary Trust Model (FTM). Acquire the best automated systems to support the FTM trust business processes and fulfill beneficiary needs and fiduciary requirements.

- Expand the functionality of the Trust Portal to provide access to additional trust information.

- Utilize the MRM, an MMS program for collecting, accounting for, and distributing mineral revenues from both Federal and Indian mineral leases. BIA maintains individual Indian ownership records, and OST uses this information for disbursement of lease revenues to individual Indian beneficiaries. Incorrect information will be identified so beneficiary accounts can be corrected.

- Evaluate responses from potential vendors for acquisition of a Departmental Land and Resource Management System.

- Implement enhanced lockboxes and expand the Trust Beneficiary Call Center Nationwide.

- Expand the TAAMS/TFAS enhancement to provide complete trust asset data to beneficiaries.

Improve the IT Infrastructure Supporting Financial Systems

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

Interior Enterprise Architecture Program

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

FY 2005 Accomplishments

- Created an encompassing MBT for the development, implementation, and maintenance of modernization blueprints in support of line-of-business, Bureau- and Department-sponsored business transformation efforts for an overall goal of enterprise modernization. Guidance documents that accompany each of the methodology's steps contain detailed instructions and work document templates (see *http://www.doi.gov/ocio/architecture/mbt/guidance.htm*).

- Moved three IRB-approved modernization blueprints (Wildland Fire Management, Recreation, and Financial Management) to the implementation phase, and set up implementation teams and meetings.

- Held workshops to train Interior enterprise architects and capital planners in the applications of the MBT and the Department's Enterprise Architecture Repository (DEAR).

- Used MBT to lead and work with the DOI bureaus/offices to begin development of enterprise modernization blueprints for Human Resources, Geospatial Services, Water Management, Minerals Royalty Management, Land Planning, Indian Trust, Education, and Aviation Management.

- Set up an online Business Process Transformation Lab (BPTL) to introduce DOI business leaders to the services of the IEA program. (See *http://www.doi.gov/ocio/architecture/mbt/mbt_services.htm*). These services are offered to help business organizations streamline and enhance the productivity of their activities while improving overall service to the public. The BPTL leverages the MBT.

- Launched Phase IV of DEAR. In Phase IV, a bureau's IT systems inventory is associated with the data categories in a Federal reference model. Appropriately categorizing data helps identify data sets that may be candidates for sharing, thereby reducing data collection and maintenance burdens while simultaneously optimizing use of the data.

- Created a special DEAR Web site that provides a variety of reports in different formats to support executive decision-making—e.g., Executive Charting, Dynamic Visual Querying, User-Driven Data Entry Tools, Hyperlinked Analytical Reports, and Integrated Data and Business Modeling.

- Provided Outreach Services to:
  - the Environmental Protection Agency
  - the Departments of State, Energy, Defense, Education, and Homeland Security
  - a delegation of the Japanese Ministry of Economy, Trade, and Industry
  - the National Computerization Agency of the Korean Government

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

FY 2006 Planned Activities

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

Financial Management Human Capital

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

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

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

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

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

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

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

FY 2005 Accomplishments

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

FY 2006 Planned Actions

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

Sponsoring Comprehensive Training and Career Development Programs in Financial Management

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

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

The Department plans to expand training and career development opportunities to support the career paths identified in the new Careers Program. The Careers Program will be built on the Joint Financial Management Improvement Program published core competencies and the critical competencies identified in the financial management workforce plan. Some of the critical competencies identified are change management, project management, problem solving, analysis, consulting, coaching, knowledge sharing, and interpersonal skills.

FY 2005 Accomplishments

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

2006 Planned Actions

- Conduct a Department-wide financial management competency assessment based on critical competencies identified in the workforce plan as being necessary for the workforce of the future.
- Plan and conduct another Department-wide conference for finance, budget, acquisition, performance, and grants management participants.
- Plan and conduct training in support of the new Financial Management Careers Program with particular emphasis on the critically needed competencies identified in the financial management workforce plan. This includes the Financial Management Career Intern Program.
- Continue to sponsor courses such as those sponsored in FY 2005 and continue to coordinate on-line training through DOI University.

Financial Data Stewardship

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

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

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

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

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

FY 2005 Accomplishments

- Participated in the government process to update OMB guidance for the Form and Content of Agency Financial Statements.

- Coordinated efforts to reconcile intra-DOI financial balances and to reconcile DOI transaction balances with other Federal agencies. Continued to participate in the Intra-governmental Eliminations Taskforce (IGET) to develop strategies and procedures to be applied by all Departments to identify and prepare proper intra-departmental and intra-governmental elimination accounting entries for the government-wide consolidated financial statements.

- Participated in FBMS blueprinting and development to ensure that the data structure is consistent with the government-wide data model.

- Participated in the Standard General Ledger Board and Issue Resolution Committee to ensure that the Department's position is fairly presented and defended.

- Participated in the SACAT to ensure that the bureaus' data structure is consistent with the government-wide data model. Reviewed SGL voting ballots with SACAT to determine if proposed changes would meet the Department's data needs and formed consensus on voting ballots.

FY 2006 Planned Activities

- Continue to analyze and enhance the reporting process to support performance reporting under the GPRA and the timely preparation of the Annual Performance and Accountability Report.

- Continue to coordinate and prepare Department responses to draft FASAB, OMB, and Treasury financial reporting guidance.

- Continue to coordinate the reconciliation of intra-DOI financial balances and the reconciliation of DOI transaction balances with other Federal agencies.

- Update intra-Department financial statement preparation guidance.

- Work closely with the FBMS Steering Committee to monitor implementation progress; address and resolve accounting and reporting issues; and ensure appropriate internal controls are planned, implemented, and functioning as intended.

Analysis of Financial Statements

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

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

Overview of Financial Position

Assets

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

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

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

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

FIGURE 1-38

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

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

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

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

FIGURE 1-39

FY 2005 Asset Categories

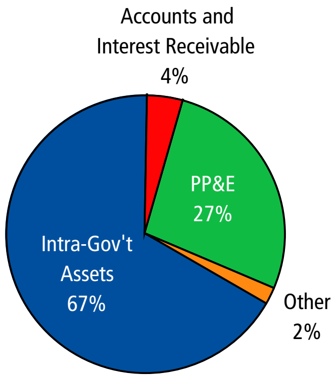
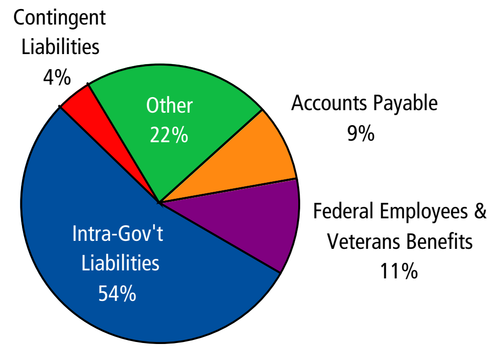


FIGURE 1-40

FY 2005 Liability Categories



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

Liabilities

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

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

Federal agencies, by law, cannot disburse money unless Congress has appropriated funds. Funded liabilities are expected to be paid from funds currently available to the Department. The Department's unfunded liabilities consist primarily of environmental and legal contingent liabilities and unfunded employee compensation costs, which include FECA and annual leave. These liabilities will be paid from funds made available to the Department in future years. The associated expense is recognized in the period in which the liability is established, regardless of budgetary funding considerations.

Ending Net Position

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

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

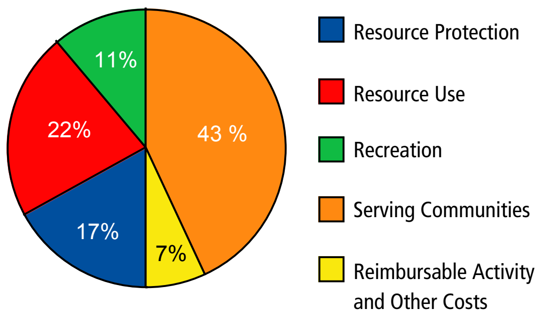
Results of Operations

The Department's net cost of operations for FY 2005 was $13,413 million. This is an increase of $354 million from the previous year's net cost of $13,059 million. Most costs incurred by the Department are directly related to providing services to the public. Costs associated with earning revenue from Federal agencies are approximately 11% of total expenses.

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

FIGURE 1-41

FY 2005 Net Cost of Operations



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

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

Revenues

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

Interior classifies revenues as either exchange or non-exchange revenue. Exchange revenues are those that derive from transactions in which both the government and the other party receive value, including park and wildlife refuge entrance fees, map sales, and other products and services that are directly related to Department operations. Revenues collected from other Federal agencies consist of reimbursable activities such as construction, engineering, and other technical services. Most of the revenue received from Federal agencies is generated from Interior Franchise Fund and National Business Center operations that provide shared administrative services. The Department also collects mineral lease revenues on behalf of the Federal Government. These are presented in the Statement of Custodial Activity rather than the Statement of Net Cost.

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

Custodial Activity

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

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

Budgetary Resources

The Department receives most of its funding from general government funds administered by the U.S. Treasury and appropriated for Interior's use by Congress. These resources consist of the balance at the beginning of the year, appropriations received during the year, and spending authority from offsetting collections, as well as, other sources of budget-

FIGURE 1-41

Budgetary Resources * (in millions)

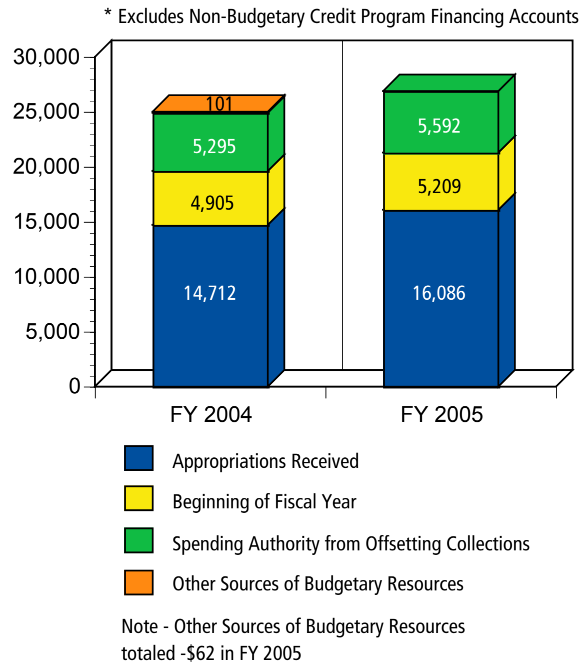
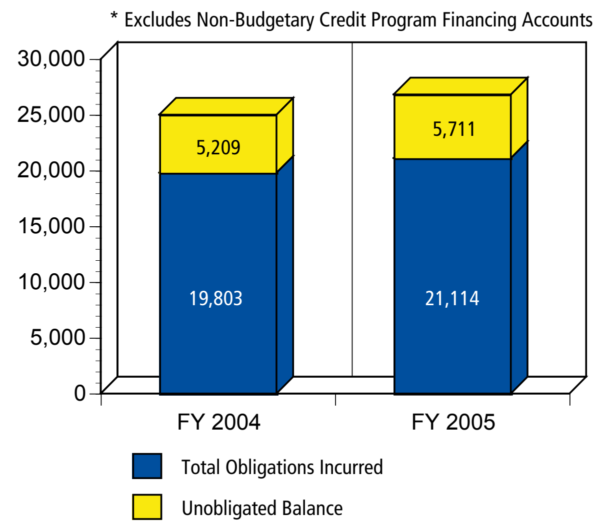


FIGURE 1-42

Status of Budgetary Resources * (in millions)



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

The Combined Statement of Budgetary Resources provides information on the budgetary resources that were made available to the Department for the year and the status of those resources at the end of the fiscal year. Obligations of $21,114 and $19,803 million were incurred as of September 30, 2005, and 2004 on total budgetary resources of $26,825 and $25,013 million, respectively (*Figure 1-42*).

Stewardship Assets and Investments

Interior is the Federal Government's largest land-managing agency, administering over 500 million acres of America's land mass and serving as steward for the natural and cultural resources associated with these lands. Approximately 438 million acres of the 500 million acres managed by Interior are considered stewardship land (*Table 1-28*). The non-stewardship land managed by Interior consists primarily of Tribally and individually-owned land held in trust status and non-Federal land (i.e., private, State, or local) that lies within the administrative boundaries of the National Park System and the National Wildlife Refuge System.

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

TABLE 1-28

Stewardship Land (Federal Acres)

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

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

Stewardship investments represent expenses charged to current operations that are expected to benefit the Nation over time. The Department's Stewardship Investments include research and development programs, investments in education, and the purchase or construction of assets for which State, local, or Tribal governments and insular areas retain title. Stewardship investments are summarized in *Table 1-29*. The decrease in the investments from FY 2004 to FY 2005 is due primarily to reduced available funding for stewardship investments.

TABLE 1-29

Stewardship Investments (in millions)

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

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

Limitations of Financial Statements

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

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

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

Part 2. Performance Data and Analysis (Unaudited-See Auditors' Report)

Performance Data and Analysis

Results at a Glance

Table 2-1 presents the Department 's performance results in detail, charting Interior targets as they are tied to our end outcome goals, mission areas, and strategic goal of management excellence. Because this is only the second year that we are measuring our performance using targets from our FY 2003-2008 Strategic Plan, trend data are generally not meaningful, although there are a few exceptions for those measures that were carried over from our previous Strategic Plan to the current plan. Data presented in *Table 2-1* include (1) the measure ID number (which corresponds to references to these measures in the MD&A section); (2) a description of the performance measure; (3) historical data for FY 2004 and prior years, if available; (4) the planned performance target for FY 2005; (5) the actual results for FY 2005; (6) an explanation, if applicable, of why we either exceeded or fell short of performance and how we plan to improve in the future; and (7) data sources used to validate reliability.

Data Verification and Validation

To credibly report progress toward intended results and to be able to use data in 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 validation and verification criteria to ensure that information is properly collected, recorded, processed, and aggregated for reporting and use by decision-makers. In January 2003, the Department issued a memorandum requiring that a data verification and validation (V&V) process to be put into place and used effectively by all bureaus and offices collecting and reporting performance data. A data V&V assessment matrix, developed in cooperation with departmental bureaus and offices, including the Office of the Inspector General, was issued with the memorandum. The matrix has been used successfully as a tool to elevate data V&V procedures to an acceptable functional level within an organization or to detect potential problem areas in well-established bureau/office data V&V systems.

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 characterizing 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.

2. 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 via 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.

3. Estimated. Some data are unavailable, unverified, and 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.

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 Completeness and Reliability

Performance data included in Interior's FY 2005 PAR are considered complete and reliable and contain no material inadequacies.

Interior performance data for FY 2005 are presented as actual data for the entire fiscal year, as estimated year-end results, or as preliminary or incomplete data. Interior defines a "Goal Met" if the actual data are within 5% of the target. In cases where our target took the form of establishing a baseline, we report the goal met if the baseline was established in the reporting year. The methodology used for the estimate projection is documented within the "Performance Report and Discussion" field of the data tables.

In FY 2005, there were 20 instances in which no data could be reported. Explanations for the unavailability of final data are provided in every instance. Final performance data for estimated and unreported data will be included in the FY 2007 President's Performance Budget or no later than FY 2006.

Performance Data Sources

A key element of 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. For example, the Bureau of Reclamation maintains an internal data/Internet site containing data on projects, dam and power facilities, and water-related statistics to verify annual performance data. Data from regions and area offices are reviewed quarterly to ensure that BOR is on track and reporting consistently. The BLM requires its State and field offices to maintain documentation to support the performance measurement reported by each office, and to enter supporting data into its Management Information System. OSM collects information from internal operations and from States and Indian Tribes. Abandoned Mine Land Program information is generally collected through the Abandoned Mine Land Inventory System (AMLIS). AMLIS is a computer database used by the State Reclamation Programs and maintained by OSM.

This year, data sources for each of our measures are shown in our Goals at a Glance Tables as an additional column.

Key to Table 2-1

One of three summary conclusions is reported for each measure that presents actual or estimated results data: Goal Met; Goal Not Met; or Goal Exceeded. Given statistical uncertainties, "Goal Met" is reported if the actual or estimated performance result is from 95% to 105% of the performance target. If the summary conclusion for a measure is "Goal Met," "Goal Exceeded," or "Baseline Established," then the result is visually depicted by a checkmark placed in a separate column. No summary conclusion is presented for measures that report preliminary data (i.e., data that were collected but not verified as being accurate) or incomplete data because the GPRA implementation guidelines do not allow agencies to compare these types of data with performance goals. An "(E)" is included in the "FY 2005 Actual" column if the result presented is an estimate. A "(P)" in this column indicates that the result presented is based on preliminary data.

Program Evaluations

Program evaluations are an important tool in analyzing the effectiveness and efficiency of our programs, and in evaluating whether they are meeting their intended objectives. Our programs are evaluated through a variety of means, including performance audits, the Program Assessment Rating Tool (PART), financial audits, management control reviews, and external reviews from Congress, OMB, OIG, and other organizations, such as the National Academy of Public Administration (NAPA) and the National Academy of Sciences (NAS). We use self-assessments to verify that performance information and measurement systems are accurate and support our 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 of Interior's bureaus during FY 2005 follow in *Table 2-2.* (Note - this table includes PART assessments conducted during FY 2005 for Budget Year 2007). *Table 2-3* lists all PARTs conducted during FY 2003 for Budget Year 2005, while *Table 2-4* shows all PARTs conducted during FY 2005 for Budget Year 2007.

In all cases, Interior program managers have developed action plans in response to OMB's recommendations regarding the PARTed programs. These action plans were first implemented early in FY 2003 for programs assessed in FY 2002. While periodic progress reports have been provided to OMB, Interior program managers and executives are actively tracking progress toward implementing recommendations to improve their programs. Interior is using a Web-based management system to track and monitor its progress, and formal progress reviews are conducted on a quarterly basis.

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.

TABLE 2-1

Mission Area 1. Resource Protection: Protect the Nation's Natural, Cultural, and Heritage Resources

Ref #	Performance Measures	FY 04 Actual	FY 05 Plan	FY 05 Actual	Goal Met?	Performance Report and Discussion	Data Validation and Verfication Data Sources
End Outcome Goal - Improve health of watersheds, landscapes, and marine resources that are DOI managed or influenced in a manner consistent with obligations regarding the allocation and use of water							
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.	98%	90%	91% (E)	✓	Goal Met. Estimated Data. A portion of this result is based on analysis of past performance data. Final data should be available in November 2005. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	Performance Management Data System (PMDS); Refuges Annual Performance Plan (RAPP).
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	91%	87%	88% (E)	✓	Goal Met. Estimated Data. A portion of this result is based on analysis of past performance data. Final data should be available in November 2005. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	Performance Management Data System (PMDS); Refuges Annual Performance Plan (RAPP).
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	55%	55%	57% (E)	✓	Goal Met. Estimated Data. A portion of this result is based on analysis of past performance data. Final data should be available in November 2005. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	Performance Management Data System (PMDS); Refuges Annual Performance Plan (RAPP).
4	Marine and coastal areas - Percent of acres achieving desired marine and coastal conditions where condition is known and as specified in management plans	Baseline Not Established	41%	68%	✓	Goal Exceeded. The goal was exceeded due to a more thorough approach to assessing overall habitat conditions, including marine and coastal areas. A new data collection system implemented in FY 2005 provided comprehensive and improved accomplishment numbers; outyear targets will need to be adjusted accordingly.	Performance Management Data System (PMDS); Refuges Annual Performance Plan (RAPP).
5	Number of land acres reclaimed or mitigated from the effects of degradation from past mining	No Report	7,400 acres	7,567 acres (P)		No Report. Preliminary Data. As preliminary data has not been formally verified, we may not use it as a basis for determining whether the performance goal was achieved. Final data and analysis will be included in a supplemental report that will be published during FY 2006. Trend Data: FY 2004 Actual - 6,965 acres (OSM); FY 2003 Actual - 6,539 acres (OSM); FY 2002 Actual - 8,606 acres (OSM); FY 2001 Actual - 13,808 acres (OSM)	Performance Management Data System (PMDS); Abandoned Mine Land Inventory System (AMLIS).
6	Number of stream-miles for which degradation from past surface coal mining has been improved	33 miles	35 miles	28 miles (P)		No Report. Preliminary Data. As preliminary data has not been formally verified, we may not use it as a basis for determining whether the performance goal was achieved. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	Abandoned Mine Land Inventory System (AMLIS).
7	Number of surface of acres of water for which degradation from past surface coal mining has been improved	36 acres	35 acres	23 acres (P)		No Report. Preliminary Data. As preliminary data has not been formally verified, we may not use it as a basis for determining whether the performance goal was achieved. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	Abandoned Mine Land Inventory System (AMLIS).

TABLE 2-1

Mission Area 1. Resource Protection: Protect the Nation's Natural, Cultural, and Heritage Resources							
Ref #	**Performance Measures**	**FY 04 Actual**	**FY 05 Plan**	**FY 05 Actual**	**Goal Met?**	**Performance Report and Discussion**	**Data Validation and Verfication Data Sources**
End Outcome Goal - Improve health of watersheds, landscapes, and marine resources that are DOI managed or influenced in a manner consistent with obligations regarding the allocation and use of water							
8	Percent of surface water (MILES) managed by DOI that meet State (EPA approved) water quality standards	89%	95%	95% (E)	✓	Goal Met. Estimated Data. The estimate is based on trend analysis of past performance data. Final data will be available in December 2005 or January 2006. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	Environmental Protection Agency's (EPA) Storage and Retrieval (STORET) national water quality database.
9	Percent of surface water (ACRES) managed by DOI that meet State (EPA approved) water quality standards	Baseline Established	82%	82% (E)	✓	Goal Met. Estimated Data. The estimate is based on trend analysis of past performance data. Final data will be available in December 2005 or January 2006. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	Environmental Protection Agency's (EPA) Storage and Retrieval (STORET) national water quality database; Refuges Annual Performance Plan (RAPP).
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 to meet human and ecological needs	5 water systems	21,137 water systems	21,137 water systems (E)	✓	Goal Met. Estimated Data. The estimate is based on trend analysis of past performance data. Final data will be available in December 2005 or January 2006. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	Performance Management Data System (PMDS); Refuges Annual Performance Plan (RAPP).
11	Percent of reporting Class I DOI lands that meet ambient air quality standards (NAAQS)	80%	80%	82% (E)	✓	Goal Met. Estimated Data. Estimated based on regression analysis of past performance data. Final data will not be available from EPA sources until mid-to late November 2005. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	Air Resources Information System (ARIS); Refuges Annual Performance Plan (RAPP).
12	Percent of reporting Class I DOI lands that meet visibility objectives	73%	73%	73% (E)	✓	Goal Met. Estimated Data. Estimated based on regression analysis of past performance data. Final data will not be available from EPA sources until mid-to late November 2005.	Air Resources Information System (ARIS); Refuges Annual Performance Plan (RAPP).
Intermediate Strategy – Restore and Maintain Proper Function to Watersheds and Landscapes							
13	Percent of acres degraded by wildland fire with post-fire rehabilitation treatments underway, completed, and monitored	17%	20%	8% (P)		No Report. Preliminary Data. As preliminary data has not been formally verified, we may not use it as a basis for determining whether the performance goal was achieved. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	National Fire Plan Operating and Reporting System (NFPORS).
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	294,000 acres	259,000 acres	254,506 acres (E)	✓	Goal Met. Estimated Data. Data assembled through three quarters or more of the fiscal year has a high degree of confidence and indicates that targets were already met. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	National Fire Plan Operating and Reporting System (NFPORS).
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	38%	40%	36% (E)		Goal Not Met. Estimated Data. The target is unlikely to be met as it is estimated that there is insufficient outstanding data to bring values into the Goal Met range. The failure to reach target is in part due to exceeding another performance parameter - that of total acres treated -which represents the denominator of this performance measure. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	National Fire Plan Operating and Reporting System (NFPORS).

TABLE 2-1

Mission Area 1. Resource Protection: Protect the Nation's Natural, Cultural, and Heritage Resources

Ref #	Performance Measures	FY 04 Actual	FY 05 Plan	FY 05 Actual	Goal Met?	Performance Report and Discussion	Data Validation and Verfication Data Sources
End Outcome Goal - Improve health of watersheds, landscapes, and marine resources that are DOI managed or influenced in a manner consistent with obligations regarding the allocation and use of water							
16	Number of acres in prior measure moved to a better condition class per million dollars of gross investment	3,671 acres	3,500 acres	3,412 acres (E)	✓	Goal Met. Estimated Data. Estimation is difficult owing to inadequate historical fourth quarter data on which to extrapolate a reasonable trend (FY 2004 was the baseline year), and fourth quarter results are considered unpredictable owing to the major variations in fire seasons. Very late additional data indicates that goal has been met with additional data to be verified which will likely add to the total. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	National Fire Plan Operating and Reporting System (NFPORS).
17	Satisfaction with science information and products	100%	80%	100%	✓	Goal Exceeded. A different set of products is sampled each year, one year's aggregate measurement is not directly linked to the previous year. The intent is to maintain at least an 80% satisfaction level (i.e., 80% or greater is the target).	Survey results.
18	Number of acres treated that are in condition classes 2 or 3 in fire regimes 1-3 outside of the Wildland-Urban Interface (WUI), and are identified as high priority through collaboration consistent with the 10-year Implementation Plan in total	494,000 acres	420,000 acres	467,020 acres (E)	✓	Goal Exceeded. Estimated Data. The target for this measure was exceeded because of: 1) the unforseeably moderate fire season which allowed the workforce to direct more effort to hazardous fuels treatment activities, 2) a high incidence of seasonal environmental conditions conducive to accomplishing planned fuels treatments, and 3) a fire season moderated by early precipitation in areas predicted to be at risk for extreme fire danger. Data assembled through three quarters or more of the fiscal year has a high degree of confidence and indicates that targets were already exceeded. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	National Fire Plan Operating and Reporting System (NFPORS).
19	Number of acres treated that are in condition classes 2 or 3 in fire regimes 1-3 outside of the 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%	65%	66% (E)	✓	Goal Met. Estimated Data. Data assembled through three quarters or more of the fiscal year has a high degree of confidence and indicates that targets were already met. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	National Fire Plan Operating and Reporting System (NFPORS).
20	Number of acres treated outside the WUI per million dollars gross investment	9,628 acres	8,742 acres	9,425 acres (E)	✓	Goal Exceeded. Estimated Data. The hazardous fuels-related measure has exceeded the projected target due to: 1) the unforseeably moderate fire season which allowed the workforce to direct more effort to hazardous fuels treatment activities, 2) a high incidence of seasonal environmental conditions conducive to accomplishing planned fuels treatments, and 3) a fire season moderated by early precipitation in areas predicted to be at risk for extreme fire danger. Data assembled through three quarters or more of the fiscal year has a high degree of confidence and indicates that targets were already exceeded. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	National Fire Plan Operating and Reporting System (NFPORS).
21	Tons of salt loading prevented	26,680 tons	21,000 tons	22,200 tons	✓	Goal Exceeded. The target was exceeded due to good competition and achievement of slightly lower than expected unit contract price for per ton of salt removed. Trend Data: FY 2003 Actual - 30,393 tons (BOR); FY 2002 Actual - 35,500 tons (BOR); FY 2001 Actual - 36,437 tons (BOR)	Cooperative Agreements.

TABLE 2-1

Mission Area 1. Resource Protection: Protect the Nation's Natural, Cultural, and Heritage Resources

Ref #	Performance Measures	FY 04 Actual	FY 05 Plan	FY 05 Actual	Goal Met?	Performance Report and Discussion	Data Validation and Verfication Data Sources
End Outcome Goal - Improve health of watersheds, landscapes, and marine resources that are DOI managed or influenced in a manner consistent with obligations regarding the allocation and use of water							
22	Number of acres achieving watershed and landscape goals through voluntary partnerships	770,065 acres	240,230 acres	743,192 acres (E)	✓	Goal Exceeded. Estimated Data. A portion of this result is estimated based on analysis of historical results data. There are several reasons why the target is expected to be exceeded. One of the contributing programs (FWS Coastal) will succeed in protecting over 300,000 acres of uplands in a single project in the Gulf of Mexico. This value is considerably greater than the planned FY 2005 Regional target of 150 acres. Because this program works on a voluntary basis with landowners and managers, it is difficult to predict exactly how many acres will be achieved during a given year. The actual FY 2005 performance data will be available during the first quarter of FY 2006. In addition, the FWS Refuge Program also contributes to this goal. The Refuge Program's planned FY 2005 target of 4,269 wetland/upland acres restored was greatly exceeded with a reported number of 214,448 acres. There are two major reasons why the Refuge Program exceeded their target: First, the target of 4,269 acres was exceptionally low, and probably an error. Second, two recently completed projects for removing invasive fox populations from islands in Alaska Maritime NWR contributed approximately 140,000 restored acres, thus greatly exceeding past figures. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	Refuges Annual Performance Plan (RAPP); Habitat Information Tracking System (HabITS).
23	Number of stream/shoreline miles achieving watershed and landscape goals through voluntary partnerships	596 miles	460 miles	888 miles	✓	Goal Exceeded. The goal was exceeded because the contributing FWS programs focused more on aquatic habitats and new opportunities were available. The reason for the change in focus was the launching of the National Fish Habitat Initiative (NFHI) in the spring 2005. The goal of the NFHI is to focus attention and resources on common priorities to improve aquatic habitat health. Clearly, restoring and protecting stream/shoreline miles is one of the key strategies to ensure the goal of the NFHI will be met.	Habitat Information Tracking System (HabITS).
24	Percent of known contaminated sites remediated on DOI-managed land	11%	13%	20%	✓	Goal Exceeded. There are two reasons that this goal was exceeded. First, several sites that have had multi-year ongoing cleanups were completed in FY 2005. Several sites that started with funding from the Special Cleanup Fund 2-3 years ago were completed in FY 2005. Second, very little of the remediation work was hindered by inclement weather, staff changes, or contracting processes.	Environmental Cleanup Liability (ECL) Report; Site Cleanup System; Refuges Annual Performance Plan (RAPP).
Intermediate Strategy – Improve Information Base, Information Management and Technical Assistance [Healthy Lands]							
25	Satisfaction scores on resource protection partnerships	97%	81%	No Report		No Report. No Data.	Survey results.
26	Percent of watershed and landscape-related studies validated through appropriate peer or independent review	100%	100%	100%	✓	Goal Met.	Survey results; Lists of publication titles maintained.

TABLE 2-1

Mission Area 1. Resource Protection: Protect the Nation's Natural, Cultural, and Heritage Resources							
Ref #	**Performance Measures**	**FY 04 Actual**	**FY 05 Plan**	**FY 05 Actual**	**Goal Met?**	**Performance Report and Discussion**	**Data Validation and Verfication Data Sources**
End Outcome Goal – Sustain Biological Communities on DOI-Managed and Influenced Lands and Waters in a Manner Consistent with Obligations Regarding the Allocation and Use of Water							
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	No Report	40%	42% (E)	✓	Goal Met. Estimated Data. A portion of this result is based on statistical analysis of past performance data. Final data should be available in late November 2005. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	Performance Management Data System (PMDS); Fisheries Information System.
28	Percent of threatened or endangered species listed a decade or more that are stabilized or improved	38%	37%	37%	✓	Goal Met. Trend Data: FY 2003 Actual - 42% (332 of 792 species) (FWS); FY 2002 Actual - 45% (320 of 705 species) (FWS); FY 2001 Actual - 52% (320 of 616 species) (FWS)	NPS Endangered Species Database; Environmental Conservation Online System; Threatened and Endangered Species database.
29	Percent of candidate species where listing is unnecessary as a result of conservation actions or agreements	1%	2%	1%		Goal Not Met. We had anticipated that listing the relict leopard frog would be unnecessary but found that additional time is needed to implement conservation efforts.	Environmental Conservation Online System; Threatened and Endangered Species database.
30	Percent of baseline area infested with invasive plant species that is controlled	9%	2%	2% (E)	✓	Goal Met. Estimated Data. Part of this result is estimated based on regression analysis of past performance trends. Final data should be available in late November 2005. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	Performance Management Data System (PMDS); Refuges Annual Performance Plan (RAPP).
31	Percent change from baseline in the number of invasive animal populations	No Report	Establish Baseline	Baseline Established	✓	Goal Met. Baseline Established.	NPS Species database; Refuges Annual Performance Plan (RAPP); and individual park records.
Intermediate Strategy – Create Habitat Conditions for Biological Communities to Flourish							
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	3,590,005 acres	374,462 acres	383,478 acres	✓	Goal Met.	Fisheries Information System; North American Wetlands Conservation Fund database; MIS: Rollup of Program Element JA, JD, JE, JF, JL, JM, JN, JQ, JR, JS, JT, JU, and JW (for all sub-activities).
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	1,145 miles	1,069 miles	1,313 miles	✓	Goal Exceeded. The goal was exceeded because many Regions had large projects that provided a substantial amount of acreage enhanced or restored once completed. There are a wide number of variables impacting the number of acres that can be restored with given funding resources, size of individual units, topography, equipment availability, soil types, weather, etc make forecasting subject to this range of variability.	Fisheries Information Management System; MIS: Rollup of Program Element JG (for all sub-activities).

TABLE 2-1

Mission Area 1. Resource Protection: Protect the Nation's Natural, Cultural, and Heritage Resources

Ref #	Performance Measures	FY 04 Actual	FY 05 Plan	FY 05 Actual	Goal Met?	Performance Report and Discussion	Data Validation and Verfication Data Sources
End Outcome Goal – Sustain Biological Communities on DOI Managed and Influenced Lands and Waters in a Manner Consistent with Obligations Regarding the Allocation and Use of Water							
34	Number of acres of landscapes and watersheds managed through partnerships and networked lands that achieve habitat protection	9,374,196 acres	9,916,705 acres	9,917,351 acres (E)	✓	Goal Met. Estimated Data. The estimated result is based on historical trend data. Final FY 2005 data for this measure should be available by the end of the first quarter of FY 2006. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	North American Wetlands Conservation Fund database; Federal Assistance Information Management System (FAIMS).
35	Number of acres achieving habitat/ biological community goals through voluntary agreements	77,140 acres	86,682 acres	89,556 acres	✓	Goal Met.	Habitat Information Tracking System (HabITS).
36	Number of stream/shoreline miles achieving habitat/biological community goals through voluntary agreements	Baseline Not Established	Establish Baseline	Baseline Not Established		Goal Not Met. Baseline Not Established. The FWS program that contributes to this measure is the Landowner Incentive Program, which awards grants to states. Not all baseline data was received in time from all the states to meet the reporting deadline. The Program expects to have a baseline established by the end of the first quarter of FY 2006.	Federal Assistance Information Management System (FAIMS).
Intermediate Strategy – Improve Information Base, Information Management and Technical Assistance [Sustain Biology]							
37	Satisfaction scores on resource protection partnerships	98%	80%	100%	✓	Goal Exceeded. A different set of products is sampled each year, one year's aggregate measurement is not directly linked to the previous year. The intent is to maintain at least an 80% satisfaction level (i.e., 80% or greater is the target).	Survey results.
38	Percent of studies validated through appropriate peer review or independent review	100%	100%	100%	✓	Goal Met.	Lists of publication titles maintained.
39	Conservation and biological research facilities are in fair to good condition as measured by the Facilities Condition Index	0.063	0.062	0.087		Goal Not Met. The goal was not met due to several reasons. First, one of the FWS Refuge Regional Offices experienced an unexpected increase of $25 million in its maintenance backlog. In addition, the FWS Fisheries reporting program revised its method of reporting FCI data from the initial FY 2005 planning estimate and this may have contributed to some inconsistencies. The FCI planning targets for FY 2006 will be more consistent and accurate.	Refuges Annual Performance Plan (RAPP); Fisheries Information System; Condition Assessment Data.
End Outcome Goal – Protect Cultural and Natural Resources							
40	Percent of cultural properties on DOI inventory in good condition	65%	55%	56% (E)	✓	Goal Met. Estimated Data. A portion of this result is estimated based on statistical analysis of past performance data. Final data will be available in November 2005. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	Refuges Annual Performance Plan (RAPP); Fisheries Information System; Condition Assessment Data; List of Classified Structures (LCS), Cultural Landscapes Inventory (CLI), and Archeological Sites Management Information System (ASMIS).
41	Percent of collections in DOI inventory in good condition	43%	49%	48% (E)	✓	Goal Met. Estimated Data. Part of this result is estimated based on statistical analysis of past performance data. Final data will be available in November 2005. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	Refuges Annual Performance Plan (RAPP); Fisheries Information System; Condition Assessment Data; Automated National Catalog System (ANCS database); Collections Management Report; 411 DM Checklists.

TABLE 2-1

Mission Area 1. Resource Protection: Protect the Nation's Natural, Cultural, and Heritage Resources

Ref #	Performance Measures	FY 04 Actual	FY 05 Plan	FY 05 Actual	Goal Met?	Performance Report and Discussion	Data Validation and Verfication Data Sources
42	Percent of participating cultural properties owned by others in good condition	5%	4%	5% (E)	✓	Goal Exceeded. Estimated Data. Estimated result based on statistical analysis of past years data. NPS partners have made better progress than anticipated in documenting and improving the condition of their cultural properties. Final data will not be available for at least a year.	Refuges Annual Performance Plan (RAPP); Fisheries Information System; Condition Assessment Data.
43	Percent of paleontologic localities in DOI inventory in good condition	41%	57%	49% (E)		Goal Not Met. Estimated Data. The estimated result is based on analysis of historic performance data and regression analysis. The reasons the goal is not expected to be met are varied. In the parks, failure to fully document sites resulted in a drop in the baseline number of sites in good condition. Parks are being monitored to assure proper documentation. BLM was unable to gather the updated data in time to report. At FWS the activities at a single refuge, Charles M Russell (CMR) in Montana, overshadow the rest of the country. A total of 570 palentological sites have been identified at CMR (compared to 18 in the rest of the country) but their condition is not yet documented. Final data and analysis will be included in a supplemental report that will be published during FY 2006. Trend Data: FY 2003 Actual - 47.6% (NPS); FY 2002 Actual - 44.6% (NPS); FY 2001 Actual - 23.0% (NPS)	Performance Management Data System (PMDS); Refuges Annual Performance Plan (RAPP).
44	Percent of Special Management Areas meeting their heritage resource objectives under the authorizing legislation	29%	75%	73% (E)	✓	Goal Met. Estimated Data. A portion of this result is estimated target based on historical trend information. Although the NPS did not set a FY 2005 target for this measure, it did establish a baseline that will be used to set out-year targets. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	Performance Management Data System (PMDS); Refuges Annual Performance Plan (RAPP).
45	Percent of Indian and Alaska Native students demonstrating knowledge of native language, history, and customs	Baseline Established	86%	59% (P)		No Report. Preliminary Data. As preliminary data has not been formally verified, we may not use it as a basis for determining whether the performance goal was achieved. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	OIEP Center for School Improvement; Annual Consolidated School Report Form.
Intermediate Strategy – Manage Special Management Areas for Natural Heritage Resource Objectives							
46	Percent of acres of designated wilderness achieving wilderness character objectives as specified by statute	85%	90%	89%	✓	Goal Met.	Performance Management Data System (PMDS); Refuges Annual Performance Plan (RAPP).
Intermediate Strategy – Reduce Degradation and Protect Cultural and Natural Heritage Resources							
47	Facilities are in fair to good condition as measured by the Facilities Condition Index	0.118	0.209	0.202	✓	Goal Met.	Facility Management Software System (FMSS); Refuges Annual Performance Plan (RAPP).
Intermediate Strategy – Increase Partnerships, Volunteer Opportunities, and Stakeholder Satisfaction							
48	Partner satisfaction scores with DOI on cultural and heritage resource partnerships	Baseline Established	81%	No Report		No Report. No Data. Measured biannually. FY 2004, FY 2006. FY 2008. No data to report for FY 2005, a survey is expected to be done in 2006 and a measure will be reported next year.	WO 830 Survey results.

TABLE 2-1

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

Ref #	Performance Measures	FY 04 Actual	FY 05 Plan	FY 05 Actual	Goal Met?	Performance Report and Discussion	Data Validation and Verfication Data Sources
End Outcome Goal – Manage or Influence Resource Use to Enhance Public Benefit, Promote Responsible Use, and Ensure Optimal Value: Energy							
49	Number of onshore acres available for energy resource exploration/ development consistent with applicable management plans or permitting requirements	590,000,000 acres	590,000,000 acres	590,000,000 acres	✓	Goal Met.	WO-310 and WO-320.
50	Implement National Energy Policy by holding 17 offshore sales consistent with the Secretary's 5-Year Program	4 sales	4 sales	4 sales	✓	Goal Met.	OMM Technical Information Management System.
51	Average acreage disturbed per permitted energy exploration or development activity	2 acres	2 acres	2 acres	✓	Goal Met.	Automated Fluid Mineral Support System (AFMSS).
52	Coal – Percent of active sites that are free of off-site impacts	93%	93%	89%	✓	Goal Met. (Calculated actual value). The Department strives to ensure a high percentage of mine sites are free from off-site impacts. The increase in off-site impacts represents a higher percentage of minor impacts from those reported in FY 2004. The percentage of moderate and major impacts slightly decreased from those reported in FY 2004. Information is reported annually by States for the July 1, 2004 - June 30, 2005, timeframe. Results are then calculated by subtracting the 2004 quarter data (July 1 - September 30, 2004) and adding the 2005 quarter for (July 1 - September 30, 2005). Federal data is for the Federal fiscal year of October 1, 2004 - September 30, 2005. Trend Data: FY 2003 Actual - 92.3% (OSM); FY 2002 Actual - 92.8% (OSM); FY 2001 Actual - 93.9% (OSM)	Annual reports from States.
53	Coal – Number of acres where reclamation goals are achieved as evidenced by release from Phase III Performance Bonds	49,054 acres	70,000 acres	53,353 acres		Goal Not Met. (Calculated actual value). An annual target has been difficult to establish since the Department does not control when operators apply for release of the performance bond. The Department is reviewing trend data to establish a new target; actuals for 2003-2005 have been well below the target level. Also, the Department has made significant progress in developing a new performance measure to compare cumulative acres reclaimed and cumulative acres bonded. Source Information: Information is reported annually by States for the July 1, 2004 - June 30, 2005, timeframe. Results are then calculated by subtracting the 2004 quarter data (July 1 - September 30, 2004) and adding the 2005 quarter for (July 1 - September 30, 2005). Federal data is for the Federal fiscal year of October 1, 2004 - September 30, 2005. Trend Data: FY 2003 Actual - 48,528 acres (OSM); FY 2002 Actual - 73,407 acres (OSM); FY 2001 Actual - 81,853 acres (OSM)	Annual reports from States.
54	Royalties received for mineral leases are 98 percent of predicted revenues, based on market indicators in the production year	96%	98%	98%	✓	Goal Met.	Minerals Revenue Management Support System (MRMSS).
55	Compliance work is completed within the 3-year compliance cycle for x percent of royalties for production year	69%	69%	71%	✓	Goal Met.	Minerals Revenue Management Support System (MRMSS).

TABLE 2-1

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

Ref #	Performance Measures	FY 04 Actual	FY 05 Plan	FY 05 Actual	Goal Met?	Performance Report and Discussion	Data Validation and Verfication Data Sources
56	Percent of revenues disbursed on a timely basis per regulation	96%	96%	98%	✓	Goal Met. Trend Data: FY 2003 Actual - 92.6% (MMS); FY 2002 Actual - 80.0% (MMS); FY 2001 Actual - 98.4% (MMS)	Minerals Revenue Management Support System (MRMSS).
Intermediate Strategy – Effectively Manage and Provide for Efficient Access and Development							
57	Number of pending cases of permits and lease applications that are in backlog status for fluid energy minerals (APDs) [BLM]	2,182 APDs	2,040 APDs	2,461 APDs		Goal Not Met. The Department received more Applications for Permit to Drill (APDs) than anticipated. APD's are a public demand item. From year to year, it is not known how many will be submitted by industry. With the present energy outlook, Interior sees only increases in the number of APDs to be submitted by industry. With the passage of the Energy Policy Act of 2005, Interior will have access to additional funding. Plans are for much of that funding to be used for the processing of APDs.	Automated Fluid Mineral Support System (AFMSS).
58	Number of pending cases of permits and lease applications that are in backlog status for solid energy minerals (LBAs)	45 LBAs	25 LBAs	35 LBAs		Goal Not Met. Additional processing time was required to allow lessees to provide a bond for the lease and to allow 30 days to notify the Attorney General to determine that issuance of the lease would not create or maintain a situation inconsistent with the antitrust laws. Also to allow DOJ to review applicant's qualifications and for issuance requirements.	Case Recordation (LR2000).
Intermediate Strategy – Enhance Responsible Use Management Practices							
59	Achieve an oil spill rate for offshore development of no more than .00001 barrel spilled per barrel produced	0.0000082	0.000010	0.000009 (P)		No Report. Preliminary Data. As preliminary data has not been formally verified, we may not use it as a basis for determining whether the performance goal was achieved. Final results are pending completion of ongoing industry assessments and Departmental investigations and verification procedures. Actual results may vary significantly. Incidents from Hurricanes Katrina and Rita are still under investigation. Final data and analysis will be included in a supplemental report that will be published during FY 2006. Trend Data: FY 2003 Actual - .0000041 (MMS); FY 2002 Actual - .0000002 (MMS); FY 2001 Actual - .0000005 (MMS)	OMM Technical Information Management System.
Intermediate Strategy – Improve Information Base, Information Management and Technical Assistance [Energy]							
60	Improve customer satisfaction rating with energy resources permitting process	48%	50%	No Report		No Report. No Data. Measured biannually. FY 2004, FY 2006. FY 2008. No data to report this year, a survey is expected to be done in 2006 and data will be reported next year.	Survey results.
61	Number of targeted basins with oil and gas resource assessments available to support management decisions	5 basins	6 basins	7 basins	✓	Goal Exceeded. International Basin was completed earlier than expected due to greater management emphasis.	Survey results; Lists of publication titles maintained.
62	Percent of studies validated through appropriate peer review or independent review	100%	100%	100%	✓	Goal Met.	Survey results; Lists of publication titles maintained.

TABLE 2-1

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

Ref #	Performance Measures	FY 04 Actual	FY 05 Plan	FY 05 Actual	Goal Met?	Performance Report and Discussion	Data Validation and Verfication Data Sources
End Outcome Goal – Manage or Influence Resource Use to Enhance Public Benefit, Promote Responsible Use and Ensure Optimal Value: Non-Energy Minerals							
63	Number of acres available for non-energy mineral resource exploration and development consistent with applicable management plans	570,700,000 acres	570,700,000 acres	570,700,000 acres (E)	✓	Goal Met. Estimated Data. The Target acreage is an estimate, based on historical data, of what will be withdrawn by land use plans in a given year. Final data may take several months after the end of the FY for the totals to be compiled. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	WO-320 and WO-210 data calls.
64	Number of acres reclaimed to appropriate land condition and water quality standards	1,786 acres	8,000 acres	12,131 acres	✓	Goal Exceeded. Reclamation is performed by mining companies either concurrently as they finish mining an area, but are still mining adjacent areas, or at the end of the operation. The Department's target is an estimate based on what is calculated will be reclaimed during the year based on historical data. For various reasons, industry was able to reclaim significantly more acres in FY 2005.	Case Recordation (LR2000).
Intermediate Strategy – Effectively Manage and Provide for Efficient Access and Production							
65	Average time for review and approval of saleable, leasable and locatable minerals processing actions	6 months	18 months	No Report		No Report. No Data. Retrieval of the data from the computer system on a mass basis was unsuccessful, omitting numerous known cases. Also, the definition includes many cases and actions for which there is no request and no review and approval or denial. The Department is currently attempting to retrieve the existing data to establish a more accurate baseline for FY 2005. Actual time in FY 2005 is believed to be less than 18 months, but this cannot be substantiated at present. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	Case Recordation (LR2000).
Intermediate Strategy – Improved Information Base, Information Management and Technical Assistance [Non-Energy]							
66	Average square miles of the United States with non-energy mineral information available to support management decisions	2,401,329 square miles	2,987,340 square miles	3,097,647 square miles	✓	Goal Met.	National Geochemical Database, National Geophysical Database, and the Mineral Resources Data System.
67	Percent of studies validated through appropriate peer or independent review	100%	100%	100%	✓	Goal Met.	Survey results; Lists of publication titles maintained.
End Outcome Goal – Manage or Influence Resource Use to Enhance Public Benefit, Promote Responsible Use, and Ensure Optimal Value: Forage							
68	Percent of acres with DOI range improvements resulting in sustainable grazing	5%	9%	6%		Goal Not Met. In two States, range management specialists and other resource specialists were required to work on clearances for high priority energy projects, taking time away from preparing range improvement projects. Due to this continuing situation, these offices are investigating other means to accomplish range improvement projects, such as contracting out more of the analysis work. In addition, range management specialists concentrated on permit renewals in 2005, another high priority work item, resulting in fewer range improvement projects.	Program Elements from sub-activities: JA, JL, JM, JS, JT, JU, JW; Rangeland Improvement Program (RIPs).
69	Percent of permitted acres maintained at appropriate land conditions and water and air standards	63%	56%	58% (E)	✓	Goal Met. Estimated Data. The end of year report for FY 2005 is based on data submitted in December 2004. At that time, 43.8 million of the 76.1 million assessed acres (58%) were known to be in appropriate land condition and meeting water and air standards. Actual information for FY 2005 will be available about mid-November. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	Rangeland Automated System (RAS).

TABLE 2-1

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

Ref #	Performance Measures	FY 04 Actual	FY 05 Plan	FY 05 Actual	Goal Met?	Performance Report and Discussion	Data Validation and Verfication Data Sources
Intermediate Strategy – Provide Access for Grazing							
70	Average time (average reduction, number of days) for processing and issuance of grazing permits	215 days	210 days	210 days (E)	✓	Goal Met. Estimated Data. The actual number of permits issued for FY 2005 and the dates they were issued will not be available until mid-November. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	WO-220 Rangeland Automated System and MIS - for Program Element EE.
End Outcome Goal – Manage or Influence Resource Use to Enhance Public Benefit, Promote Responsible Use, and Ensure Optimal Value: Forest Products							
71	Volume of timber offered for sale	188 MMBF	223 MMBF	257 MMBF	✓	Goal Exceeded. The target was established prior to receiving the authority for stewardship contracting (P.L. 108, Section 323)., which turned out to be higher than originally expected. Trend Data: FY 2003 Actual - 196.5 MMBF (BLM); FY 2002 Actual - 188.5 MMBF (BLM); FY 2001 Actual - 73.6 MMBF (BLM)	WO-270 MIS containing annual targets and quarterly accomplishments.
72	Volume of wood products offered consistent with applicable management plans	80%	91%	195%	✓	Goal Exceeded. Volume which was expected to be offered in FY 2004 was carried over and offered in FY05. Appropriated funding received in FY 2003, FY 2004, and FY 2005 contributed to increased offerings in FY 2005 and volume estimates from pre-sale plans came in higher after layout and sales.	WO-270 MIS containing annual targets and quarterly accomplishments.
73	Percent of permitted acres maintained at appropriate land conditions and water quality standards	100%	100%	100%	✓	Goal Met.	WO-270 data calls and information from the Timber Sale Information System (TSIS).
74	Administrative cost per million board feet of timber offered for sale	176	125,000	105,000	✓	Goal Exceeded. Volume which was expected to be offered in FY 2004 was carried over and offered in FY 2005 for O&C lands. Appropriated funds received in FY 2003, FY 2004, and FY 2005 contributed to increased offerings in FY 2005 and volume estimates from presale plans came in higher after layout and sales. Additionally on the Public Domain lands, stewardship contracting, and integrating timber sale workloads with fuels reduction projects has increased efficiencies. These efficiencies have allowed the Department to prepare more timber sales, resulting in a lower cost per million board feet of timber offered for sale.	WO-270 information from the Cost Management Website.
End Outcome Goal – Deliver Water, Consistent with Applicable State and Federal Law, in an Environmentally Responsible and Cost-Efficient Manner							
75	Acre-feet of water delivered consistent with applicable substantive and procedural requirements of Federal and State water law	29 MAF	28 MAF	28 MAF	✓	Goal Met. Trend Data: FY 2003 Actual - 21.4 MAF (BOR); FY 2002 Actual - 29.4 MAF (BOR); FY 2001 Actual - 29.1 MAF (BOR)	Water Records. Each region uses several methods of recording water delivery because of the varied ages of the equipment.
76	Amount of acre-feet of restricted capacity	16,831 acre-feet	16,531 acre-feet	16,831 acre-feet	✓	Goal Met.	Safety of Dams Decision Reports (DEIS).
77	Percent of water facilities that do not receive Federal or State notices of violation under environmental requirements as defined by Federal and State law	100%	97%	100%	✓	Goal Met.	Formal notices of violations, tracked by legal department. Information is held in several correspondence systems by region.

TABLE 2-1

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

Ref #	Performance Measures	FY 04 Actual	FY 05 Plan	FY 05 Actual	Goal Met?	Performance Report and Discussion	Data Validation and Verfication Data Sources
78	Cost per acre-foot of water storage facilities at full capacity	Baseline Not Established	No Target	No Report		No Report. No Data. Management has rescinded this goal and is developing a replacement during the Strategic Plan revision process in FY 2006.	No source information.
Intermediate Strategy – Operate and Maintain a Safe and Reliable Water Infrastructure							
79	Water infrastructure are in fair to good condition as measured by the Facilities Reliability Rating	97%	94%	96%	✓	Goal Met.	Database of facility condition ratings, indices, etc. maintained by the regional/area offices.
80	Facilities (exclusive of Facilities Reliability Rating facilities) are in fair to good condition as measured by the Facilities Condition Index [results pertain to both water and hydropower facilities]	Baseline Not Established	0.017	0.016	✓	Goal Met.	Building inventory, deferred maintenance (MAXIMO), FCI data; other Property and Maintenance systems.
Intermediate Strategy – Effective Water Management to Optimize Supply							
81	Number of agreements, partnerships and management options exercised resulting in improved water supply	59	54	67	✓	Goal Exceeded. The usual 2-3 exchange contractors normally used had already made other arrangements for their available water and the Department was unable to use them as sources for water. As a result, water acquisition contracts were negotiated with a larger number of individual water contractors for smaller acre-feet amounts per contract to reach the 70,000 as needed.	A variety of different formal documents are used by the regions. They include contracts, leases, grants, and other agreements.
Intermediate Strategy – Address Environmental/Resource Stewardship Concerns							
82	Percent of environmental audit findings and reviews addressed (results pertain to both water and hydropower facilities)	56%	83%	77%		Goal Not Met. Database difficulties prevented the Department from being able to report this goal as met. The Pacific Northwest Region had the largest number of problems. That group has developed a refined database to more carefully track data which has been adopted throughout the environmental auditing system.	Hazardous materials audits are kept in a Denver database.
Intermediate Strategy – Complete Construction Projects to Increase Delivery Infrastructure and Water Availability							
83	Potential acre-feet made available through completion of projects	103,598 acre-feet	31,689 acre-feet	51,720 acre-feet	✓	Goal Exceeded. The goal was exceeded with the early completion of projects that were not originally scheduled for completion in FY 2005.	Water records, documentation with districts.
End Outcome Goal – General Hydropower, Consistent with Applicable State and Federal Law, in an Environmentally Responsible and Cost-Efficient Manner							
84	Percentile of lowest cost hydropower producers, comparing cost per megawatt of installed capacity	25%	25%	25% (E)	✓	Goal Met. Estimated Data. Power data is not available until November following the end of the fiscal year. The Department is expecting to meet its target of top 25th percentile of lowest cost hydropower producers. Final data and analysis will be included in a supplemental report that will be published during FY 2006. Trend Data: FY 2003 Actual - 25% (BOR); FY 2002 Actual - 15% (BOR); FY 2001 Actual - 25% (BOR)	Energy Regulatory Commission's (FERC) Form 1, and the Energy Information Agency's (EIA) EIA 412, and the Corps of Engineers cost data.
85	Percent of time in forced outage equal to or better (lower) than the industry average	0.70% (E)	2.50%	2.50% (E)	✓	Goal Met. Estimated Data. Power data not available until November following the end of the fiscal year. The Department is expecting to meet or exceed the industry average of 2.5% of lower forced outage rate. Final data and analysis will be included in a supplemental report that will be published during FY 2006. Trend Data: FY 2003 Actual - 1.5% (BOR); FY 2002 Actual - 1.3% (BOR); FY 2001 Actual - 1.6% (BOR)	Monthly PO&M 59 Reports.

TABLE 2-1

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

Ref #	Performance Measures	FY 04 Actual	FY 05 Plan	FY 05 Actual	Goal Met?	Performance Report and Discussion	Data Validation and Verfication Data Sources
86	Percent of power facilities that do not receive notice of violations under environmental requirements as defined by Federal and State law	98%	96%	100%	✓	Goal Met.	A variety of different formal documents are used by the regions. They include contracts, leases, grants, and other agreements.
Intermediate Strategy – Operate and Maintain Reliable, Safe, and Secure Power Facilities							
87	Hydropower facilities are in fair to good condition as measured by the Facilities Reliability Rating	100%	95%	98%	✓	Goal Met.	Database of facility condition ratings, indices, etc. (FCAS).
Intermediate Strategy – Improve Power Generation Management to Maximize Supply							
88	Percent of time that Bureau of Reclamation hydroelectric generating units are available to the interconnected Western Electrical System during daily peak summer demand periods	92%	92%	92% (E)	✓	Goal Met. Estimated Data. Power data is not available until a few weeks after the close of the fiscal year. The Department expects to meet the target. Hydroelectric generating units are available during daily peak demand periods 91.8% of the time. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	Monthly PO&M 59 Reports.

TABLE 2-1

Mission Area 3. Recreation - Provide Recreation Opportunities for America

Ref #	Performance Measures	FY 04 Actual	FY 05 Plan	FY 05 Actual	Goal Met?	Performance Report and Discussion	Data Validation and Verfication Data Sources
End Outcome Goal – Provide for a Quality Recreation Experience, Including Access and Enjoyment of Natural and Cultural Resources on DOI-Managed and Partnered Lands and Waters							
89	Satisfaction with quality of experience	94%	91%	94% (E)	✓	Goal Met. Estimated Data. Data is based on an annual survey of visitors. Data from both BLM and NPS was estimated based upon projections from an analysis of past performance. Final data and analysis will be included in a supplemental report that will be published during FY 2006. Trend Data: FY 2003 Actual - 96.5% (NPS = 96.0%; BLM = 97.0%; FY 2002 Actual - 95.0% (NPS); FY 2001 Actual - 92.5% (NPS = 95.0%; BLM = 90.0%)	NPS Visitor Survey Card; Refuges Annual Performance Plan (RAPP).
Intermediate Strategy – Improve Capacities to Provide Access for Recreation Where Appropriate							
90	Number of acres made available for recreation through management actions and partnerships	340,586,714 acres	431,082,847 acres	429,196,941 acres (E)	✓	Goal Met. Estimated Data. Data from NPS was estimated based upon projections from an analysis of past performance. Final data and analysis will be included in a supplemental report that will be published during FY 2006. Trend Data: FY 2003 Actual - 846,282 acres (NPS); FY 2002 Actual - 782,710 acres (NPS); FY 2001 Actual - 726,900 acres (NPS)	NPS Land Resources Division Database and State Grants Program Database; Refuges Annual Performance Plan (RAPP).
91	Number of river and shoreline miles made available to recreation through management actions and partnerships	19,890 miles	157,155 miles	157,155 miles (E)	✓	Goal Met. Estimated Data. Data from NPS was estimated based upon projections from an analysis of past performance. Final data and analysis will be included in a supplemental report that will be published during FY 2006. Trend Data: FY 2003 Actual - 5,050 miles (NPS); FY 2002 Actual - 4,058 miles (NPS); FY 2001 Actual - 3,172 miles (NPS)	Environmental Protection Agency's (EPA) Storage and Retrieval (STORET) national water quality database. Partnership data comes from State Grants Program Database.
92	Percent of universally accessible facilities in relation to the total number of recreation areas	8%	13%	14%	✓	Goal Met. Trend Data: FY 2003 Actual - 9.9% (BLM = 7%; BOR = 12.8%); FY 2002 Actual - 5.1% (BLM); FY 2001 Actual - 3.0% (BLM)	Facility Management Software System (FMSS); Accessibility Data Management System (ADMS); Recreation Management Information System (RMIS); and regional inventories; Refuges Annual Performance Plan (RAPP).
Intermediate Strategy – Promote Recreation Opportunities							
93	Number of online recreation transactions supported by DOI	12,960 transactions	103,500 transactions	131,671 transactions (E)	✓	Goal Exceeded. Estimated Data. Data from NPS was estimated based on quarterly data. Final data and analysis will be included in a supplemental report that will be published during FY 2006. Goal was exceeded because the public has become more familiar with Department on-line recreation systems.	Recreation Management Information System (RMIS).
Intermediate Strategy – Manage Recreation Activities Seamlessly							
94	Percent of recreation areas with community partnerships	27%	26%	27% (E)	✓	Goal Met. Estimated Data. Data from BLM was estimated based upon an analysis of FY 2004 performance data. Final data and analysis will be included in a supplemental report that will be published during FY 2006. Although, NPS did not set a FY 2005 target for this measure, they did establish a baseline value of 54%.	Performance Management Data System (PMDS); Refuges Annual Performance Plan (RAPP); Partnership contracts/ agreements.
95	Number of individuals using an interagency pass	10,750 individuals	497,000 individuals	545,220 individuals (E)	✓	Goal Exceeded. Estimated Data. Data from NPS was estimated based on quarterly data. Final data and analysis will be included in a supplemental report that will be published during FY 2006. Goal was exceeded because the public is becoming more familiar with the interagency pass.	Recreation Management Information System (RMIS); Individual park units.

TABLE 2-1

Mission Area 3. Recreation - Provide Recreation Opportunities for America

Ref #	Performance Measures	FY 04 Actual	FY 05 Plan	FY 05 Actual	Goal Met?	Performance Report and Discussion	Data Validation and Verfication Data Sources
Intermediate Strategy – Enhance the Quality of Recreation Opportunities							
96	Facilities are in fair to good condition as measured by the Facilities Condition Index (lower FCI number is good)	No Report	0.160	0.089	✓	Goal Exceeded. BOR and FWS both recorded better than expected FCI numbers because the original targets were based on incomplete FY 2004 baseline data. Further baseline assessments conducted in FY 2005 continually improved the accuracy of deferred maintenance and cost replacement value of facilities resulting in better then expected number of facilities known to be in good condition. BLM and NPS continue to work on developing methods to conducting their assessments.	Facilities Asset Management System (FAMS); Refuges Annual Performance Plan (RAPP); FCI calculations; deferred maintenance documentation.
Intermediate Strategy – Provide Effective Interpretation and Education Programs							
97	Number of visitors served by facilitated programs	156,341,900 visitors	177,478,039 visitors	168,839,453 visitors (E)	✓	Goal Met. Estimated Data. Data from NPS was estimated based upon statistical analysis of visitation numbers. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	Refuges Annual Performance Plan (RAPP); Fisheries Information System; Service-wide Interpretive Reports submitted by individual park units.
Intermediate Strategy – Ensure Responsible Use in Recreation to Protect Natural, Cultural, and Recreational Resources							
98	Percent of targeted underutilized recreation areas where visitation has increased	New Measure in FY 2005	No Target	No Report		No Report. No Data. The wording of this measure was changed in the FY 2006 President's Budget to better describe how NPS will measure increase use of underutilized recreation areas. Consequently, NPS did not establish target for this goal in FY 2005. NPS is working with OMB through the PART process to develop a consistent basis for this measure. Targets will be developed through that process.	Working with OMB to determine how data will be reported for this goal as part of the OMB PART process.
Intermediate Strategy – Improve Information Base, Information Management, and Technical Assistance							
99	Manager satisfaction scores for technical assistance and science products for recreation purposes	95%	81%	No Report		No Report. No Data. While FWS reported a result and met their goal for this measure, NPS was unable to report a result because NPS only conducts a survey in even numbered years. NPS will conduct a survey in FY 2006.	Federal Assistance Information Management System (FAIMS); Customer surveys.
End Outcome Goal – Provide For and Receive Fair Value in Recreation							
100	Customer satisfaction with value for fee paid	No Report	85%	89% (P)		No Report. Preliminary Data. As preliminary data has not been formally verified, we may not use it as a basis for determining whether the performance goal was achieved. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	Refuge Annual Performance Plan (RAPP); Visitor Survey Card.
Intermediate Strategy – Promote Quality Service for Recreation							
101	Percent of concession activities with performance-based contracts	94%	95%	94% (E)	✓	Goal Met. Estimated Data. Data from both BLM and NPS was estimated based upon projections from an analysis of past performance. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	Recreation Management Information System (RMIS); Concession Management Program; Contracts.

TABLE 2-1

Mission Area 3. Recreation - Provide Recreation Opportunities for America

Ref #	Performance Measures	FY 04 Actual	FY 05 Plan	FY 05 Actual	Goal Met?	Performance Report and Discussion	Data Validation and Verfication Data Sources
Intermediate Strategy – Effectively Manage Service Fees and Recreation Fees							
102	Revenue collected from concessions	$27,600,000	$29,900,000	$29,551,418 (E)	✓	Goal Met. Estimated Data. Data from NPS was estimated based upon projections from an analysis of past performance. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	Concession Management Program.
103	Percent of recreation fee program receipts spent on fee collection	New Measure in FY 2005	20%	18% (E)	✓	Goal Exceeded. Estimated Data. Data was estimated based upon an analysis of past performance. Final data and analysis will be included in a supplemental report that will be published during FY 2006. Goal was exceeded because FWS improved the efficiency of how it collects recreation fees using new technology and optimum approaches to staffing.	Refuge Annual Performance Plan (RAPP); Fee Management Program; Fee site collection reports.

TABLE 2-1

Mission Area 4. Serving Communities: Safeguard Lives, Property and Assets, Advance Scientific Knowledge, and Improve the Quality of Life for Communities We Serve							
Ref #	**Performance Measures**	**FY 04 Actual**	**FY 05 Plan**	**FY 05 Actual**	**Goal Met?**	**Performance Report and Discussion**	**Data Validation and Verfication Data Sources**
End Outcome Goal – Protect Lives, Resources and Property							
104	Loss of life from severe, unplanned and unwanted wildland fire is eliminated	0 fatalities	0 fatalities	1 fatality (E)		Goal Not Met. Estimated Data. Unfortunately, it is not possible to totally eliminate fatalities but we continue our efforts to do so.	Safety Management Information System (SMIS).
105	Firefighter injuries from severe, unplanned and unwanted wildland fire are reduced	Baseline Established	414 injuries	110 injuries (E)	✓	Goal Exceeded. Estimated Data. Unfortunately, it is not possible to totally eliminate injuries but, the moderate nature of the fire season, along with training and management actions and policies helped reduce injuries this year.	Safety Management Information System (SMIS).
106	Damage to communities and the environment from severe, unplanned and unwanted wildland fire are reduced	No Report	No Target	No Report		No Report. No Data. The feasibility of measuring damage consistently has been problematic and rendered this metric unsuitable for developing trend data.	No source information.
107	Amount of time lost from firefighter injury in proportion to the number of days worked across all agencies	Baseline Established	0.05%	0.11% (E)		Goal Not Met. Estimated Data. It is estimated that this target will not be met based on three quarters of data and the fact that the denominator of the metric is expected to be notably reduced compared to the prior year. Verified fourth quarter data will not likely bring values up to the Goal Met range. Estimation is difficult owing to inadequate historical fourth quarter data on which to extrapolate a reasonable trend (FY 2004 was the baseline year), and fourth quarter results are considered unpredictable owing to the major variations in fire seasons. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	Safety Management Information System (SMIS).
108	Number of homes and significant structures lost as a result of wildland fire	Baseline Established	No Target	No Report		No Report. No Data. It is estimated that 32 units have been lost, however no specific target was established for FY 2005.	FAMWeb/Sit Report.
109	Visitor lives lost due to illegal activities on DOI lands and in DOI facilities (incidents per 100,000 visitor/resident days)	Baseline Established	No Target	No Report		No Report. No Data. Two lives were lost on BLM lands due to illegal activities; no target had been established for FY 2005.	Significant Activity Report (SAR); Recreation Management Information System (RMIS); Incident Management Analysis and Reporting System (IMARS) will be the source for this information when it is operational.
110	Visitor serious injuries due to illegal activities on DOI lands and in DOI facilities (incidents per 100,000 visitor/resident days)	Baseline Established	No Target	No Report		No Report. No Data. 27 injuries have been reported on BLM lands. However, no target for FY 2005 had been established.	Significant Activity Report (SAR); Recreation Management Information System (RMIS); Incident Management Analysis and Reporting System (IMARS) will be the source for this information when it is operational.
111	Percent of communities using DOI science on hazard mitigation, preparedness and avoidance for each hazard management activity	43%	46%	45%	✓	Goal Met.	National Seismic Hazard Maps and USGS; Community Response Plans.

TABLE 2-1

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

Ref #	Performance Measures	FY 04 Actual	FY 05 Plan	FY 05 Actual	Goal Met?	Performance Report and Discussion	Data Validation and Verfication Data Sources
112	Met need for information to help achieve goal of reduced risk	98%	80%	99%	✓	Goal Exceeded. A different set of products is sampled each year, one year's aggregate measurement is not directly linked to the previous year. The intent is to maintain at least an 80% satisfaction level (i.e., 80% or greater is the target).	Survey results.
113	Number of people with reduced exposure potential to safety risks from abandoned mine lands	160,257 people	11,000 people	1,276,549 people (P)		No Report. Preliminary Data. As preliminary data has not been formally verified, we may not use it as a basis for determining whether the performance goal was achieved. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	Abandoned Mine Land Inventory System (AMLIS).
114	Reduced number of fatalities among workers in DOI permitted or contracted activities	3 fatalities	6 fatalities	3 fatalities (P)		No Report. Preliminary Data. As preliminary data has not been formally verified, we may not use it as a basis for determining whether the performance goal was achieved. Final data and analysis will be included in a supplemental report that will be published during FY 2006. Complete data are presently unavailable due to disruption from hurricanes Katrina and Rita.	OMM Technical Information Management System.
115	Reduced number of serious injuries among workers in DOI permitted or contracted activities	29 serious injuries	25 serious injuries	16 serious injuries (P)		No Report. Preliminary Data. As preliminary data has not been formally verified, we may not use it as a basis for determining whether the performance goal was achieved. Final data and analysis will be included in a supplemental report that will be published during FY 2006. Complete data are presently unavailable due to disruption from hurricanes Katrina and Rita.	OMM Technical Information Management System.
116	Reduced number of fatalities on DOI-managed or influenced lands and waters	No Report	120	107 (E)	✓	Goal Exceeded. Estimated Data. Estimate based on past performance trends updated for two additional years of trend data subsequent to target setting. Final data will not be available until December.	Performance Management Data System (PMDS).
117	Reduced number of serious injuries on DOI-managed or influenced lands and waters	9,006	5,121	7,600 (E)		Goal Not Met. Estimated Data. While it is not possible to eliminate all injuries, the NPS continues to work to minimize them. NPS is examining trends to help better determine when it is making progress. This year's result is an estimate based on regression analysis of past performance data. NPS has been setting aggressive targets and was overly optimistic as to performance. NPS is examining the out-year targets to determine what targets are reasonable to achieve. Final data will be available in December.	Performance Management Data System (PMDS).
Intermediate Strategy – Improve Fire Management							
118	Percent of unplanned and unwanted wildland fires controlled during initial attack	98%	95%	95% (E)	✓	Goal Met. Estimated Data. Trend Data: FY 2003 Actual - 97% (DOI); FY 2002 Actual - 94% (DOI); FY 2001 Actual - 95% (DOI)	National Interagency Fire Coordination Center (NIFC) Daily Situation Report.
119	Number of acres burned by unplanned and unwanted wildland fires	8,094,531 acres	5,135,013 acres	5,632,000 acres (E)		Goal Not Met. Estimated Data. A high incidence of early season moisture promoted growth of combustible grasses that produced more extensive grass fire burns than expected.	National Interagency Fire Coordination Center (NIFC) Daily Situation Report.
120	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	490,110 acres	421,000 acres	508,288 acres (E)	✓	Goal Exceeded. Estimated Data. The hazardous fuels-related measure has exceeded the projected target due to: 1) the unforseeably moderate fire season which allowed the workforce to direct more effort to hazardous fuels treatment activities, 2) a high incidence of seasonal environmental conditions conducive to accomplishing planned fuels treatments, and 3) a fire season moderated by early precipitation in areas predicted to be at risk for extreme fire danger.	National Fire Plan Operating and Reporting System (NFPORS).

TABLE 2-1

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

Ref #	Performance Measures	FY 04 Actual	FY 05 Plan	FY 05 Actual	Goal Met?	Performance Report and Discussion	Data Validation and Verfication Data Sources
121	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	39%	39%	42% (E)	✓	Goal Exceeded. Estimated Data. This hazardous fuels-related measure has exceeded the projected target due to: 1) the unforseeably moderate fire season which allowed the workforce to direct more effort to hazardous fuels treatment activities, 2) a high incidence of seasonal environmental conditions conducive to accomplishing planned fuels treatments, and 3) a fire season moderated by early precipitation in areas predicted to be at risk for extreme fire danger.	National Fire Plan Operating and Reporting System (NFPORS).
122	Number of acres treated in the wildland-urban interface per million dollars gross investment	4,248 acres	3,281 acres	3,826 acres (E)	✓	Goal Exceeded. Estimated Data. This hazardous fuels-related measure has exceeded the projected target due to: 1) the unforseeably moderate fire season which allowed the workforce to direct more effort to hazardous fuels treatment activities, 2) a high incidence of seasonal environmental conditions conducive to accomplishing planned fuels treatments, and 3) a fire season moderated by early precipitation in areas predicted to be at risk for extreme fire danger.	National Fire Plan Operating and Reporting System (NFPORS).
Intermediate Strategy – Improve Public Safety and Security and Protect Public Resources from Damage							
123	Percent of physical and chemical hazards mitigated within 120 days to ensure visitor or public safety	Baselline Established	23%	69%	✓	Goal Exceeded. FWS increased the efficiency of its performance to correct more findings in the same year that they are identified. BLM found that the nature of many mitigation efforts allowed for quicker post-assessment corrections thereby improving the proportion of actions completed in less than 120 days.	Refuge Annual Performance Plan (RAPP); Environmental Cleanup Liability (ECL) report on DOI/OMB; Dam Safety Program reports.
124	Buildings (e.g., administrative, employee housing) in fair to good condition as measured by the Facilities Condition Index	0.131	0.139	0.139	✓	Goal Met.	Facility Management Software System (FMSS); Condition Assessments; Refuge Annual Performance Plan (RAPP); FMIS Database - Deferred Maintenance/Current Replacement Value (CRV).
125	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	0.250	0.083	0.130		Goal Not Met. Despite NPS improvement in FCI (.183 of targeted .250), the BIA (.146 vs .135 target) and FWS did not meet targets owing to the increase in projected maintenance costs resulting from recent inspections of roads, trails, bridges and dams.	Facility Management Software System (FMSS); Refuge Annual Performance Plan (RAPP).
Intermediate Strategy – Provide Information to Assist Communities in Managing Risks from Natural Hazards							
126	Percent of sampled stakeholders reporting adequacy of science base to inform decision-making for each hazard management activity	98%	80%	99%	✓	Goal Exceeded. A different set of products is sampled each year, one year's aggregate measurement is not directly linked to the previous year. The intent is to maintain at least an 80% satisfaction level (i.e., 80% or greater is the target).	Survey results.
Intermediate Strategy – Promote Respect for Private Property							
127	Average number of months that active non-probate cases are before the Office of Hearings and Appeals	14 months	13 months	13 months	✓	Goal Met. The performance goal was set at an approximate target level, and the deviation from that level is slight. There was no effect on overall program or activity performance.	OHA Case Pending Database.

TABLE 2-1

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

Ref #	Performance Measures	FY 04 Actual	FY 05 Plan	FY 05 Actual	Goal Met?	Performance Report and Discussion	Data Validation and Verfication Data Sources
128	Average number of months that active non-probate cases in the oldest quartile are before the Office of Hearings and Appeals	32 months	26 months	27 months		Goal Not Met. OHA did not meet its target primarily due to a restructuring of its Hearings Division that shifted the bulk of the resources to probate work, leaving only two administrative law judges (ALJs) to work on non-probate cases for most of the year. The restructuring plan called for four ALJs to work non-probate cases, but as a result of funding constraints, OHA was not able to assign the other two ALJs to non-probate work until the latter part of the fiscal year. Meanwhile, the average age of the oldest quartile of non-probate cases in the Hearings Division increased. The shift of the two additional ALJs to non-probate work in FY 2006 coupled with an improved support staffing picture, should address the slight FY 2005 performance shortfall.	OHA Case Pending Database.
129	Number of pending cases of permits and lease applications that are in backlog status for rights-of-way	1,007 cases	1,127 cases	1,117 cases	✓	Goal Met.	Case Recordation (LR2000).
End Outcome Goal – Advance Knowledge Through Scientific Leadership and Inform Decisions Through the Applications of Science							
130	Soundness of methodology, accuracy, and reliability of Science (program evaluation, peer review)	80%	100%	100%	✓	Goal Met.	Annual Management Control Review Plans.
131	Improve stakeholder access to needed Science information	90%	90%	92%	✓	Goal Met.	Survey results.
132	Stakeholders reporting that information helped achieve goal	93%	90%	95%	✓	Goal Exceeded. A different set of products is sampled each year, one year's aggregate measurement is not directly linked to the previous year. The intent is to maintain at least a 90% satisfaction level (i.e., 90% or greater is the target).	Survey results.
Intermediate Strategy – Improve Information Base, Information Management and Technical Assistance							
133	Percent of surface area with temporal and spatial monitoring, research, and assessment/data coverage to meet land use planning and monitoring requirements	55%	60%	59%	✓	Goal Met.	GAP GIS Database; USGS National Geologic Map Database; National Satellite Land Remote Sensing Data Archive (NSLRSDA); National Hydrographic Dataset.
134	Percent of studies validated through appropriate peer review or independent review	100%	100%	100%	✓	Goal Met.	Lists of publication titles maintained.
135	Facilities are in fair to good condition as measured by the Facilities Condition Index	0.172	0.172	0.172	✓	Goal Met.	Condition Assessments data.

TABLE 2-1

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

Ref #	Performance Measures	FY 04 Actual	FY 05 Plan	FY 05 Actual	Goal Met?	Performance Report and Discussion	Data Validation and Verfication Data Sources
End Outcome Goal – Fulfill Indian Fiduciary Trust Responsibilities							
136	Percent of financial information accurately processed in Trust beneficiary accounts	18%	97%	100%	✓	Goal Met.	Data generated from OST Trust Services control logs detailing error rate from transaction databases.
137	Percent timeliness of financial account information provided to Trust beneficiaries	97%	99%	99%	✓	Goal Met.	Trust Financial Accounting System (TFAS) and US Post Office receipts for post marks.
138	Percent of land-based Individual Indian Money transactions, as identified in the January 6, 2003, Plan for Historical Accounting that will be reconciled	0%	No Target	No Report		No Report. No Data. In FY2004, OHTA was effectively barred by appropriations language from spending funds on the land-based IIM portion of the Cobell historical accounting. OHTA was, however, authorized to perform litigation support accounting (LSA). The LSA project started in FY2004. Based on the status of the Cobell litigation and congressionally-sponsored settlement talks, Interior leadership decided in FY2005 to continue and complete the LSA project. The new performance target was to produce statistical results from the completed LSA project. These results were reported in the Historical Accounting for Individual Indian Monies: A Progress Report released in September 2005.	No source information.
139	Percent of Federal Managers' Financial Integrity Act management control plans with corrective actions in place	91%	92%	97% (E)	✓	Goal Exceeded. Estimated Data. The target was exceeded in FY 2005 due to a stronger emphasis on risk managmenet and delegation of risk responsibilities to more levels of staff.	OST Trust Accountability office control sheets.
140	Percent of Tribes with trust program-related performance-based P.L. 93-638 agreements	Baseline Established	43%	54%	✓	Goal Exceeded. Improved training and technical assistance efforts have contributed to an increase in tribal contracting.	P.L. 93-638 Contracts.
141	Percent of Tribes with trust program-related performance-based P.L. 103-413 agreements	Baseline Established	40%	40%	✓	Goal Met.	Self Governance Funding Contracts.
142	Percent of formal applications for the withdrawal of tribal trust funds processed within regulatory timeframes	New Measure in FY 2005	100%	100%	✓	Goal Met.	OST Office of External Affairs spreadsheet of inquiries/ requests.
143	Percent of DOI-supported tribal judicial systems receiving an acceptable rating under independent Tribal Court Reviews	1%	10%	16%	✓	Goal Exceeded. The increase in tribal court reviews was due to the corrective actions outlined from the unsatisfactory PART review of the Tribal Courts program. Funds had been identified to continue this increased review effort in FY 2005-6 and reviews are expected to increase substantially.	Tribal Services Spreadsheet.
144	Indian natural resource trust assets management – volume of timber offered for sale	580 MMBF	585 MMBF	627 MMBF	✓	Goal Exceeded. 84% of total Annual Allowable Cut (AAC) was offered for sale. Favorable market conditions resulted in more sales than anticipated.	Trust Services Spreadsheet.
145	Indian natural resource trust assets management – volume of wood products offered consistent with applicable management plans	580 MMBF	585 MMBF	627 MMBF	✓	Goal Exceeded. 100% of the wood products offered for sale were offered consistent with management plans. Wood products cannot be offered for sale without management plans in place to govern their sale. However, definitional issues (overlap) with the timber sales measure suggest that this measure should be dropped in the future in favor of the timber sales measure.	Trust Services Spreadsheet.

TABLE 2-1

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

Ref #	Performance Measures	FY 04 Actual	FY 05 Plan	FY 05 Actual	Goal Met?	Performance Report and Discussion	Data Validation and Verfication Data Sources
End Outcome Goal – Fulfill Indian Fiduciary Trust Responsibilities							
146	Indian natural resource trust assets management – percent of eligible trust land acres that are under lease (percent for energy development; percent for non-energy mineral development; percent for grazing land; percent for agricultural use; percent for commercial property use)	Baseline Not Established	Establish Baseline	Baseline Established	✓	Goal Met. Baseline Established. The aggregate baseline is 72%.	Trust Services Spreadsheet.
147	Indian natural resource trust assets management – number of acres of energy and non-energy Trust resource land developed that are reclaimed to appropriate land condition and water quality standards	Baseline Not Established	No Target	No Report		No Report. No Data. BIA does not do reclamation activities; the measure should be dropped.	No source information.
148	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	Baseline Not Established	15%	16% (P)		No Report. Preliminary Data. As preliminary data has not been formally verified, we may not use it as a basis for determining whether the performance goal was achieved. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	Trust Services Spreadsheet.
149	Indian natural resource trust assets management – percent change in baseline in the number of acres infested with invasive plant species	Baseline Established	6.70%	7.20%	✓	Goal Exceeded. Improved inventory and monitoring of invasive plant infestations resulted in documentation of additional acres, which exceeds the baseline by .52%.	Trust Services Spreadsheet.
150	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	Baseline Established	100%	No Report		No Report. No Data. None of the land use agreements in FY 2005 required an Indian Sacred Site/Resource provision.	No source information.
151	Indian natural resource trust assets management – percent of cultural properties in DOI inventory in good condition	Baseline Not Established	93%	70%		Goal Not Met. The goal was not met due to inventory and condition assessments still being conducted by field staff whose primary priority is focused on compliance issues on trust lands. A system is under development that will improve communication and coordination between cultural resource field staff who have expertise in assessing significance and managing cultural resources, and OFMC staff who are directly responsible for the care and maintenance of BIA facilities. BIA will continue to identify and assess real property holdings for historic and cultural significance and will work to increase OFMC awareness of the special management needs of historic properties to extend overall capabilties in an effort to reach our FY 2006 target.	Curator Sioux Indian Museum Reports/Curator Museum of Plains Indians; Curator Southern Plains Museum.

TABLE 2-1

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

Ref #	Performance Measures	FY 04 Actual	FY 05 Plan	FY 05 Actual	Goal Met?	Performance Report and Discussion	Data Validation and Verfication Data Sources
End Outcome Goal – Fulfill Indian Fiduciary Trust Responsibilities							
152	Indian natural resource trust assets management – percent of collections in DOI inventory in good condition	17%	18%	22%	✓	Goal Exceeded. Due to improved data collection and reporting, the percentage of collections in good condition was increased. Efforts continue to complete condition assessments of BIA collections. As of the end of FY 2005, 118 collections have been assessed, of which 38 are in good condition. An additional 54 collections still need to be assessed.	DOI checklist for Locations Housing Museum Property; American Association of Museum Accreditation.
153	Indian natural resource trust assets management – percent of paleontologic localities in DOI inventory in good condition [BIA]	Baseline Established	No Target	No Report		No Report. No Data. No paleontologic localities have been identified on BIA-owned Federal land.	No source information.
Intermediate Strategy – Improve Indian Trust Ownership and Other Information							
154	Percent of estates in which assets are distributed and all title information is updated in standard probate process cycle time	Baseline Established	33%	No Report		No Report. No Data. Protrac was not fully functional until the last quarter of FY 2005 so full reporting capability cannot be supported. BIA will be able to fully report and support this measure in FY 2006.	Central Office Spreadsheet.
155	Percent of probate cases where document preparation and post record work has been completed	Baseline Established	33%	No Report		No Report. No Data. Protrac was not fully functional until the last quarter of FY 2005 so full reporting capability cannot be supported. BIA will be able to fully report and support this measure in FY 2006.	Central Office Spreadsheet.
156	Average number of months that active probate cases are before the Office of Hearings and Appeals	6 months	7 months	6 months	✓	Goal Exceeded. OHA was able to exceed its target primarily due to a significant increase in new probate cases (up 18% from FY 2004), which had the effect of reducing the average age of the pending cases.	OHA Case Pending Database.
157	Percent of missing owner information (accounts) recovered	51%	25%	36%	✓	Goal Exceeded. The program target was exceeded due to a stronger OST outreach effort toward cases deemed "whereabouts unknown," in addition to increased coordination with BIA and the Tribes. This awareness approach proved very effective.	OST Office of Trust Services control logs.
158	Percent of title encumbrances filed within 2 business days	47%	52%	59%	✓	Goal Exceeded. The projected target was exceeded because a priority was placed on the LTRO program to get TAAMS title current. Additional funding was also redirected to the priority.	Central Office Spreadsheet.
159	Percent of tracts for which DOI has data responsibility where real property ownership data are current, standardized and integrated and title status reports are provided within 10 days of request	No Report	No Target	No Report		No Report. No Data. Although an FY 2005 target was not established, BLM indicates that 75% of tracts meet the criteria of this measure.	Central Office Spreadsheet.
160	Number of land acquisitions to increase land use capabilities and reduce fractionation of land interests	48,470 acquisitions	41,000 acquisitions	72,547 acquisitions (E)	✓	Goal Exceeded. Estimated Data. Estimate was based on 22% of August actuals because of the August cut-off for data due to early reporting requirements. However, data confidence was sufficient to determine that goal would be significantly exceeded. The program was able to exceed its projected acquisitions due to additional funding that was provided to allow for a greater number of acquisitions.	Trust Services Spreadsheet.

TABLE 2-1

Mission Area 4. Serving Communities: Safeguard Lives, Property and Assets, Advance Scientific Knowledge, and Improve the Quality of Life for Communities We Serve							
Ref #	Performance Measures	FY 04 Actual	FY 05 Plan	FY 05 Actual	Goal Met?	Performance Report and Discussion	Data Validation and Verfication Data Sources
End Outcome Goal – Fulfill Indian Fiduciary Trust Responsibilities							
161	Acreage of land acquisitions to increase land use capabilities and reduce fractionation of land interests	42,806 acres	46,000 acres	114,529 acres (E)	✓	Goal Exceeded. Estimated Data. Estimate was based on 22% of August actuals because of the August cut-off for data due to early reporting requirements. However, data confidence was sufficient to determine that goal would be significantly exceeded. The program was able to exceed its projected acquisitions due to additional funding that was provided to allow for a greater number of acquisitions.and because the focus of the additional funding was for agricultural reservations which have higher average allotted acres.	Trust Services Spreadsheet.
Intermediate Strategy – Improve Management of Land and Natural Resource Assets							
162	Percent of revenue recorded in the Trust Financial Accounting System within 24 hours of receipt	99%	98%	100%	✓	Goal Met.	OST Office of Trust Services control logs of receipts and receipt entry into TFAS.
163	Percent of revenue transferred to OST within 24 hours of receipt	100%	99%	100%	✓	Goal Met. Trend Data: FY 2003 Actual - 99.3% (MMS); FY 2002 Actual - No Data (MMS); FY 2001 Actual - No Data (MMS)	Minerals Revenue Management Support System (MRMSS).
164	Percent of royalties for which lease distribution data are provided to BIA by first semi-monthly distribution	84%	75%	92%	✓	Goal Exceeded. In FY 2005, there were several months when there was a longer time between month-end receipt of company payments and the variable date established monthly by MRM's systems contractor for providing the first semi-monthly lease distribution data. In addition, companies' reported data quality was high during several months. Together, these factors contributed to MRM exceeding the target for this measure.	Minerals Revenue Management Support System (MRMSS).
165	Percent of ownership for which lease data is matched within 10 days	Baseline Not Established	Establish Baseline	Baseline Not Established		Goal Not Met. Baseline Not Established. The LRIS system to collect ownership interest information is no longer in use and the program failed to modify their realty collection form to allow the regions to track ownership interests. The regions will have access to the new system (TAAMS) in FY 2006 and will be able to access the appropriate ownership information to address this goal.	Trust Services Spreadsheet.
166	Percent of appraisal reports completed within requestor business requirement	94%	94%	79% (E)		Goal Not Met. Estimated Data. The overall decrease in performance in FY 2005 vs. FY 2004 can be attributed to several factors. The Office of Appraisal Services is dependent upon appraisal requests which are submitted by the Bureau of Indian Affairs. There were fewer BIA appraisal requests in FY 2005. Secondly, new professional standards for appraisal reports implemented by the OAS require all OAS appraisal reports to conform to the Uniform Standards for Professional Appraisal Practices (USPAP), which require the application of several valuation methods, and therefore result in a longer completion time for the average appraisal report. An increase in complex appraisal requests in FY 2005 also contributed to the lower performance rating. And lastly, a large number of appraiser vacancies in three of the OAS regions with the highest workload levels hindered the ability of the staff to complete assignments in a more timely fashion. Estimate is based on annual data reported by 8 of 11 OAS regions. Numbers represent actual numbers reported by 8 regions, plus a 19% addition based on a pro-rating formula.	Regional appraiser office control logs.

TABLE 2-1

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

Ref #	Performance Measures	FY 04 Actual	FY 05 Plan	FY 05 Actual	Goal Met?	Performance Report and Discussion	Data Validation and Verfication Data Sources
167	Percent of planned enhancement/ reintroduction objectives completed	151%	95%	100%	✓	Goal Met. The main reason for this exceeding the target was due to the improvements made in the Fisheries Information System database which permitted collection of more accurate Regional data.	Fisheries Information System; Trust Services Spreadsheet.
End Outcome Goal – Advance Quality Communities for Tribes and Alaska Natives							
168	Achieve parity between the Tribal community and U.S. rural area national average on high school graduation	80%	82%	82% (E)	✓	Goal Met. Estimated Data.	BIA Center for School Improvement Form.
169	Achieve parity between the Tribal community and U.S. rural area national average on college graduation	Baseline Established	10%	No Report		No Report. No Data. Under P.L. 93-638, Tribal college annual reports are not due until December of each year. Final reporting for all college related performance measures will be available for the supplemental report in February 2006.	Annual Tribal Colleges and Universities Report Form - OMB No. 1076-0105.
170	Achieve parity between the Tribal community and U.S. national average on rural unemployment rates and per capita income	43%	43%	43%	✓	Goal Met.	Tribal Services Spreadsheet.
171	Achieve parity between the Tribal community and U.S. national average on violent crime	No Report	No Target	Preliminary Report		No Report. No Data. BIA Office of Law Enforcement has not provided validated and verified data. Full reporting for the program will be available by December 2005 for inclusion in a supplemental report in early 2006.	Law Enforcement Services Crime Data Spreadsheets.
172	Percent of eligible Housing Improvement Program applicants whose need for safe and sanitary housing in Indian Country is met	9%	9%	5%		Goal Not Met. The inflationary costs of fuel and materials have continued to rise while program funding has not, which has made it difficult for the program to maintain its level of service. In addition, the numerous hurricanes in the southern U.S. caused the price of materials and fuel prices to rise even further. These factors have a direct negative impact on our ability to construct new homes in Indian Country. This effect will continue in FY 2006 and while the program will still have to lower its goal target, it will attempt to move the program back to a heavier focus on repair as opposed to replacement in an effort to serve as many applicants as possible.	Housing Report Spreadsheet.
Intermediate Strategy – Improve Education and Welfare Systems for Indian Tribes and Alaska Natives							
173	Facilities are in fair to good condition as measured by the Facilities Condition Index	0.124	0.107	0.107	✓	Goal Met.	FMIS Database - Deferred Maintenance/Current Replacement Value (CRV).
174	Percent of teacher proficiencies in select subject areas	Baseline Established	76%	94% (P)		No Report. Preliminary Data. As preliminary data has not been formally verified, we may not use it as a basis for determining whether the performance goal was achieved. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	OIEP Center for School Improvement; Annual Consolidated School Report Form.
175	Teacher retention rate	Baseline Established	93%	89% (P)		No Report. Preliminary Data. As preliminary data has not been formally verified, we may not use it as a basis for determining whether the performance goal was achieved. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	OIEP Center for School Improvement; Annual Consolidated School Report Form.

TABLE 2-1

Mission Area 4. Serving Communities: Safeguard Lives, Property and Assets, Advance Scientific Knowledge, and Improve the Quality of Life for Communities We Serve							
Ref #	**Performance Measures**	**FY 04 Actual**	**FY 05 Plan**	**FY 05 Actual**	**Goal Met?**	**Performance Report and Discussion**	**Data Validation and Verfication Data Sources**
176	Student attendance rate	87%	89%	88% (P)		No Report. Preliminary Data. As preliminary data has not been formally verified, we may not use it as a basis for determining whether the performance goal was achieved. Final data and analysis will be included in a supplemental report that will be published during FY 2006. Trend Data: FY 2003 Actual - 90% (BIA); FY 2002 Actual - 89% (BIA); FY 2001 Actual - 90% (BIA)	OIEP Center for School Improvement; Annual Consolidated School Report Form.
177	Percent of children able to read independently by the 3rd grade	48%	51%	45% (P)		No Report. Preliminary Data. As preliminary data has not been formally verified, we may not use it as a basis for determining whether the performance goal was achieved. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	OIEP Center for School Improvement; Annual Consolidated School Report Form.
178	Percent of students achieving high school graduation	80%	82%	82% (P)		No Report. Preliminary Data. As preliminary data has not been formally verified, we may not use it as a basis for determining whether the performance goal was achieved. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	OIEP Center for School Improvement; Annual Consolidated School Report Form.
Intermediate Strategy – Promote the Economic Vitality of Indian Tribes and Alaska Natives							
179	Number of jobs created through capital provided by DOI loans	1,719 jobs	1,700 jobs	1,922 jobs	✓	Goal Exceeded. In FY 2005, a small percentage of construction loans were provided that were particularly effective, resulting in a greater number of jobs created than originally expected.	Tribes Annual Reports.
180	Percent of job retention one year out	No Report	Establish Baseline	Baseline Not Established		Goal Not Met. Baseline Not Established. This goal was defined as an across government goal by OMB and required that the employment data for this goal must come from State unemployment offices in order to be verifiable. However, the States have declined to provide the necessary unemployment data to the BIA offices. Therefore, we cannot calculate job retention.	State Wage Records.
181	Cost per job achieved	$1,799	$1,700	$2,190		Goal Not Met. Inflationary costs caused job placement costs to rise slightly. The Job Placement and Training program will continue to operate both the P.L. 102-477 and Adult Vocational Training programs in the most cost effective manner in FY 2006 and will attempt to keep costs as low as possible in servicing participants.	OMB Approved Collection Reports Submitted by Tribes; OMB Form No. 269A Annual Financial Report.
182	Percent of miles of road in good or better condition based on the Service Level Index	Baseline Established	15%	21%	✓	Goal Exceeded. Roads were able to exceed the goal targets because of continued cooperation (improved data sharing) by P.L. 93-638 tribes for improving their reporting and by continued updates on condition ratings consistent with the established rating standard.	Annual Deferred Maintenance Report; Structure Inventory and Appraisal Sheet.
183	Percent of bridges in good or better condition based on the Service Level Index	Baseline Established	47%	52%	✓	Goal Exceeded. Performance for bridges exceeded the goal targets because of continued cooperation by P.L. 93-638 tribes for improving their reporting and by continued updates on condition ratings consistent with the established rating standard.	Annual Deferred Maintenance Report; Structure Inventory and Appraisal Sheet.

TABLE 2-1

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

Ref #	Performance Measures	FY 04 Actual	FY 05 Plan	FY 05 Actual	Goal Met?	Performance Report and Discussion	Data Validation and Verfication Data Sources
Intermediate Strategy – Enhance Public Safety							
184	Part 1 violent crime rate per 100,000 inhabitants	0.15	No Target	No Report		No Report. No Data. BIA Office of Law Enforcement has not provided validated and verified data.	Office of Law Enforcement Services Spreadsheets.
185	Law enforcement facilities in fair to good condition as measured by the Facilities Condition Index	0.169	0.169	0.123	✓	Goal Exceeded. OFMC targeted those facilities with the greatest need for improvement. Those facilities that were in the poorest condition, as established by backlog and deficieincy data in the FMIS system, were provided Facility Improvement and Repair funds for renovation. Funds for minor improvement and repair were targeted to those with a higher FCI.	FMIS Database - Deferred Maintenance/Current Replacement Value (CRV).
End Outcome Goal – Increase Economic Self-Sufficiency of Insular Areas							
186	Ratio of Federal revenue to total revenues in insular areas	0.26	0.24	0.25	✓	Goal Met.	OIA report file for single audit reports.
Intermediate Strategy – Improve Insular Government's Financial Management Practices							
187	Total average months late for all insular general fund financial statements	8 months	7 months	8 months (E)		Goal Not Met. Estimated Data. Timeliness of financial statements: our estimate, to be refined, is that the average delay is 8 months. The primary reason is the continued failure of the FSM to provide timely information. We are focusing compact sector grant money in FY 2006 to address the problem.	OIA report file of insular financial statements.
Intermediate Strategy – Increase Economic Development							
188	Ratio of private sector jobs to total employment	0.76	0.71	0.77 (E)	✓	Goal Exceeded. Estimated Data. Private Sector employment- our current estimate is .77. We attribute this to job loss related to lowered government employment in the freely associated States as government operations budgets are lowered.	Census report data and other reports in OIA insular area file.

TABLE 2-1

Mission Area 5. Management Excellence: Manage the Department to be highly skilled, accountable, modern, functionally integrated, citizen-centered and result-oriented

Ref #	Performance Measures	FY 04 Actual	FY 05 Plan	FY 05 Actual	Goal Met?	Performance Report and Discussion	Data Validation and Verfication Data Sources
End Outcome Goal – Workforce Has Job-Related Knowledge and Skills Necessary to Accomplish Organizational Goals							
189	Percent of skill gaps identified and eliminated through succession and knowledge management plans	New Measure in FY 2005	Establish Baseline	Baseline Established	✓	Goal Met. Baseline Established. Aggregate baseline established for addressing resouce levels in priority mission critical occupations is 81%.	No source information.
Intermediate Strategy – Human Capital Management							
190	Human Capital Plan Implementation: Performance-Based Management-Percent of SES executives and direct reports with program management or administrative responsibilities that have performance agreements containing GPRA, President's Management Agenda and Citizen-Centered Governance performance-based elements	88%	90%	90% (E)	✓	Goal Met. Estimated Data. Based on estimated number of direct hires working for SESers of which 100% meet this criteria.	Agency Compilation.
191	Percent of diversity increased in the applicant pool of people applying for employment across the DOI	New Measure in FY 2005	Establish Baseline	Baseline Not Established		Goal Not Met. Baseline Not Established. Implementation software needed to collect data has not yet been received.	USAJOBS.
192	Percent annual reduction in reported cases of fatalities per the 10 year average (adjusted by adjudications received during the same fiscal year from the Department of Labor)	4%	3%	3%	✓	Goal Met.	U.S. Department of Labor.
193	Percent annual reduction in number of serious employee injuries at DOI	New Measure in FY 2005	Establish Baseline	Baseline Established	✓	Goal Met. Baseline Established. Baseline established with a value of 3%.	U.S. Department of Labor.
194	Percent annual reduction in lost time case rate for DOI employees	New Measure in FY 2005	3%	3%	✓	Goal Met.	U.S. Department of Labor.
195	Volunteers: Number of volunteer hours per year supporting DOI mission activities	9,130,000 volunteer hours	9,462,683 volunteer hours	9,105,028 volunteers hours (E)	✓	Goal Met. Estimated Data. A portion of this result is based on analysis of past performance data. Final data should be available in November 2005. Final data and analysis will be included in a supplemental report that will be published during FY 2006. Trend Data: FY 2003 Actual - 6.2m hours (FWS = 1.6m; NPS = 4.6m); FY 2002 Actual - 5.8m hours (FWS = 1.3m; NPS = 4.5m); FY 2001 Actual - 5.7m hours (FWS = 1.3m; NPS = 4.4m)	Agency Compilation.
End Outcome Goal - Accountability							
196	Obtain unqualified audit for DOI's eight bureaus, the Departmental offices	100%	100%	100%	✓	Goal Met. Trend Data: FY 2003 Actual - 9 of 9 (DOI); FY 2002 Actual - 6 of 9 (DOI); FY 2001 Actual - 7 of 9 (DOI)	Inspector General's Audit Opinion.

TABLE 2-1

Mission Area 5. Management Excellence: Manage the Department to be highly skilled, accountable, modern, functionally integrated, citizen-centered and result-oriented

Ref #	Performance Measures	FY 04 Actual	FY 05 Plan	FY 05 Actual	Goal Met?	Performance Report and Discussion	Data Validation and Verfication Data Sources
197	Obtain unqualified audit for DOI's consolidated financial statements	Yes	Yes	Yes	✓	Goal Met. Trend Data: FY 2003 Actual - Yes (DOI); FY 2002 Actual - Yes (DOI); FY 2001 Actual - Yes (DOI)	Inspector General's Audit Opinion.
Intermediate Strategy – Improved Financial Management							
198	Corrective actions: Percent of audited financial statements and Federal Managers' Financial Integrity Act (FMFIA) material weaknesses that are corrected on schedule	56%	100%	100%	✓	Goal Met.	Bureau Corrective Action Plan(s).
199	Corrective actions: Percent of charge card accounts of current employees that are delinquent 60 days or more	3%	1%	2%		Goal Not Met. However, the government goal of 2% or less was achieved. BIA, NPS, & OS did not meet the goal for FY 2005. BIA has the highest delinquency rate at 4.2%, down from 6.9%a year ago. The BIA data drives the overall Department rate.	Bank of America.
End Outcome Goal - Modernization							
200	Reach Level 2 ITM framework by FY 2005	25% (E)	100%	95%	✓	Goal Met.	Agency Compilation.
201	Reach Level 3 ITM framework by FY 2008	25% (E)	30%	55%	✓	Goal Exceeded. Progress towards Level 2 met many requirements for Level 3. Targets were set before baselines were established.	Agency Compilation.
202	Percent of systems that will be certified and accredited by FY 2005, and will maintain accreditation on a 3-year recurring cycle	98%	90%	98%	✓	Goal Exceeded. 162/166 as of 9/15/05. Target was set at OMB-Required level for all agencies. Because of the sensitivity of DOI IT security, DOI placed additional resources to ensure C&A activities received priority attention. Future targets will remain at OMB-required levels, however, DOI intends to exceed requirements.	Command Center.
203	Percent of time that networks are operational for all users	99.8% (E)	99.5%	99.5% (E)	✓	Goal Met. Estimated Data. A portion of this result is based on analysis of past performance data. Final data should be available in November 2005. Final data and analysis will be included in a supplemental report that will be published during FY 2006.	ESN network measurement.
Intermediate Strategy – Citizen-Centered E-Government and Information Technology Management							
204	All enterprise architecture models are developed in concert with the Federal Enterprise Architecture by FY 2006 and maintained current through FY 2008	90%	100%	100%	✓	Goal Met.	Agency Compilation.
205	Percent of IT investment expenditures for which actual costs are within 90 percent of cost estimates established in the project or program baseline	94%	70%	87%	✓	Goal Exceeded. As of the third quarter of FY 2005. End of year will be available October 21.	Agency Compilation.
206	Percent of IT investment expenditures reviewed/approved through the CPIC process	100%	100%	100%	✓	Goal Met.	Agency Compilation.

TABLE 2-1

Ref #	Performance Measures	FY 04 Actual	FY 05 Plan	FY 05 Actual	Goal Met?	Performance Report and Discussion	Data Validation and Verfication Data Sources
Mission Area 5. Management Excellence: Manage the Department to be highly skilled, accountable, modern, functionally integrated, citizen-centered and result-oriented							
207	Develop consistent records management policy in all bureaus and offices by FY 2005	30%	100%	30%		Goal Not Met. Departmental policy in review by records officer council.	Agency Compilation.
208	Establish and implement a records disposition schedule for the Office of the Secretary by FY 2006	20%	50%	30%		Goal Not Met. Developing a consistent approach that is useful across a variety of offices and bureaus with different functions has proven to be more challenging than originally expected.	Agency Compilation.
209	Implement electronic records system by FY 2008	0%	5%	5%	✓	Goal Met. NARA approved pilot for the Office of the Secretary.	Agency Compilation.
End Outcome Goal - Integration							
210	Percent of business lines with shared processes, including systems, to eliminate redundancy and/or inefficiency	Baseline Established	4%	4%	✓	Goal Met. The new Financial and Business Management System (FBMS) will affect eight business lines. Universe to be targeted includes a total of 72 conversions (8 bureaus + 1 Departmental office-wide conversion (=9) x 8 business lines -- total of 72 required conversions). The FBMS financial assistance business line was implemented in three (4% of the 72 conversions) DOI bureaus, i.e., FWS (selected programs), MMS, and OSM on April 5, 2005.	Financial and Business Management System (FBMS).
Intermediate Strategy – Performance-Budget Integration							
211	Cost management: percent of bureaus and offices fully implementing accurate, activity-based cost accounting systems in compliance with Departmental guidelines	100%	100%	89%		Goal Not Met. A systematic sampling of data collected in the ABC/M system reveals data validation and verification issues within some of our bureaus that are currently being addressed. In addition, still working with some offices in remote areas that collect labor cost information using surveys rather than direct entry into the Quicktime Time and Attendance system.	Activity-Based Costing/ Management System; Quicktime Time and Attendance System.
Intermediate Strategy – Competitive Reviews and Contracts Management							
212	Number of commercial-type FTE involved in competitive sourcing studies completed during the fiscal year	402 FTE	200 FTE	198 FTE	✓	Goal Met.	Competitive Sourcing Green Plan.
213	Percent of DOI new or renegotiated contracted dollars covered under performance-based service contracts/ acquisitions	31%	50%	21% (P)		No Report. Preliminary Data. As preliminary data has not been formally verified, we may not use it as a basis for determining whether the performance goal was achieved. Final data and analysis will be included in a supplemental report that will be published during FY 2006. Trend Data: FY 2003 Actual - 38% (DOI); FY 2002 Actual - 42.9% (DOI); FY 2001 Actual - No Data	Federal Procurement Data System.

TABLE 2-1

Mission Area 5. Management Excellence: Manage the Department to be highly skilled, accountable, modern, functionally integrated, citizen-centered and result-oriented							
Ref #	**Performance Measures**	**FY 04 Actual**	**FY 05 Plan**	**FY 05 Actual**	**Goal Met?**	**Performance Report and Discussion**	**Data Validation and Verfication Data Sources**
End Outcome Goal – Customer Value							
Intermediate Strategy – Performance/Process Improvement							
214	Percent of facilities that have a calculated Facilities Condition Index	64%	83%	71% (P)		No Report. Preliminary Data. As preliminary data has not been formally verified, we may not use it as a basis for determining whether the performance goal was achieved. Final data and analysis will be included in a supplemental report that will be published during FY 2006. Trend Data: FY 2003 Actual - 38% (DOI); FY 2002 Actual - 42.9% (DOI); FY 2001 Actual - No Data	Comprehensive Condition Assessments.

TABLE 2-2

FY 2005 Sample Program Evaluations					
Bureau	Title of Program	Strategic Plan Mission Area	Purpose of Program Evaluation	Actions Taken in Response to Evaluation	For Copy Contact
BIA	Indian Irrigation	Serving Communities	The program was assessed for Budget Year 2007 using PART. Once recommendations for programmatic improvement are final, an action plan to implement those improvements will be developed.	Recommendations under development.	Arch Wells, Acting Deputy Director Trust Services or John Anevski, Chief, Division of Dams and Irrigation 1849 C Street, N.W. Washington, DC 20240 202-219-0941
BIA	Indian Dams	Serving Communities	The program was assessed for Budget Year 2007 using PART. Once recommendations for programmatic improvement are final, an action plan to implement those improvements will be developed.	Recommendations under development.	Arch Wells, Acting Deputy Director Trust Services or John Anevski, Chief, Division of Dams and Irrigation 1849 C Street, N.W. Washington, DC 20240 202-219-0941
BIA	Indian Economic Development	Serving Communities	The program was assessed for Budget Year 2007 using PART. Once recommendations for programmatic improvement are final, an action plan to implement those improvements will be developed.	Recommendations under development.	Jerry Gidner, Deputy Director Tribal Services or Ray Brown, Chief, Division of Credit 1849 C Street, N.W. Washington, DC 20240 202-513-7632
BIA	Indian Housing Improvement	Serving Communities	The program was assessed for Budget Year 2007 using PART. Once recommendations for programmatic improvement are final, an action plan to implement those improvements will be developed.	Recommendations under development.	Jerry Gidner, Deputy Director Tribal Services or Ray Brown, Chief, Division of Credit 1849 C Street, N.W. Washington, DC 20240 202-513-7632
BIA	Office of Indian Education Programs	Serving Communities	In FY 2005, the program was assessed by the US Department of Education. They reviewed the BIA Title I, II, and IV programs for both programmatic and financial management.	Awaiting final written report from the Department of Education.	Edward Parisian, Director, OIEP or Dalton Henry, Chief, Branch of Research and Policy 1849 C Street, N.W. Washington, DC 20240 202-208-5820
BIA	Indian Irrigation Progrm	Serving Communities	GAO is currently performing an audit of the Irrigation Program and House Surveys and Investigations Committee is performing an investigation regarding the Navajo Indian Irrigation Project.	Both reviews were initiated in FY 2005 but are not scheduled to be completed until December.	Arch Wells, Acting Deputy Director Trust Services or John Anevski, Chief, Division of Dams and Irrigation 1849 C Street, N.W. Washington, DC 20240 202-219-0941
BIA	Real Estate Services	Serving Communities	In FY 2005, GAO conducted an audit regarding Off Reservation Fee to Trust cases. Seven meetings were held with Central Office and field offices where GAO reviewed the Off Reservation Fee to Trust case files.	Awaiting final written report.	Arch Wells, Acting Deputy Director Trust Services or John Anevski, Chief, Division of Dams and Irrigation 1849 C Street, N.W. Washington, DC 20240 202-219-0941
BLM	Mining Law Administration (PART)	Resource Use	The program was assessed for Budget Year 2007 using PART. Once recommendations for programmatic improvement are final, an action plan to implement those improvements will be developed.	Recommendations under development.	Rem Hawes Budget Analyst 1849 C Street N.W. (LS1000) Washington, D.C. 20240 Rem_Hawes@blm.gov

TABLE 2-2

FY 2005 Sample Program Evaluations					
Bureau	Title of Program	Strategic Plan Mission Area	Purpose of Program Evaluation	Actions Taken in Response to Evaluation	For Copy Contact
BLM	Resource Management Land Use Planning (PART)	Resource Use	The program was assessed for Budget Year 2007 using PART. Once recommendations for programmatic improvement are final, an action plan to implement those improvements will be developed.	Recommendations under development.	Rem Hawes Budget Analyst 1849 C Street N.W. (LS1000) Washington, D.C. 20240 Rem_Hawes@blm.gov
BLM	Range Program	Resource Use	Assess the Grazing Renewal Permit Process and evaluate Rangeland Health Assessment Standards on public lands. This is a follow-up to FY 2000 reviews.	Actions are planned in response to each recommendation and will be monitored through completion.	Kamilah Rasheed Bureau Management Control Coordinator 1849 C Street N.W. (LS1000) Washington, D.C. 20240 kamilah_rasheed@blm.gov
BLM	Soil, Water, and Air Program	Resource Protection	Determine methods and ways to improve assessment and monitoring of the Riparian Program. The evaluation will focus on policy conformance, project planning, Management Information System documentation, and the use of funding.	Actions are planned in response to each recommendation and will be monitored through completion.	Kamilah Rasheed Bureau Management Control Coordinator 1849 C Street N.W. (LS1000) Washington, D.C. 20240 kamilah_rasheed@blm.gov
BLM	Rights-of-Way	Resource Use	Assess the effectiveness and sufficiency of the Rights-of-Way Training Program.	Actions are planned in response to each recommendation and will be monitored through completion.	Kamilah Rasheed Bureau Management Control Coordinator 1849 C Street N.W. (LS1000) Washington, D.C. 20240 kamilah_rasheed@blm.gov
BLM	Quality Assurance Team Review of the Application for Permit to Drill Process	Serving Communities	Assess whether APDs are being processed in a timely manner; if not, what is causing the delays.	Actions are planned in response to each recommendation and will be monitored through completion.	Kamilah Rasheed Bureau Management Control Coordinator 1849 C Street N.W. (LS1000) Washington, D.C. 20240 kamilah_rasheed@blm.gov
BLM	3809 Surface Management	Resource Use	Determine if Notices and Plans of Operations are being processed in conformance with applicable laws, regulations, and BLM policy.	Actions are planned in response to each recommendation and will be monitored through completion.	Kamilah Rasheed Bureau Management Control Coordinator 1849 C Street N.W. (LS1000) Washington, D.C. 20240 kamilah_rasheed@blm.gov
BLM	Mineral Materials Program Inspection and Enforcement	Resource Use	Determine if Inspection and Enforcement/Production Verification is being performed in accordance with the BLM policy and that actions are being taken where noncompliance occurs.	Actions are planned in response to each recommendation and will be monitored through completion.	Kamilah Rasheed Bureau Management Control Coordinator 1849 C Street N.W. (LS1000) Washington, D.C. 20240 kamilah_rasheed@blm.gov
BLM	Acquisition Management`	Serving Communities	Review Field Office compliance with applicable laws, the FAR as supplemented, and BLM policies and procedures (IM No. 2003-119). Determine the extent to which in-process reviews are being conducted to ensure quality; (2) determine the extent to which acquisition oversight is occurring; (3) determine the progress being made toward implementation of acquisition reforms; (4) identify best practices to be shared with other BLM organizations and the DOI; (5) identify areas of positive performance and continuous improvement opportunities; and (6) provide onsite assistance to Acquisition and Assistance staff.	Actions are planned in response to each recommendation and will be monitored through completion.	Kamilah Rasheed Bureau Management Control Coordinator 1849 C Street N.W. (LS1000) Washington, D.C. 20240 kamilah_rasheed@blm.gov

TABLE 2-2

FY 2005 Sample Program Evaluations					
Bureau	Title of Program	Strategic Plan Mission Area	Purpose of Program Evaluation	Actions Taken in Response to Evaluation	For Copy Contact
BLM	Personal Property Program	Serving Communities	(1) Are the BLM Property Management Programs achieving their intended results? (2) Are resources used consistent with the BLM's mission? (3) Are resources protected from waste, fraud, and mismanagement? (4) Are laws and regulations followed? (5) Is reliable and timely property management information maintained, reported and used for decisionmaking?	Actions are planned in response to each recommendation and will be monitored through completion.	Kamilah Rasheed Bureau Management Control Coordinator 1849 C Street N.W. (LS1000) Washington, D.C. 20240 kamilah_rasheed@blm.gov
BLM	Improper Payments Risk Assessment	Serving Communities	Assess programs exceeding $100 million in annual outlays to identify and carefully consider the risks of making improper payments for the programs reviewed and remediate where warranted. The programs to be assessed are (1) Management of Land and Resources; (2) Oregon and California Grant Lands; and (3) Fire Management	Completed assessment; no additional actions required.	Kamilah Rasheed Bureau Management Control Coordinator 1849 C Street N.W. (LS1000) Washington, D.C. 20240 kamilah_rasheed@blm.gov
BLM	General Management	Serving Communities	Evaluate effectiveness of internal/external communications, management and leadership. Provide technical assistance to the Field.	Actions are planned in response to each recommendation and will be monitored through completion.	Kamilah Rasheed Bureau Management Control Coordinator 1849 C Street N.W. (LS1000) Washington, D.C. 20240 kamilah_rasheed@blm.gov
BOR	Reclamation Reform Act	Resource Protection	Program risks were reviewed and updated. All "high" risks were reviewed in 2005. Analysis and final report due in 2006.	Analysis and report will be accomplished in FY 2006.	Roseann Gonzales, PM Richard Rizzi, POC, rrizzi@do.usbr.gov 303-445-2938
BOR	Dam Safety Program	Resource Protection	An annual review of the program was completed in accordance with Directives and Standards FAC 01-06, Annual Reporting for Dam Safety, Security and Related Operations.	A report was completed and approved by the Commissioner	Fred Ore, PM and POC 202-513-0583
BOR	Cultural Resources	Resource Use	Reclamation completed a review of the Upper Colorado Regions Cultural resources program.	Analysis and development of an action plan will be accomplished in FY 2006.	Roseann Gonzales, PM. Tom Lincoln, POC. tlincoln@do.usbr.gov 303-445-3311
BOR	Water Conservation Program	Resource Use	Data collection portion of the review using Survey/Tracker was conducted in FY 2005.	Further analysis is underway.	Roseann Gonzales PM. Kathy Holley, POC. kholley@do.usbr.gov 303-445-2930
BOR	Sensitive Automated Information Systems	Resource Protection	37 system reviews were completed on Reclamation's IT portfolio systems.	Non-material weaknesses were incorporated into the POA&M.	Randy Feuerstein, PM. Pam Hajny, POC. phayny@do.usbr.gov 303-445-3009
BOR	Acquisition Management	Resource Protection	Three regional reviews were conducted in FY 2005.	A report was filed with the Department.	Liz Harrison, PM Roger Molinar, POC ksmiley@do.usbr.gov 303-445-2450
BOR	Personal Property Management	Resource Protection	Annual review conducted.	A report was filed with the Department.	Liz Harrison, PM Roger Molinar, POC rmolinar@do.usbr.gov 303-445-3133

TABLE 2-2

FY 2005 Sample Program Evaluations					
Bureau	Title of Program	Strategic Plan Mission Area	Purpose of Program Evaluation	Actions Taken in Response to Evaluation	For Copy Contact
BOR	Improper Payments	Resource Protection	A risk assessment was conducted. No programs require reporting to the President or Congress.	A report was filed with the Department.	Liz Harrison, PM Ef Escalante, POC eescalante@do.lusbr.gov 303-445-3420
DOI	Central Utah Project Completion Act Office (CUPCA)	Resource Protection	A program-wide Definite Plan Report was completed during FY 2005. The report presented a detailed analysis of the program status with particular emphasis on economic evaluation. The report was reviewed by the Bureau of Reclamation, Western Area Power Administration, Fish and Wildlife Service, and other Federal and State entities.	Comments were received from the reviewing agencies, were addressed, included in the final report, and adjustments made to the CUPCA program.	Olivia Ferriter Chief of Staff Assistant Secretary – Water and Science 1849 C Street N.W. Washington, DC 20240
DOI	Central Utah Project Completion Act Office (CUPCA)	Resource Protection	The program was assessed for Budget Year 2007 using PART. Once recommendations for programmatic improvement are final, an action plan to implement those improvements will be developed.	Recommendations under development.	Olivia Ferriter Chief of Staff Assistant Secretary – Water and Science 1849 C Street N.W. Washington D.C. 20240
FWS	Endangered Species	Resource Protection	GAO Report (GAO-05-211, April 6, 2005): “Endangered Species: Fish and Wildlife Service Generally Focuses Recovery Funding on High-Priority Species, but Needs to Periodically Assess Its Funding Decisions”	We collected information regarding recovery implementation actions and species priority numbers through the recently completed FY 2005 Recovery Data Call, and are in the process of collecting more specific information through the new Recovery On-line Activity Reporting database. We will provide this information to the public through the FY 2005-2006 Recovery Report to Congress.	On the GAO website: http://www.gao.gov/new.items/d05211.pdf Martha BalisLarsen Endangered Species Program Martha_BalisLarsen@fws.gov 703-358-2314
FWS	Fisheries and Habitat Conservation – Fisheries Program	Resource Protection – Watersheds and Landscapes Resource Protection - Sustain Biological Communities Recreation	Sport Fishing and Boating Partnership Council’s Independent Review of the Fisheries Program	Final report was received from the SFBPC on August 26, 2005. An Action Plan is in preparation, which will provide strategies to implement the Council’s recommendations. Action Plan anticipated to be completed December 2005.	Julie Jackson Fisheries and Habitat Conservation Julie_Jackson@fws.gov 703-358-2079

TABLE 2-2

FY 2005 Sample Program Evaluations					
Bureau	Title of Program	Strategic Plan Mission Area	Purpose of Program Evaluation	Actions Taken in Response to Evaluation	For Copy Contact
FWS	Fisheries and Habitat Conservation – Div. of Engineering, Branch of Environmental & Facility Compliance (EFC)	Resource Protection – Watersheds and Landscapes Resource Protection - Sustain Biological Communities	DOI/OIG, EPA/OIG, & KPMG Audit of DOI's (& FWS's) Management of Hazardous Material Sites	DOI has agreed to develop guidance on development & maintenance of a database of all DOI sites. FWS concurred with the OIG recommendations The FWS Division of Environmental Quality (DEQ) will continue to maintain (and possibly expand) existing databases & reporting and maintain budgetary limits.	Julie Jackson Fisheries and Habitat Conservation Julie_Jackson@fws.gov 703-358-2079
FWS	Fisheries and Habitat Conservation – Division of Habitat and Resource Conservation: National Wetlands Inventory (NWI)	Resource Protection – Watersheds and Landscapes	GAO Report: Environmental Information: Status of Federal Programs That Support Ecological Indicators (GAO-05-376) Assess whether NWI should produce wetland trend data in future for use as national ecological indicator(s).	DOI affirmed continuity of the NWI program to produce wetlands data, particularly wetlands status and trends reports	On the GAO website: http://www.gao.gov/new.items/d05376.pdf Julie Jackson Fisheries and Habitat Conservation Julie_Jackson@fws.gov 703-358-2079
FWS	Division of Federal Assistance	Resource Protection – Watersheds and Landscapes Resource Protection - Sustain Biological Communities Recreation	Biennial audit of expenditures and obligations of administration expenses, conducted to fulfill the requirements of subsections 111(b) and 121(b) of P.L.106-408, the Wildlife and Sport Fish Restoration Programs Improvement Act of 2000	The DOI Office of Inspector General (OIG) engaged Allmond & Co. of Landover, MD, to perform the first audit. Federal Assistance received the final report on October 12, 2005. The OIG contracting process for the next biennial audit is well under way. A response to the report is being prepared.	Tom Jeffrey Division of Federal Assistance Tom_Jeffrey@fws.gov 703-358-1840
FWS	Migratory Birds Program	Management Excellence - Accountability	Risk Assessments for Improper Payments. Assessments are required by P.L. 1007-300, the Improper Payments Information Act of 2002.	None. No weaknesses identified.	Phil Koscheka Division of Migratory Bird Management Phil_Koscheka@fws.gov 301-497-5814
MMS	National Energy Policy: Inventory of Federal Energy Programs and Status of Policy Recommendations (GAO-05-379)	Resource Use	The May 2001 National Energy Policy (NEP) report contained over 100 recommendations that it stated, taken together, provide a national energy plan that addressed the energy challenges facing the Nation. The audit was meant to update the status of all recommendations across the Federal Government.	The GAO final report was published in the third quarter of 2005. Many of MMS's comments to the draft report were included. MMS has no recommendations or corrective actions from this report.	Jim Witkop, Audit Liaison Officer, 1849 C Street N.W. Room 4252 Washington, D.C. 20240 202-208-3236

TABLE 2-2

FY 2005 Sample Program Evaluations					
Bureau	Title of Program	Strategic Plan Mission Area	Purpose of Program Evaluation	Actions Taken in Response to Evaluation	For Copy Contact
MMS	Western Administrative Service Center (WASC) in Lakewood, Colorado, and the Program Offices Serviced by WASC	Resource Use	The AMAR will: (1) assess the effectiveness of administrative functions, including those delegated to the programs, while measuring policy implementation, and compliance; (2) ensure that the most cost-effective management controls are in place for all of our administrative functions and processes; and (3) determine the overall customer satisfaction of the offices that are being serviced by WASC. The functional areas included facility management, finance, information technology, personnel, physical and personnel security, procurement, property, and safety.	This review identified 22 control weaknesses and corrective actions. No material weaknesses were identified. The corrective actions will be implemented by December 29, 2006.	Jim Witkop, Audit Liaison Officer, 1849 C Street N.W. Room 4252 Washington, D.C. 20240 202-208-3236
MMS	Annual Risk Assessment of Erroneous Payments	Management Excellence	An internal Finance Division review of all programs and activities was conducted to identify those which may be susceptible to significant erroneous payments in accordance with the Improper Payments Information Act of 2002 (P.L. 107-300). The DFR included a review of disbursements made during the period October 1, 2003, through June 30, 2005, to identify duplicate payments made and to ensure no duplicate payments remain uncollected. The DFR also included a review of disbursements made during the period July 1, 2004, through June 30, 2005, to determine the effectiveness of internal controls and provide reasonable assurance that erroneous payments are identified and corrected.	The Department prescribed the steps to be performed. Data from the accounting system was downloaded and was analyzed to identify possible duplicate payments. Data for the period July 1, 2004, through March 31, 2005, was reviewed and summarized and was analyzed to determine the effectiveness of internal controls. This review identified two control weaknesses and corrective actions. No material weaknesses were identified. Corrective actions scheduled for completion by 10/31/2005.	Jim Witkop, Audit Liaison Officer, 1849 C Street N.W. Room 4252 Washington, D.C. 20240 202-208-3236
MMS	Use of Government Charge Card	Management Excellence	An internal Finance Division review was conducted on the travel and purchase business lines of the DOI Integrated Charge Card for the period of July 1, 2004, through June 30, 2005.	MCR internal review program identified the steps to be performed in the MCR. Charge card transactions for the period July 1, 2004, through March 31, 2005, were downloaded and analyzed. This review identified six control weaknesses and corrective actions. No material weaknesses were identified. Corrective actions scheduled for completion by October 31, 2005	Jim Witkop, Audit Liaison Officer, 1849 C Street N.W. Room 4252 Washington, D.C. 20240 202-208-3236

TABLE 2-2

FY 2005 Sample Program Evaluations					
Bureau	Title of Program	Strategic Plan Mission Area	Purpose of Program Evaluation	Actions Taken in Response to Evaluation	For Copy Contact
MMS	Acquisition Management Control Assessment	Resource Use	An internal acquisition compliance review of the Western Administrative Service Center's Procurement Branch in Lakewood, Colorado, was conducted during the Administrative Management Assistance Review (AMAR) using OMB Circular A-123 guidance. Corrective action plans were developed, implemented, and tracked for deficiencies identified in the course of the (AMAR). The final assessment addressed the requirements listed in the December 20, 2004, memo from the Department's Office of Property and Acquisition Management (PAM). The Administration and Budget (A&B) submitted the summary findings of any applicable OIG audits, NFRs prepared by third parties and GAO reports, and any corrective action plans based on those findings. The A&B also reported any business-related best practices that may be beneficial to the other Bureaus. The A&B reviewed all MMS warranted GS-1102s and GS-1105s training certificates to determine if they have completed the required GSA schedule training. The A&B incorporated training completion status and warrant suspension actions taken in the assessment report submission.	The team collected data from interview sessions with supervisors/ managers, employees, and subject matter experts during May 2-5, 2005, in Lakewood, Colorado. The team also conducted reviews of files and records. This review identified two required actions and recommended eight actions. This review identified no control weaknesses and corrective actions. No material weaknesses were identified.	Jim Witkop, Audit Liaison Officer, 1849 C Street N.W. Room 4252 Washington, D.C. 20240 202-208-3236
MMS	Property Management Annual Management Control Assessment	Resource Use	An internal property compliance review of the Western Administrative Service Center (WASC) in Lakewood, Colorado, and the Program Offices serviced by WASC was conducted during the AMAR using the current DOI Property Management Review Guidelines to ensure that the requirements of OMB Circular A-123 are being met. As appropriate, corrective action plans were developed, implemented, and tracked for deficiencies identified in the course of the review/assessment. Surveys/interviews with program customers, property employees, and property managers were included and addressed as part of the review process. The assessment report included the requirements listed in the December 20, 2004, memo from PAM	The team collected data from interview sessions with supervisors/ managers, employees, and subject matter experts during May 2-5, 2005, in Lakewood, Colorado. The team also conducted review of files and records. This review identified no control weaknesses and corrective actions. No material weaknesses were identified	Jim Witkop, Audit Liaison Officer, 1849 C Street N.W. Room 4252 Washington, D.C. 20240 202-208-3236

TABLE 2-2

FY 2005 Sample Program Evaluations					
Bureau	Title of Program	Strategic Plan Mission Area	Purpose of Program Evaluation	Actions Taken in Response to Evaluation	For Copy Contact
MMS	Interagency Contracting Franchise Funds Provide Convenience, But Value to DOD is Not Demonstrated (GAO-05-456)	Resource Use	Under the FY 2004 National Defense Authorization Act, GAO was required to report on DOD's use of franchise funds. GAO audited the operations of MMS' GovWorks and the Department of the Treasury's FedSource, citing the fact that DOD paid these franchise funds more than $1.2 billion for purchases of goods and services. GAO focused on 17 projects, representing $249 million in FY 2003 DOD funding, reviewing processes and procedures and contract files, and interviewing GovWorks officials and DOD customers.	There were two recommendations to the Secretary of the Interior for the GovWorks program to implement. Several milestones for each of these recommendations had already been completed by MMS/GovWorks as of the publication of this report and the balance will be completed during FY 2006. Corrective actions that were implemented include issuing a formal performance improvement plan, requiring training of contracting officers, and strengthening of acquisition policies.	Jim Witkop, Audit Liaison Officer, 1849 C Street N.W. Room 4252 Washington, D.C. 20240 202-208-3236
MMS	Royalty Management Program	Resource Use	Risk Assessment - Identified and analyzed relevant risks to the achievement of MRM's objectives, forming a basis for how the risks should be managed. Risks are directly related to specific organizational objectives.	This AMCR was merged into one comprehensive report that specified the 3-year MRM internal review plan. No material weaknesses were identified.	Jim Witkop, Audit Liaison Officer, 1849 C Street N.W. Room 4252 Washington, D.C. 20240 202-208-3236
MMS	Royalty Management Program	Resource Use	Organizational Analysis - Determined if MRM's current organizational structure can be improved to increase the overall effectiveness and efficiency of its operations as the MRM works to meet its assigned goals. The organizational objectives at the different management levels were identified.	This AMCR was merged into one comprehensive report that specified the 3-year MRM internal review plan. No material weaknesses were identified.	Jim Witkop, Audit Liaison Officer, 1849 C Street N.W. Room 4252 Washington, D.C. 20240 202-208-3236
MMS	Royalty Management Program	Resource Use	Process Documentation - Documented processes, identified pinch points, and ensured appropriate internal controls were in place for organizational processes performed on a day-to-day basis by MRM employees.	This AMCR was merged into one comprehensive report that specified the 3-year MRM internal review plan. No material weaknesses were identified.	Jim Witkop, Audit Liaison Officer, 1849 C Street N.W. Room 4252 Washington, D.C. 20240 202-208-3236

TABLE 2-2

FY 2005 Sample Program Evaluations					
Bureau	Title of Program	Strategic Plan Mission Area	Purpose of Program Evaluation	Actions Taken in Response to Evaluation	For Copy Contact
MMS	Mineral Revenues – A More Systematic Evaluation of the Royalty-in-Kind Pilot is Needed (360167) (GAO-03-296)	Resource Use	To determine the extent to which MMS has taken royalties in kind since 1995 and to review the status of MMS's efforts to implement management control over its Royalty-in-Kind (RIK) Program. This audit is Phase 1 of a two-phase process. A report for Phase Two of this review was published in late April 2004 with no additional findings.	The MMS has two recommendations in tracking. MRM staff provided a briefing to GAO on the RIK Business Plan on July 21, 2004. Following the briefing, GAO communicated to MMS by e-mail that the first recommendation to establish Royalty-in-Kind (RIK) program strategic objectives was considered complete. The second recommendation, "identify key performance measures," will be implemented during the first 2 years of the 5-year plan. The GAO was briefed on the 2004 RIK revenue performance measures. Also, GAO requested a comparative analysis of the administrative costs of Royalty-in-Kind as compared to the Royalty-in-Value process. The MMS has completed the cost comparison and await response.	Jim Witkop, Audit Liaison Officer, 1849 C Street N.W. Room 4252 Washington, D.C. 20240 202-208-3236
MMS	Offshore Accident Investigation Reports	Resource Use	MMS Accident Investigation reports contain information on the circumstances surrounding OCS incidents, the root causes of accidents offshore, and recommendations to prevent recurrence. This review examined the accident investigation reports completed during the period from October 1, 2002, through September 30, 2004, to: • Determine the appropriateness of the level of investigation for the given incidents; • Examine the reports with respect to thoroughness (adequacy of the findings, conclusions, recommendations, citation of regulatory violations) and timeliness; • Determine the degree to which valid recommendations were implemented and the means by which recommendations and their implementation are tracked; and • Examine the process by which MMS initiates adverse actions regarding the citation of regulatory violations associated with the incident.	This review identified nine control weaknesses and corrective actions. No material weaknesses were identified. Most of the corrective actions relate to policy and guidance and training of inspectors within the Offshore program. Policy and guidance will be revised by July 2006 and the training program for investigators fully implemented by April 2007.	Jim Witkop, Audit Liaison Officer, 1849 C Street N.W. Room 4252 Washington, D.C. 20240 202-208-3236

TABLE 2-2

FY 2005 Sample Program Evaluations					
Bureau	Title of Program	Strategic Plan Mission Area	Purpose of Program Evaluation	Actions Taken in Response to Evaluation	For Copy Contact
MMS	Oil Spill Financial Responsibility	Resource Use	The Oil Pollution Act (OPA) requires a party responsible for an offshore facility to demonstrate the ability to pay for cleanup and damages resulting from a potential oil spill. The MMS Oil Spill Financial Responsibility (OSFR) regulations implement this OPA requirement. With approximately $10 billion of coverage (whether through self-insurance, commercial insurance, indemnification, or bonding) on over 9,000 offshore facilities in both Federal and State waters, the OSFR program requires extensive efforts to maintain accurate lease status data, determine worst-case spill potential, coordinate with affected States, and carry out enforcement activities. This review assessed controls in place to ensure the program is operating efficiently and achieving intended results.	This review identified 11 control weaknesses and corrective actions. No material weaknesses were identified. Three of the control weaknesses have been closed. Of the remaining weaknesses, five relate to policy, guidance or standing operating procedures (complete by December 2005) and three address correcting or obtaining historical data (complete by December 2006).	Jim Witkop, Audit Liaison Officer, 1849 C Street N.W. Room 4252 Washington, D.C. 20240 202-208-3236
MMS/ BLM	Natural Gas Flaring and Venting – Opportunities to Improve Data and Reduce Emissions (GAO-04-809)	Resource Use	GAO conducted a review of natural gas flaring and venting from oil and gas production in the United States and the rest of the world to: (1) describe the data collected and reported; (2) report on the basis of available information, the extent of flaring and venting and the contribution to greenhouse gases; and (3) identify opportunities for the Federal Government to reduce flaring and venting.	GAO recommended the Secretary of the Interior direct MMS and BLM to consider the cost and benefit of requiring that companies do the following: (1) Use flaring and venting meters to improve oversight; and (2) Flare rather than vent the natural gas, when possible. The MMS executed cost and benefit analyses related to the requirements that would be placed on offshore oil-producing companies. The analyses were completed in June 2005. The results supported a requirement to use meters on the larger platforms, and a regulatory change is being proposed. The second study determined that it was not cost effective to require flaring in lieu of venting, but MMS will solicit input on the topic in consideration of making additional regulatory changes at a future date. The response to GAO on this topic was signed by MMS on July 12, 2005, and has been sent through PFM to GAO, with a request to close these recommendations.	Jim Witkop, Audit Liaison Officer, 1849 C Street N.W. Room 4252 Washington, D.C. 20240 202-208-3236

TABLE 2-2

FY 2005 Sample Program Evaluations					
Bureau	Title of Program	Strategic Plan Mission Area	Purpose of Program Evaluation	Actions Taken in Response to Evaluation	For Copy Contact
MMS	PART 2005: Regulatory & Compliance	Resource Use	OMB is completing a PART review of the OCS Regulatory and Compliance program. The preliminary report indicates that the "program has been found to be a balanced regulatory program, effective in providing access to mineral resources while minimizing impacts upon the environment."	Revised many performance measures and targets in consultation with OMB during the course of the review. Awaiting final recommendations, anticipated to be published with the President's FY 2007 budget request in February 2006.	Jim Witkop, Audit Liaison Officer, 1849 C Street N.W. Room 4252 Washington, D.C. 20240 202-208-3236
NPS	Concessions Management	Recreation	The NPS Concessions Management Program was assessed during FY 2005 using OMB's PART process. Once recommendations for programmatic improvement are final, an action plan to implement those improvements will be developed.	Currently, the concessions management program is in the final negotiating stage with our OMB examiner on recommendations from this year's PART evaluation. Anticipated in February 2006. A final copy of the OMB report will be available from the NPS program contact.	Jo Pendry, Chief Concessions Management National Park Service 1201 Eye Street, NW Washington, DC 20005 202-513-7156
NPS	External Programs – Financial Assistance (Heritage Partnership Program, and Statutory Aid)	Recreation	The Heritage Partnership Program was assessed during FY 2005 using OMB's PART process. Once recommendations for programmatic improvement are final, an action plan to implement those improvements will be developed.	Currently, the Heritage Partnership Program is negotiating with OMB on recommendations for programmatic improvement. Final recommendations are expected by February 2006. A copy of the final report and recommendations will be available from the NPS program contact	Brenda Barrett, Director, Heritage Partnership Programs National Park Service 1201 Eye Street, NW Washington, DC 20005 202-354-2222
NPS	External Programs - Technical Assistance	Recreation	External programs, which include RTCA, Federal Lands to Parks, were assessed during FY 2005 using OMB's PART process. Once recommendations for programmatic improvement are final, an action plan to implement those improvements will be developed.	Recommendations under development.	Chris Brown, Chief Division of Designations National Park Service 1201 Eye Street, NW Washington, DC 20005 202-354-6939
NPS	Visitor Services	Recreation	NPS programs that relate or contribute to visitor services were assessed during FY 2005 using the OMB PART process. Once recommendations for programmatic improvement are final, an action plan to implement those improvements will be developed.	Recommendations under development.	Nancy Kaufman, Deputy Associate Director for Partnerships, Interpretation, Education, Volunteers, and Outdoor Recreation National Park Service 1201 Eye Street, NW Washington, DC 20005 202-513-7157
NPS	Interpretation and Education	Management Excellence	Servicewide Volunteers in Parks Program Assessment is currently underway. The project is expected to be completed by March 2006.	Data will be reviewed and recommendations will be made based on those findings during FY 2006. Once the report is made available to the NPS, it can be obtained from the program contact.	Corky Mayo, Chief Interpretation and Education National Park Service 1201 Eye Street, NW Washington, DC 20005 202-513-7137

TABLE 2-2

FY 2005 Sample Program Evaluations					
Bureau	Title of Program	Strategic Plan Mission Area	Purpose of Program Evaluation	Actions Taken in Response to Evaluation	For Copy Contact
NPS	WASO Contracting Office (WCP)	Management Excellence	WCP conducted Acquisition Management Reviews (AMR's) at parks in the Intermountain Region, Denver Service Center, and the Harpers Ferry Center. Only the Glen Canyon National Recreation Area report has been issued in final. The report directed the park to submit a plan of action and milestones for corrections The number of AMR's conducted by regional offices on their parks doubled from FY 2004 to FY 2005. NPS AMR policy/procedures are being finalized. Draft policy: • clarifies AMR's would be a basis for awarding, retaining warrants; • identified circumstances for initiating an AMR; • identified three disciplines that would be reviewed: grants and agreements, contracts, simplified acquisition/charge card purchase business line; and five components for each discipline: internal controls, functional operations, strategic areas. program organization, customer service; • clarifies required follow-up action for rating results.	Plan of action and milestones requested as appropriate; administrative termination of warrants where authority was underutilized. Copies of final recommendations/reports produced can be obtained from the program contact.	Heidi Ernst, Chief Contracting National Park Service 12795 W. Alameda Parkway Denver, CO 80225 303-987-6714
OSM	Coal Regulatory Program	Resource Use	An OIG review determined the adequacy of inspection and bond release activities; potential for regulatory program cost savings; and OSM reporting of GPRA performance measures. A report was issued October 2004.	OSM has implemented the recommendations contained in the report. OSM is currently developing a new performance measure to address accomplishments under the regulatory program.	Ruth Stokes, Planning, Analysis and Budget rstokes@osmre.gov 202-208-2611
OSM	Sensitive Automated Information Systems	Resource Protection, Resource Use, Serving Communities	AMCR conducted to certify that all prescribed controls or alternative controls are in place and effective for systems in each Region, at Denver Financial Management, and at Headquarters.	No material weaknesses identified.	Eldrich Frazier, Chief Information Officer efrazier@osmre.gov 202-208-2919
OSM	Smart Pay Program	Management Excellence	AMCR conducted to review the SmartPay purchase business line cardholders within the Office of Surface Mining Reclamation and Enforcement, and to reduce the number of cardholders by determining if those individuals with less than 10 transactions in a calendar year can justify the need for having the purchase business line when the cardholder does not utilize it.	No material weaknesses identified.	Esther Horst, Division of Financial Management ehorst@osmre.gov 303-236-0330
OSM	Space Management	Management Excellence	AMCR conducted to analyze the physical measurements of each OSM office to include specialty rooms such as the computer rooms, storage rooms, conference rooms, etc., and parking requirements for vehicles.	No material weaknesses identified. Improvements were recommended and are being implemented.	Darlene Carter, Division of Administration dcarter@osmre.gov 202-208-2593

TABLE 2-2

FY 2005 Sample Program Evaluations

Bureau	Title of Program	Strategic Plan Mission Area	Purpose of Program Evaluation	Actions Taken in Response to Evaluation	For Copy Contact
USGS	Biological Information Management & Delivery	Serving Communities	The program was assessed for Budget Year 2007 using PART. Once recommendations for programmatic improvement are final, an action plan to implement those improvements will be developed.	Recommendations under development.	Kate Kase, Program Coordinator for Biological Information Management & Delivery Program 703-648-4216 katekase@usgs.gov
USGS	Biological Research and Monitoring	Resource Protection	The program was assessed for Budget Year 2007 using PART. Once recommendations for programmatic improvement are final, an action plan to implement those improvements will be developed.	Recommendations under development.	Kevin Whalen, Program Review Coordinator 703-648-4062 kwhalen@usgs.gov
USGS	Geologic Mapping	Serving Communities	The program was assessed for Budget Year 2007 using PART. Once recommendations for programmatic improvement are final, an action plan to implement those improvements will be developed.	Recommendations under development.	Peter Lyttle, Program Coordinator for National Cooperative Geologic Mapping Program 703-648-6943 plyttle@usgs.gov
USGS	NRC Review Economic Benefits of Improved Seismic Monitoring	Serving Communities	Published "Improved Seismic Monitoring – Improved Decision-Making: Assessing the Value of Reduced Uncertainty" June 2005.	The National Research Council report concludes that full deployment of the USGS Advanced National Seismic System offers the potential to substantially reduce earthquake losses and their consequences by providing critical information for land-use planning, building design, insurance, warnings, and emergency preparedness and response. In the committee's judgment, the potential benefits far exceed the costs—less than 2 percent of the estimated losses. It is reasonable to conclude that mitigation actions—based on improved information and the consequent reduction of uncertainty—would yield benefits amounting to several times the cost of improved seismic monitoring.	William Leith, Program Coordinator for Earthquake Hazards Program 703-648-6786 wleith@usgs.gov
USGS	NRC Study reviews the entire Federal and non-Federal water research establishment, rather than a review of the USGS research programs.	Serving Communities	Published "Confronting the Nation's Water Problems", October 2004.	USGS is responding to the following findings and recommendations: the need for reviewing and revising the research portfolio on a regular basis; balance between short-term and long-term research efforts; the importance of interdisciplinary research; the problems of declining attention to social science topics such as water demand, water law, and other institutional topics. The report places high emphasis on "legacy monitoring systems."	Glenn Patterson, National Coordinator for Cooperative Water Program 703-648-6876 gpatter@usgs.gov

TABLE 2-2

FY 2005 Sample Program Evaluations					
Bureau	Title of Program	Strategic Plan Mission Area	Purpose of Program Evaluation	Actions Taken in Response to Evaluation	For Copy Contact
USGS	NRC Review: Geography Science into K-12 Curriculum	Serving Communities	Published "Learning to Think Spatially: GIS as a Support System in the K-12 Curriculum," June 2005.	Five of the six recommendations in the report related directly to the redesign, development and implementation of GIS software and GIS science for K-12 students. Activities that might address these recommendations now fall under the purview of the USGS Geospatial Information Office (and not the Geography Discipline). However, the first recommendation in the report related to encouraging the development of spatial thinking standards and course materials to train K-12 students in spatial thinking. The USGS geographic research program will support this recommendation by incorporating tools and resources for K-12 teachers into its web sites. The geographic science education Web module will include puzzles and games related to geography, a history of major events related to geography, short flash movies on geographic subjects, and resources for teachers that will include photos, maps, graphs, presentations, and posters.	Dave Kirtland, Acting Chief Scientist for Geography 703-648-4712 dakirtland@usgs.gov
USGS	The following Program participated in the GAO review: Biological Resources Discipline, Earth Resources Observation System Data Center, National Stream Water Quality Accounting Network, National Water Quality Assessment Program, and National Streamflow Information Program	Serving Communities	GAO Report "Environmental Information: Status of Federal Data Programs That Support Ecological Indicators," Report No. GAO-05-376.	There were no formal recommendations included in this report for USGS or the Department.	Tim Miller, Chief, Office of Water Quality 703-648-6868 tlmiller@usgs.gov

TABLE 2-3

Department of the Interior PARTs Conducted During FY 2003 for Budget Year 2005		
PART Name	**Bureau/Office**	**Score**
BIA Law Enforcement	BIA	Results Not Demonstrated
Energy and Minerals	BLM	Adequate
Energy Resources	USGS	Moderately Effective
Facility Management (RePART)	NPS	Adequate
Hazards Program	USGS	Moderately Effective
Hydropower (RePART)	BOR	Effective
LWCF Stateside Grants	NPS	Results Not Demonstrated
Mineral Resources	USGS	Moderately Effective
Minerals Revenue Management	MMS	Results Not Demonstrated
National Historic Preservation Program	NPS	Moderately Effective
National Wildlife Refuge	FWS	Results Not Demonstrated
Natural Resource Stewardship (RePART)	NPS	Moderately Effective
Recreation Management	BLM	Adequate
Regulation of Surface Coal Mining Activities	OSM	Results Not Demonstrated
Resource Management - Forestry	BIA	Adequate
Science and Technology	BOR	Effective
Tribal Courts	BIA	Results Not Demonstrated

TABLE 2-4

Department of the Interior PARTs Conducted During FY 2005 for Budget Year 2007		
PART Name	**Bureau/Office**	**Score**
BIA Irrigation	BIA	Score not yet available
Biological Information Management and Delivery	USGS	Score not yet available
Biological Research and Monitoring	USGS	Score not yet available
BLM Mining Program	BLM	Score not yet available
BOR Dam Safety	BOR	Score not yet available
BOR Site Security	BOR	Score not yet available
Central Utah Project Completion Act Office	BOR	Score not yet available
Concessions Management	NPS	Score not yet available
Endangered Species	FWS	Score not yet available
External Programs - Financial Assistance (Heritage Partnership Program and Statutory Aid)	NPS	Score not yet available
External Programs - Technical Assistance	NPS	Score not yet available
Federal Aid in Sport FIsh and Wildlife Restoration	FWS	Score not yet available
Geologic Mapping	USGS	Score not yet available
Indian Dams	BIA	Score not yet available
BIA Guaranteed Loan Program	BIA	Score not yet available
Indian Housing Improvement Program	BIA	Score not yet available
Regulatory and Compliance Program	MMS	Score not yet available
Resource Management Land Use Planning	BLM	Score not yet available
Visitor Services	NPS	Score not yet available
Water Management - Operation and Maintenance	BOR	Score not yet available
Wildland FIre Management (RePART)	DOI	Score not yet available

Part 3.
Financial Section

Message from the Chief Financial Officer

In FY 2005, the Department of the Interior (Department) continued its journey toward management excellence—excellence defined by results. Progress for much of our journey toward management excellence is captured in the Department's FY 2005 Performance and Accountability Report (PAR). 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 on our program leadership and our stewardship and management of the public funds entrusted to us.

I am pleased to report that for the ninth 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 2005. The Department:

- Received the prestigious Association of Government Accountants' Certificate of Excellence in Accountability Reporting. This marks the fourth year in a row that the Department has been recognized for quality reporting.

- Continued implementation of the unified Strategic Plan for the Department. Nearly 2 years in the making, this plan replaced eight separate bureau plans. The new strategic plan integrates and aligns bureau responsibilities under four major mission goals—resource protection, resource use, recreation, and serving communities—and emphasizes results and performance management.

- Met or exceeded 69% of the 214 performance outcome measures from our new Strategic Plan. This is the second year we have reported on our performance against an almost entirely new set of performance measures. Last year we were able to meet or exceed 63% of the 226 performance outcome measures.

- Continued implementation of new human resource strategies and processes to align our talented workforce to meet new and expanding challenges. Our Human Capital Management Strategic Plan identified Indian trust management, wildland fire management, and law enforcement, including homeland security, as growing challenges.

- Continued implementation of an Activity-Based Costing/Performance Management (ABC/PM) system throughout the Department. The ABC/PM system includes 326 crosscutting work activities that bureaus and Departmental offices either use directly, or use to capture costs associated with bureau/departmental work activities. ABC/PM provides program and financial managers with the information needed to allocate resources and monitor and evaluate performance effectively.

- Continued development and implementation of the Department's Financial and Business Management System (FBMS). The FBMS replaces Interior's antiquated accounting and business systems and provides standard business practices supported by a single, integrated finance and business system.

- Continued major efforts to inventory our facilities, assess their condition, and develop asset management systems. The Department manages nearly every type of facility found in America's towns and cities—we have wastewater treatment plants, dams, electric generating facilities, houses, hotels, campgrounds, roads, boat docks, stables, and even landfills. By knowing what we have and managing those assets well, we can better serve the public.

- Made advances in implementing the President's Management Agenda. Specifically, we improved our Executive Scorecard status rating in FY 2005 in the areas of Human Capital (yellow to green), Competitive Sourcing (yellow to green), and Budget and Performance Integration (red to yellow). We are working diligently to improve our red status rating for Financial Performance and E-government.

- Downgraded one of the four Federal Managers' Financial Integrity Act material weaknesses carried over from FY 2004 ahead of schedule. We also corrected or downgraded 9 of the 15 (60%) material weaknesses reported in the FY 2004 financial statement audits which were targeted for correction in FY 2005.

- Established and achieved an aggressive annual performance goal of implementing all GAO and OIG audit recommendations within one year of the referral of those recommendations to the Department for tracking of implementation. For FY 2005, the performance goal was set at 85%—an increase of 5% over last fiscal year—and Interior achieved an actual implementation rate of 87%.

Sustaining our efforts toward management excellence requires the ongoing commitment and creativity of Interior's dedicated employees. During FY 2006, mission, metrics, and management will continue to lie at the center of achieving results. We plan to better focus our "mission" by establishing clear goals, enhancing and monitoring performance measures, and aligning our workforce to better achieve those goals.

P. Lynn Scarlett
Chief Financial Officer
November 15, 2005

Principal Financial Statements

The principal financial statements included in Interior's FY 2005 Annual Report on Performance and Accountability 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 (OMB) Circular A-136, "Financial Reporting Requirements." These statements include the following:

- Consolidated Balance Sheet
- Consolidated Statement of Net Cost
- Consolidated Statement of Changes in Net Position
- Combined Statement of Budgetary Resources
- Consolidated Statement of Financing
- Consolidated Statement of Custodial Activity

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

Consolidated Balance Sheet
as of September 30, 2005 and 2004
(dollars in thousands)

	FY 2005	FY 2004
ASSETS		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 2)	$ 32,031,132	$ 30,866,144
Investments, Net (Note 4)	7,463,669	6,187,329
Accounts and Interest Receivable (Note 5)	508,677	348,034
Loans and Interest Receivable, Net (Note 6)	2,458,075	-
Other (Note 10)	1,405	1,211
Total Intragovernmental Assets	42,462,958	37,402,718
Cash (Note 3)	1,270	1,081
Investments, Net (Note 4)	199,125	191,844
Accounts and Interest Receivable, Net (Note 5)	2,660,566	1,347,641
Loans and Interest Receivable, Net (Note 7)	183,855	227,514
Inventory and Related Property, Net (Note 8)	305,695	324,319
General Property, Plant, and Equipment, Net (Note 9)	17,323,778	17,154,211
Other (Note 10)	296,653	296,950
Stewardship Assets		
TOTAL ASSETS (Note 10)	$ 63,433,900	$ 56,946,278
LIABILITIES		
Intragovernmental Liabilities:		
Accounts Payable	$ 79,881	$ 76,826
Debt (Note 11)	1,220,525	1,304,879
Other		
Resources Payable to Treasury	2,016,834	26,225
Advances and Deferred Revenue	1,626,524	1,757,001
Custodial Liability	996,371	671,478
Other Liabilities	937,328	902,530
Total Intragovernmental Liabilities	6,877,463	4,738,939
Accounts Payable	1,087,718	1,024,845
Loan Guarantee Liability (Note 7)	81,670	60,081
Federal Employee and Veteran Benefits (Note 12)	1,367,705	1,304,355
Environmental and Disposal Liabilities (Note 13)	120,808	101,808
Other		
Contingent Liabilities (Note 13)	631,174	760,482
Advances and Deferred Revenue	489,466	446,369
Payments Due to States	1,009,418	412,880
Other Liabilities	1,031,556	1,121,962
TOTAL LIABILITIES (Note 14)	12,696,978	9,971,721
Commitments and Contingencies (Note 13 and 16)		
Net Position		
Unexpended Appropriations	4,179,242	4,080,359
Cumulative Results of Operations	46,557,680	42,894,198
Total Net Position	50,736,922	46,974,557
TOTAL LIABILITIES AND NET POSITION	$ 63,433,900	$ 56,946,278

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Net Cost
for the years ended September 30, 2005 and 2004
(dollars in thousands)

	FY 2005	FY 2004
Resource Protection		
Costs	$ 3,727,461	$ 3,032,636
Less: Earned Revenue	1,428,697	613,511
Net Cost	2,298,764	2,419,125
Resource Use		
Costs	4,120,619	3,242,339
Less: Earned Revenue	1,217,758	1,080,006
Net Cost	2,902,861	2,162,333
Recreation		
Costs	1,847,534	2,125,544
Less: Earned Revenue	340,109	258,952
Net Cost	1,507,425	1,866,592
Serving Communities		
Costs	6,859,829	6,631,788
Less: Earned Revenue	1,026,009	773,872
Net Cost	5,833,820	5,857,916
Reimbursable Activity and Other		
Costs	3,195,202	2,760,727
Less: Earned Revenue	2,325,046	2,007,644
Net Cost	870,156	753,083
Total		
Costs	19,750,645	17,793,034
Less: Earned Revenue	6,337,619	4,733,985
Net Cost of Operations (Note 17)	$ 13,413,026	$ 13,059,049

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Changes in Net Position
for the years ended September 30, 2005 and 2004
(dollars in thousands)

	FY 2005	FY 2004
UNEXPENDED APPROPRIATIONS		
Beginning Balance	$ 4,080,359	$ 3,929,302
Budgetary Financing Sources		
Appropriations Received, General Funds	10,197,599	10,061,570
Appropriations Transferred In/Out	93,641	89,861
Appropriations-Used	(10,039,735)	(9,871,434)
Other Adjustments	(152,622)	(128,940)
Net Change	98,883	151,057
Ending Balance - Unexpended Appropriations	$ 4,179,242	$ 4,080,359
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balance	$ 42,894,198	$ 40,934,263
Adjustments		
Change in Accounting Principle (Note 24)	157,150	-
Beginning Balance, as adjusted	43,051,348	40,934,263
Budgetary Financing Sources		
Appropriations-Used	10,039,735	9,871,434
Royalties Retained (Note 15)	5,130,136	3,491,208
Non-Exchange Revenue	1,276,801	1,162,209
Transfers In/Out without Reimbursement	(58,601)	(40,424)
Donations and Forfeitures of Cash and Cash Equivalents	33,159	24,491
Other Budgetary Financing Sources	51,040	2,422
Other Financing Sources		
Imputed Financing from Costs Absorbed by Others (Note 18)	451,533	519,171
Transfers In/Out without Reimbursement	(31,041)	(27,222)
Donations and Forfeitures of Property	26,596	15,695
Total Financing Sources	16,919,358	15,018,984
Net Cost of Operations	(13,413,026)	(13,059,049)
Net Change	3,506,332	1,959,935
Ending Balance - Cumulative Results of Operations	$ 46,557,680	$ 42,894,198

The accompanying notes are an integral part of these financial statements.

Combined Statement of Budgetary Resources
for the years ended September 30, 2005 and 2004
(dollars in thousands)

	Total Budgetary Accounts FY 2005	Total Budgetary Accounts FY 2004	Non-Budgetary Credit Program Financing Accounts FY 2005	Non-Budgetary Credit Program Financing Accounts FY 2004
Budgetary Resources:				
Budget Authority:				
Appropriations Received	$ 16,085,947	$ 14,712,390	$ -	$ -
Borrowing Authority	-	-	1,095	8,625
Net Transfers, Current Year Authority	(115,378)	(139,167)	-	-
Unobligated Balance:				
Beginning of Fiscal Year	5,209,456	4,905,271	76,836	67,678
Net Transfers, Unobligated Balance, Actual	665	25,980	-	-
Spending Authority From Offsetting Collections:				
Earned				
Collected	5,194,626	4,722,696	42,284	26,240
Receivable From Federal Sources	75,028	(4,537)	-	-
Change in Unfilled Customer Orders				
Advance Received	51,822	547,677	-	-
Without Advance From Federal Sources	270,854	28,869	-	-
Subtotal: Spending Authority From Offsetting Collections	5,592,330	5,294,705	42,284	26,240
Recoveries of Prior Year Obligations	411,226	393,579	9	26
Temporarily Not Available Pursuant to Public Law	(11,853)	(2,249)	-	-
Permanently Not Available	(347,464)	(177,829)	(18,282)	(6,189)
Total Budgetary Resources (Note 20)	$ 26,824,929	$ 25,012,680	$ 101,942	$ 96,380
Status of Budgetary Resources:				
Obligations Incurred:				
Direct	$ 15,934,806	$ 14,667,176	$ 18,633	$ 19,544
Reimbursable	5,179,194	5,136,048	-	-
Total Obligations Incurred (Note 20)	21,114,000	19,803,224	18,633	19,544
Unobligated Balance: (Note 20)				
Apportioned	5,556,737	5,072,733	83,309	76,836
Exempt From Apportionment	44,920	39,444	-	-
Unobligated Balance not Available (Note 20)	109,272	97,279	-	-
Total Status of Budgetary Resources	$ 26,824,929	$ 25,012,680	$ 101,942	$ 96,380
Relationship of Obligations to Outlays:				
Obligations Incurred	$ 21,114,000	$ 19,803,224	$ 18,633	$ 19,544
Obligated Balance, Net, Beginning of Fiscal Year	6,769,816	5,740,974	7,775	8,063
Obligated Balance, Net, End of Fiscal Year:				
Accounts Receivable	401,687	326,657	-	-
Unfilled Customer Orders From Federal Sources	823,076	552,221	-	-
Undelivered Orders	(7,067,043)	(6,288,774)	(4,005)	(3,952)
Accounts Payable	(1,490,176)	(1,359,920)	-	(3,823)
Total Obligated Balance, Net, End of Fiscal Year	(7,332,456)	(6,769,816)	(4,005)	(7,775)
Less: Spending Authority Adjustments	(757,106)	(417,910)	(9)	(26)
Outlays:				
Disbursements	19,794,254	18,356,472	22,394	19,806
Collections	(5,246,450)	(5,270,374)	(42,284)	(26,240)
Net Outlays Before Offsetting Receipts	14,547,804	13,086,098	(19,890)	(6,434)
Less: Offsetting Receipts	(5,904,495)	(4,269,067)	-	-
Net Outlays (Receipts)	$ 8,643,309	$ 8,817,031	$ (19,890)	$ (6,434)

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Financing
for the years ended September 30, 2005 and 2004
(dollars in thousands)

	FY 2005	FY 2004
Resources Used to Finance Activities:		
Budgetary Resources Obligated:		
Obligations Incurred	$ 21,132,633	$ 19,822,768
Less: Spending Authority From Offsetting Collections/Recoveries	(6,045,849)	(5,714,550)
Obligations Net of Offsetting Collections and Recoveries	15,086,784	14,108,218
Less: Offsetting Receipts	(5,904,495)	(4,269,067)
Net Obligations	9,182,289	9,839,151
Other Resources:		
Donations and Forfeitures of Property	26,596	15,695
Transfers In/Out Without Reimbursement	(31,041)	(27,222)
Imputed Financing From Costs Absorbed by Others	451,533	519,171
Net Other Resources Used to Finance Activities	447,088	507,644
Total Resources Used to Finance Activities	9,629,377	10,346,795
Resources Used to Finance Items Not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	(803,973)	(968,242)
Increase in Unfilled Customer Orders	322,677	576,546
Resources That Fund Expenses Recognized in Prior Periods	(218,599)	(137,970)
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	41,298	17,193
Offsetting Receipts Not Part of the Net Cost of Operations	3,504,679	2,832,565
Resources That Finance the Acquisition of Assets	(739,531)	(819,203)
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	(15,017)	37,256
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	2,091,534	1,538,145
Total Resources Used to Finance the Net Cost of Operations	11,720,911	11,884,940
Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability	9,056	17,922
Increase in Environmental and Disposal Liability	23,467	-
Upward/Downward Re-estimates in Credit Subsidy Expense	21,358	(335)
(Increase) Decrease in Exchange Revenue Receivable From the Public	9,308	(1,166)
Other	748,399	306,782
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	811,588	323,203
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	483,116	460,946
Revaluation of Assets or Liabilities	9,154	44,791
Allocation Transfers Reconciling Items (Note 21)	377,999	358,936
Other	10,258	(13,767)
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	880,527	850,906
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	1,692,115	1,174,109
Net Cost of Operations	$ 13,413,026	$ 13,059,049

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Custodial Activity
for the years ended September 30, 2005 and 2004
(dollars in thousands)

	FY 2005	FY 2004
Revenues on Behalf of the Federal Government		
Mineral Lease Revenue		
Rents and Royalties	$ 8,972,260	$ 7,114,290
Onshore Lease Sales	1,658,786	383,945
Offshore Lease Sales	560,622	560,225
Strategic Petroleum Reserve (Note 19)	1,194,618	1,191,284
Total Revenue	$ 12,386,286	$ 9,249,744
Disposition of Revenue		
Distribution to Department of the Interior		
National Park Service Conservation Funds	1,048,870	1,049,000
Bureau of Reclamation	1,289,055	924,486
Minerals Management Service	1,762,092	1,300,525
Bureau of Land Management	81,408	16,216
Fish and Wildlife Service	1,036	737
Distribution to Other Federal Agencies		
Department of the Treasury	5,502,464	4,375,632
Department of Agriculture	50,860	25,232
Department of Commerce	1	-
Department of Energy (Note 19)	1,194,618	1,191,284
Distribution to Indian Tribes and Agencies	114,025	93,892
Distribution to States and Others	73,706	75,777
Change in Untransferred Revenue	1,268,151	196,963
Total Disposition of Revenue	$ 12,386,286	$ 9,249,744

The accompanying notes are an integral part of these financial statements.

U.S. Department of the Interior
Notes to Principal Financial Statements
For the fiscal years ended September 30, 2005 and 2004

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, the 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), Custodial Funds, and the Aquatic Resources Trust Fund. 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 22. 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 the 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 (includes the Aquatic Resources Trust Fund)
- Bureau of Land Management
- Bureau of Reclamation
- Office of Surface Mining
- Minerals Management Service (includes the Environmental Improvement and Restoration Fund)
- U.S. Geological Survey
- Bureau of 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 each bureau.

The U.S. Bureau of Mines (USBM) was closed in 1996. Although it no longer exists, certain transactions and data related to USBM programs and activities are reflected in the Interior's FY 2005 and FY 2004 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, budgetary resources, and reconciliation of net cost to budgetary obligations of the 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 the Interior in accordance with generally accepted accounting principles (GAAP), OMB Circular A-136, "Financial Reporting Requirements." GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), 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 2005 financial statements for the Consolidated Balance Sheet, Consolidated Statement of Net Cost, Consolidated Statement of Changes in Net Position, the Combined Statement of Budgetary Resources, Consolidated Statement of Financing, and the Consolidated Statement of Custodial Activity.

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 Department of the Treasury (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 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.

Cash consists primarily of Federal funds held by private banks and investing firms for the Office of Trust Funds Management.

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 non-marketable par value or non-marketable 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 and the Federal Judiciary.

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 as the sales price of the security multiplied by the bid price at year end.

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 (Western), a component of the Department of Energy (DOE). 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 (BPA), also a component of DOE, is responsible for the transmission and marketing of hydropower generated at BOR 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 on September 30.

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, airplane parts and fuel, operating supplies for the Working Capital Fund, and recoverable below-ground crude helium. These inventories were categorized based on Interior's major activities and 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 to be consumed or sold in future operations 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.

The 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 the 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 of from 10 to 75 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, Interior has established a capitalization threshold of $15,000. There are no restrictions on the use or convertibility of the Interior's general purpose property, plant, and equipment.

In accordance with the implementation guidance for Statement of Federal Financial Accounting Standard (SFFAS) No. 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, the Interior began construction on 10 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 (COTS), 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 5 years for calculating amortization of software using the straight-line method.

Stewardship Assets. Stewardship assets consists 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, archeological sites, 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. This is in accordance with Federal accounting standards.

The Required Supplementary Stewardship Information (RSSI) 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 all 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 greater 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 Consolidated Statement of Changes in Net Position once goods and services have been received. The Combined 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 Consolidated Statement of Net Cost and serve to off-set 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 the Interior's operations and are reported on the Consolidated Statement of Changes in Net Position. The portion of Offsetting Receipts that is related to non-exchange revenue is disclosed as a reconciling item on the Statement of Financing as an item not part of the net cost of operations.

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 earmarked 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 Consolidated 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 No. 7, Interior reports these State amounts as "Royalties Retained," an other budgetary financing source on the Consolidated Statement of Changes in Net Position rather than on the Consolidated Statement of Net Cost, because MMS incurred minimal costs in earning this revenue.

Custodial Revenue. Interior's Minerals Revenue Management (MRM), 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 the Treasury, other Federal agencies, and States, 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 (RIK). Interior, under the provisions of the Mineral Lands Leasing Act of 1920 and the Outer Continental Shelf Lands Act (OCSLA) of 1953, may take part or all of its oil and gas royalties in-kind (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 royalty-in-kind as mineral lease revenue on the Consolidated 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 transfers to the DOE on the Consolidated Statement of Custodial Activity.

Aquatic Resources Trust Fund. Interior presents the Aquatic Resources Trust Fund (ARTF) in its financial statements in accordance with the requirements of Statement of Federal Financial Concepts No.2, "Entity and Display." The source of funding for the ARTF includes excise taxes levied on the sale of fishing tackle and equipment, certain motorboat and small engine gasoline, and interest earned on invested trust funds. These funds are used to make grants available to States for support projects that restore, conserve, manage, protect, and enhance sport fish resources and coastal wetlands and projects that provide for public use and benefit from sport fish resources. The ARTF also provides funding for boating safety programs conducted by the U.S. Coast Guard and coastal wetlands initiatives conducted by the U.S. Army Corps of Engineers. The Appropriations Act of 1951 authorized amounts equal to revenues credited during the year to be used in the subsequent fiscal year. This inflow is recorded as permanent appropriations to remain available until expended.

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 (OPM), 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 represents cash advances to the Interior Franchise Fund (IFF) and the National Business Center (NBC). 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 future liability is recognized for these amounts, as employees do not vest in these benefits.

Federal Employees Workers' Compensation Program. The Federal Employees Compensation Act (FECA) 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 (DOL), 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. 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 (FEGLI) 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 pre-retirement portion of coverage, Interior has recognized the entire service cost of the post-retirement 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 (CSRS); (2) the Federal Employees Retirement System (FERS), which became effective on January 1, 1987; or (3) the United States Park Police (USPP) 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 FERS employees, Interior contributes an amount equal to 1% of the employee's basic pay to the tax deferred Thrift Savings Plan and matches employee contributions up to an additional 4% of pay. During FY 2005, FERS employees could contribute as much as 15% of their gross earnings to the plan. CSRS employees were limited to a contribution of 10% of their gross earnings and receive no matching contribution from Interior.

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% of their gross earnings. The normal retirement benefit is 2.5% for each year of service up to 20 with an additional 3% for each year beyond 20, but no more than an aggregate of 80%. 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 SFFAS Interpretation No. 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 the Interior's entities have been eliminated from the Consolidated Balance Sheet, the Consolidated Statement of Net Cost, and the Consolidated Statement of Changes in Net Position. As provided for by OMB Circular A-136, the Combined Statement of Budgetary Resources is presented on a combined basis, therefore, intra-departmental transactions and balances have not been eliminated from this statement. In accordance with OMB Circular A-136, intra-departmental transactions and balances have been eliminated from all the amounts on the Consolidated Statement of Financing, except for obligations incurred and spending authority from offsetting collections and adjustments, which are presented on a combined basis. Intra-departmental transactions have been eliminated within the Consolidated Statement of Custodial Activity. In order to present all custodial activity, the distributions to the Department's entities have not been eliminated on the Consolidated Statement of Custodial Activity and the Statement of Changes in Net Position. The distributions, however, are reported separately on the Consolidated 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 (PI/LSI) 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.

NPS 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, NPS 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, NPS does record a liability at the time that the NPS decides to discontinue a concession operation or take possession of the assets.

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 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.

NPS adopted accounting guidance for concession assets effective October 1, 2004. As a result of adopting this guidance, NPS wrote off the concession assets previously accounted for as general property, plant, and equipment. The effect of this accounting change was not material to the FY 2005 financial statements.

P. 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.

Q. Estimates

Interior has made certain estimates and assumptions relating 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.

R. Reclassification

Certain prior year amounts have been reclassified to conform to current year presentation.

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, 2005 and 2004 consists of the following:

(dollars in thousands)	FY 2005	FY 2004
General Funds	$ 5,070,334	$ 5,033,062
Special Funds	23,879,261	22,541,062
Revolving Funds	2,676,266	2,686,055
Trust Funds	214,102	199,996
Other Fund Types	191,169	405,969
Total Fund Balance with Treasury by Fund Type	$ 32,031,132	$ 30,866,144

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 the bureau.

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, the Alaska Townsite Trustee fund, and the Aquatic Resources Trust 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, 2005 and 2004 consists of the following:

(dollars in thousands)	FY 2005	FY 2004
Unobligated		
Available	$ 3,883,467	$ 3,887,867
Unavailable	207,134	210,974
Obligated Not Yet Disbursed	6,025,979	5,935,003
Subtotal	10,116,580	10,033,844
Fund Balance with Treasury Not Covered by Budgetary Resources		
Unavailable Receipt Accounts	21,735,627	20,435,653
Deposit Funds, Clearing, and Suspense Accounts	178,925	396,647
Subtotal	21,914,552	20,832,300
Total Status of Fund Balance with Treasury	$ 32,031,132	$ 30,866,144

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 and allocation transfers (transferring agency). Allocation transfers result in differences for both the transferring and receiving agency because the budgetary amounts are reported by the agency transferring the funds, but the proprietary amounts are reported by the receiving agency.

NOTE 3. CASH

The cash amount includes balances held by private banks and investing firms and change-making funds maintained in offices where maps are sold over the counter.

Cash as of September 30, 2005 and 2004 consists of the following:

(dollars in thousands)	FY 2005	FY 2004
Cash Not Yet Deposited to Treasury	$ 622	$ 417
Imprest Fund	648	664
Total Cash	$ 1,270	$ 1,081

NOTE 4. INVESTMENTS, NET

A. Investments in Treasury Securities

The BIA, BLM, Departmental Offices, MMS, NPS, OSM, and FWS invest funds in securities on behalf of various Interior programs.

Bureau of Indian Affairs (BIA). The BIA 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. BIA's investments in public securities are discussed more fully below.

Bureau of Land Management (BLM). The BLM is authorized to invest in special non-marketable 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. The BLM invests in these securities of the Treasury 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.

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 non-marketable 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 (NRDAR), in non-marketable 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 non-marketable 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 (MMS). Investments consist of non-marketable, market-based Treasury securities that are not traded on any securities exchange but mirror the prices of marketable securities with similar terms. The MMS has limited investment authority based on two categories: Environmental Improvement and Restoration and Custodial Investments.

The Environmental Improvement and Restoration Fund (EIRF) 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 (OCS) 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 (NPS). In 1996 Congress approved, and President Clinton signed into law the "United States Commemorative Coin Act of 1996", mandating the minting and sale of several commemorative coins, including a National Law Enforcement Officers Memorial Silver Dollar. During FY 2005 the monies generated from the sale of the National Law Enforcement Officers Memorial Silver Dollars have been invested in a non-marketable, market-based, interest bearing security. During FY 2005, NPS redeemed a $65 thousand non-marketable, market-based, interest bearing security for the benefit of the Abraham Lincoln Boyhood Home.

Investments as of September 30, 2005, consist of the following:

FY 2005

(dollars in thousands)	Investment Type	Cost	Net Amortized (Premium)/Discount	Investments, Net	Market Value Disclosure
U.S. Treasury Securities					
Bureau of Indian Affairs	Marketable	$ 66,541	$ -	$ 66,541	$ 66,541
Bureau of Land Management	Non-Marketable, par value	1,734,975	10,790	1,745,765	1,739,828
Departmental Offices					
Utah Reclamation Mitigation and Conservation Account	Non-Marketable, market-based	157,931	(2,248)	155,683	155,165
Natural Resource Damage Assessment and Restoration Fund	Non-Marketable, market-based	179,107	(1,225)	177,882	160,500
Tribal Trust and Special Funds	Non-Marketable, market-based	26,333	-	26,333	26,336
	Marketable	55,487	(215)	55,272	55,076
Minerals Management Service - Restricted	Non-Marketable, market-based	1,032,450	(6,803)	1,025,647	1,014,909
Minerals Management Service - Custodial	Non-Marketable, market-based	57,214	106	57,320	57,261
National Park Service	Non-Marketable, market-based	1,370	-	1,370	1,370
Office of Surface Mining	Non-Marketable, market-based	2,132,891	376	2,133,267	2,122,530
U.S. Fish and Wildlife Service	Non-Marketable, market-based	450,309	1,337	451,646	446,705
U.S. Fish and Wildlife Service - Aquatic Resources Trust Fund	Non-Marketable, market-based	1,543,745	983	1,544,728	1,473,847
Total U.S. Treasury Securities		7,438,353	3,101	7,441,454	7,320,068
Accrued Interest		22,215	-	22,215	-
Total Non-Public Investments		7,460,568	3,101	7,463,669	7,320,068
Public Securities					
Bureau of Indian Affairs	Marketable	1,065	-	1,065	1,066
Departmental Offices - Tribal Trust and Special Funds	Marketable	196,166	431	196,597	193,790
Total Public Securities		197,231	431	197,662	194,856
Accrued Interest		1,463	-	1,463	-
Total Public Investments		198,694	431	199,125	194,856
Total Investments		$ 7,659,262	$ 3,532	$ 7,662,794	$ 7,514,924

Office of Surface Mining (OSM). Effective October 1, 1991, the OSM was authorized to invest available Abandoned Mine Land (AML) funds in non-marketable market-based securities issued by the Federal Investment Branch of the Bureau of the Public Debt in the Treasury. The 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). The FWS has investments in non-marketable 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, the Aquatic Resources Trust Fund, and the Multi-National Species Conservation Fund.

The Treasury collects, invests, and maintains on behalf of the FWS, the Aquatic Resources Trust Fund (ARTF), which includes FWS's Sport Fish Restoration Account. Although the FWS has advisory authority for ARTF investment decisions, the Treasury has legal responsibility for investing ARTF funds.

Investments as of September 30, 2004, consist of the following:

FY 2004

(dollars in thousands)	Investment Type	Cost	Net Amortized (Premium)/Discount	Investments, Net	Market Value Disclosure
U.S. Treasury Securities					
Bureau of Indian Affairs	Marketable	$ 68,565	$ -	$ 68,565	$ 68,565
Bureau of Land Management	Non-Marketable, par value	826,076	2,620	828,696	828,465
Departmental Offices					
Utah Reclamation Mitigation and Conservation Account	Non-Marketable, market-based	152,427	(8,658)	143,769	143,551
Natural Resource Damage Assessment and Restoration Fund	Non-Marketable, market-based	170,592	(1,414)	169,178	168,962
Tribal Trust and Special Funds	Non-Marketable, market-based	27,755	-	27,755	27,753
	Marketable	49,860	(49)	49,811	49,792
Minerals Management Service - Restricted	Non-Marketable, market-based	1,003,203	(6,911)	996,292	1,007,471
Minerals Management Service - Custodial	Non-Marketable, market-based	27,758	8	27,766	27,769
National Park Service	Non-Marketable, market-based	64	1	65	65
Office of Surface Mining	Non-Marketable, market-based	2,042,801	168	2,042,969	2,051,753
U.S. Fish and Wildlife Service	Non-Marketable, market-based	363,832	(1,073)	362,759	363,614
U.S. Fish and Wildlife Service - Aquatic Resources Trust Fund	Non-Marketable, market-based	1,455,389	(4,045)	1,451,344	1,446,897
Total U.S. Treasury Securities		6,188,322	(19,353)	6,168,969	6,184,657
Accrued Interest		18,360	-	18,360	-
Total Non-Public Investments		6,206,682	(19,353)	6,187,329	6,184,657
Public Securities					
Bureau of Indian Affairs	Marketable	1,077	-	1,077	1,078
Departmental Offices - Tribal Trust and Special Funds	Marketable	188,966	476	189,442	189,679
Total Public Securities		190,043	476	190,519	190,757
Accrued Interest		1,325	-	1,325	-
Total Public Investments		191,368	476	191,844	190,757
Total Investments		$ 6,398,050	$ (18,877)	$ 6,379,173	$ 6,375,414

Consistent with authorizing legislation and Treasury fiscal investment policies, the Secretary of the Treasury invests such portions of the ARTF balance deemed by the program agencies not necessary to meet current withdrawals to cover program and related costs as defined by law. Such investments are in non-marketable par value or non-marketable market-based securities as authorized by legislation and are issued and redeemed by the Federal Investment Branch of the Bureau of the Public Debt, in the Treasury. These securities are held in the name of the Secretary of the Treasury for the ARTF.

B. Investments in Public Securities

The BIA 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 (Fannie Mae) and similar government-sponsored enterprises and government corporations. Bonds and bank notes are issued by Federal Home Loan Bank, the Federal Judiciary, and the Federal Farm Credit Bank. Investments in public securities reflect investments held by BIA'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.

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 BOR, 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:

(dollars in thousands)	FY 2005	FY 2004
Accounts and Interest Receivable from the Public		
Current	$ 131,278	$ 114,635
1 - 180 Days Past Due	129,914	25,607
181 - 365 Days Past Due	12,306	49,434
1 to 2 Years Past Due	26,885	77,534
Over 2 Years Past Due	98,954	223,444
Total Billed Accounts and Interest Receivable - Public	399,337	490,654
Unbilled Accounts and Interest Receivable	2,454,061	1,172,570
Total Accounts and Interest Receivable - Public	2,853,398	1,663,224
Allowance for Doubtful Accounts - Public	(192,832)	(315,583)
Total Accounts and Interest Receivable - Public Net of Allowance	$ 2,660,566	$ 1,347,641
Change in Allowance for Doubtful Accounts - Public		
Allowance for Doubtful Accounts, beginning	315,583	346,710
Additions	37,727	9,728
Deletions	(160,478)	(40,855)
Allowance for Doubtful Accounts, ending	$ 192,832	$ 315,583

Recovery of Reimbursable Capital Costs. The BOR enters into long-term repayment contracts and water service contacts with non-Federal (public) water users that allow the use of irrigation and municipal and industrial (M&I) 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 facilities. Also, power-marketing agencies enter into agreements with power users to recover capital investment costs allocated to power, on BOR'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 Consolidated 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, 2005 and 2004, amounts not yet earned under unmatured repayment contracts were $2.5 billion and $2.7 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:

(dollars in thousands)	FY 2005	FY 2004
Accounts and Interest Receivable from Federal Agencies		
Current	$ 18,562	$ 40,963
1 - 180 Days Past Due	2,079	519
181 - 365 Days Past Due	93	399
1 to 2 Years Past Due	65	235
Over 2 Years Past Due	260	72
Total Billed Accounts and Interest Receivable - Federal	21,059	42,188
Unbilled Accounts and Interest Receivable	487,618	305,846
Total Accounts and Interest Receivable - Federal	508,677	348,034
Allowance for Doubtful Accounts - Federal	-	-
Total Accounts and Interest Receivable - Federal, Net of Allowance	$ 508,677	$ 348,034

NOTE 6. INTRAGOVERNMENT LOANS AND INTEREST RECEIVABLE, NET

Intragovernment Loans and Interest Receivable, as of September 30, 2005 and 2004, are summarized as follows:

(dollars in thousands)	FY 2005	FY 2004
Principal	$ 7,771,518	$ -
Interest	1,928,373	-
Cumulative Repayments	(7,220,114)	-
Allowance for Non-Reimbursable Costs	(21,702)	-
Intragovernmental Loans and Interest Receivable, Net	$ 2,458,075	$ -

Interest rates vary by project and pertinent legislation, and range from 1.25% to 12.4% for the year ended September 30, 2005. Repayment terms are generally over a period not to exceed 50 years from the time revenue producing assets are placed in service. There is no Intragovernmental Loans and Interest Receivable balance in FY 2004 because Interior changed its accounting method for its receivables with Western and BPA in FY 2005. Refer to Note 24 for more detail.

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 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. In FY 2005, there were 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.

BIA and BOR 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.

Bureau of Indian Affairs. The BIA provides guaranteed loans to Indian Tribes and organizations, Indian individuals, and Alaska Natives for economic development purposes. The BIA loan program includes the Indian Direct Loan Program (which ceased providing loans in 1995), the Indian Loan Guarantee Program under the 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 pre-credit 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 pre-credit 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. The BOR 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. The loan programs are classified into two categories, credit reform loans and other loans made prior to the Credit Reform 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 2005 includes interest and technical reestimates. These reestimates resulted in a net increase to the subsidy cost allowance of $20.6 million for the period ended September 30,

2005. The technical reestimate adjusted for differences between the projected cash flows that were expected versus actual cash flows. The interest reestimate adjusted the subsidy allowance to provide for the prevailing interest rate at the time the loans were disbursed versus the interest rates assumed in the budget preparation process.

Departmental Offices. Departmental Offices have two loans, one pre-credit reform loan to the U.S. Virgin Islands and one post-credit reform loan to the American Samoa Government (ASG).

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 January 2, 2007. 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 American Samoa Government. 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 wrote off the entire loan based on a reassessment of the loan's collectibility.

National Park Service. The NPS has a single non-interest 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, except for the first three annual payments of $215,000 per year. 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 2005 and 2004, 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 the Interior in consultation with the Wolf Trap Foundation for the maintenance of structures, facilities, and equipment of the park.

Credit Reform balances, as of September 30, 2005 and 2004, are summarized as follows:

(dollars in thousands)

A. Direct Loan and Loan Guarantee Program Names:	FY 2005	FY 2004
Bureau of Indian Affairs - Direct Liquidating Loans (Pre-Credit Reform)	$ 18,378	$ 22,826
Bureau of Indian Affairs - Direct Loans (Credit Reform)	8,890	9,920
Bureau of Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)	317	558
Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	546	254
Bureau of Reclamation - Direct Loans (Pre-Credit Reform)	53,598	56,753
Bureau of Reclamation - Direct Loans (Credit Reform)	92,870	110,147
Departmental Offices - Virgin Island (Pre-Credit Reform)	5,658	7,824
Departmental Offices - American Samoa Government (Credit Reform)	-	15,274
National Park Service - Wolf Trap Foundation (Pre-Credit Reform)	3,598	3,958
Total Loans and Interest Receivable, Net	$ 183,855	$ 227,514

(dollars in thousands)
Direct Loans

B. Direct Loans Obligated Prior to FY 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	Value of Assets Related to Direct Loans
	Bureau of Indian Affairs - Direct Liquidating Loans (Pre-Credit Reform)	$ 17,154	$ 4,812	$ (3,588)	$ -	$ 18,378
	Bureau of Reclamation - Direct Loans (Pre-Credit Reform)	60,775	78	(7,255)	-	53,598
	Departmental Offices - Virgin Island (Pre-Credit Reform)	5,523	135	-	-	5,658
	National Park Service - Wolf Trap Foundation (Pre-Credit Reform)	3,598	-	-	-	3,598
FY 2005	Total	$ 87,050	$ 5,025	$ (10,843)	$ -	$ 81,232
	Bureau of Indian Affairs - Direct Liquidating Loans (Pre-Credit Reform)	$ 21,529	$ 7,281	$ (5,984)	$ -	$ 22,826
	Bureau of Reclamation - Direct Loans (Pre-Credit Reform)	63,929	79	(7,255)	-	56,753
	Departmental Offices - Virgin Island (Pre-Credit Reform)	7,640	184	-	-	7,824
	National Park Service - Wolf Trap Foundation (Pre-Credit Reform)	3,958	-	-	-	3,958
FY 2004	Total	$ 97,056	$ 7,544	$ (13,239)	$ -	$ 91,361

(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
	Bureau of Indian Affairs - Direct Loans (Credit Reform)	$ 7,773	$ 461	$ -	$ 656	$ 8,890
	Bureau of Reclamation - Direct Loans (Credit Reform)	117,881	-	-	(25,011)	92,870
	Departmental Offices - American Samoa Government (Credit Reform)	17,324	626		(17,950)	-
FY 2005	Total	$ 142,978	$ 1,087	$ -	$ (42,305)	$ 101,760
	Bureau of Indian Affairs - Direct Loans (Credit Reform)	$ 9,528	$ 685	$ -	$ (293)	$ 9,920
	Bureau of Reclamation - Direct Loans (Credit Reform)	119,624	-	-	(9,477)	110,147
	Departmental Offices - American Samoa Government (Credit Reform)	17,142	695	-	(2,563)	15,274
FY 2004	Total	$ 146,294	$ 1,380	$ -	$ (12,333)	$ 135,341

(dollars in thousands)
D. Total Amount of Direct Loans Disbursed (Post 1991):

Direct Loan Programs	FY 2005	FY 2004
Bureau of Reclamation - Direct Loans (Credit Reform)	$ 10	$ 4,111
Total	$ 10	$ 4,111

(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)	$ -	$ -	$ -	$ -	$ -
FY 2005	Total	$ -	$ -	$ -	$ -	$ -

	Direct Loan Programs	Interest Differential	Defaults	Fees and Other Collections	Other	Total
	Bureau of Reclamation - Direct Loans (Credit Reform)	$ 2	$ -	$ -	$ -	$ 2
FY 2004	Total	$ 2	$ -	$ -	$ -	$ 2

Modifications and Reestimates

	Direct Loan Programs	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
	Bureau of Indian Affairs - Direct Loans (Credit Reform)	$ -	$ 51	$ 3	$ 54
	Bureau of Reclamation - Direct Loans (Credit Reform)	-	3,120	17,224	20,344
	Departmental Offices - American Samoa Government (Credit Reform)	15,387	-	-	15,387
FY 2005	Total	$ 15,387	$ 3,171	$ 17,227	$ 35,785
	Bureau of Indian Affairs - Direct Loans (Credit Reform)	$ -	$ -	$ 267	$ 267
	Bureau of Reclamation - Direct Loans (Credit Reform)	-	-	-	-
	Departmental Offices - American Samoa Government (Credit Reform)	-	(1,297)	962	(335)
FY 2004	Total	$ -	$ (1,297)	$ 1,229	$ (68)

Total Direct Loan Subsidy Expense:

Direct Loan Programs	FY 2005	FY 2004
Bureau of Indian Affairs - Direct Loans (Credit Reform)	$ 54	$ 267
Bureau of Reclamation - Direct Loans (Credit Reform)	20,344	2
Departmental Offices - American Samoa Government (Credit Reform)	-	(335)
Total	$ 20,398	$ (66)

(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%
FY 2005	Total	0.0%	0.0%	0.0%	0.0%	0.0%

	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%
FY 2004	Total	0.0%	0.0%	0.0%	0.0%	0.0%

(dollars in thousands)

G. Schedule for Reconciling Direct Loan Subsidy Cost Allowance Balances (Post-1991 Direct Loans)

	FY 2005	**FY 2004**
Beginning balance of the subsidy cost allowance	$ 12,333	$ 32,385
Add: Subsidy expense for direct loans disbursed during the reporting years by component:		
(a) Interest rate differential costs	-	2
Total of the above subsidy expense components	-	2
Adjustments:		
(a) Loans written off	14,540	(15,410)
(b) Subsidy allowance amortization	(4,852)	(4,406)
(c) Other	(113)	(170)
Ending balance of the subsidy cost allowance before reestimates	21,908	12,401
Add or subtract subsidy reestimates by component:		
(a) Interest rate reestimate	3,171	(1,297)
(b) Technical/default reestimate	17,227	1,229
Total of the above reestimate components	20,398	(68)
Ending balance of the subsidy cost allowance	$ 42,306	$ 12,333

The allowance for Subsidy Account reflects the unamortized credit reform subsidy for direct loans.

(dollars in thousands)
Defaulted Guaranteed Loans

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
	Bureau of Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)	$ 6,804	$ 3,757	$ -	$ (10,244)	$ 317
FY 2005	Total	$ 6,804	$ 3,757	$ -	$ (10,244)	$ 317
	Bureau of Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)	$ 11,087	$ 7,503	$ -	$ (18,032)	$ 558
FY 2004	Total	$ 11,087	$ 7,503	$ -	$ (18,032)	$ 558

(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)	Value of Assets Related to Defaulted Guaranteed Loans, Receivable, Net
	Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	$ 4,930	$ 1,052	$ -	$ (5,436)	$ 546
FY 2005	Total	$ 4,930	$ 1,052	$ -	$ (5,436)	$ 546
	Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	$ 2,148	$ 779	$ -	$ (2,673)	$ 254
FY 2004	Total	$ 2,148	$ 779	$ -	$ (2,673)	$ 254

(dollars in thousands)
Loan Guarantees

J. Guaranteed Loans Outstanding as of September 30, 2005:

Guaranteed Loans Outstanding

Loan Guarantee Programs	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
Pre-1992	$ 5,301	$ 4,753
FY 1992	705	625
FY 1993	1,417	1,227
FY 1994	10,859	9,761
FY 1995	2,396	1,946
FY 1996	6,594	5,934
FY 1997	6,335	5,587
FY 1998	4,687	4,199
FY 1999	26,936	24,007
FY 2000	41,953	37,724
FY 2001	24,116	21,303
FY 2002	29,665	26,088
FY 2003	46,623	41,793
FY 2004	71,912	64,265
FY 2005	28,697	25,815
Total	$ 308,196	$ 275,027

New Guaranteed Loans Disbursed (Current reporting year):

	Loan Guarantee Programs	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
	Amount Paid in FY 2005 for Prior Years	$ 24,305	$ 21,874
	Amount Paid in FY 2005 for 2005 Guarantees	28,725	25,852
FY 2005	Total	$ 53,030	$ 47,726
	Amount Paid in FY 2004 for Prior Years	$ 32,315	$ 29,083
	Amount Paid in FY 2004 for 2004 Guarantees	55,855	49,850
FY 2004	Total	$ 88,170	$ 78,933

(dollars in thousands)
K. Liability for Loan Guarantees:

Liability for Loan Guarantees (Estimated Future Default Claims for pre-1992 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
	Bureau of Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)	$ -	$ 81,670	$ 81,670
FY 2005	Total	$ -	$ 81,670	$ 81,670
	Bureau of Indian Affairs - Guaranteed Liquidating Loans (Pre-Credit Reform)	$ -	$ 60,081	$ 60,081
FY 2004	Total	$ -	$ 60,081	$ 60,081

(dollars in thousands)
L. Subsidy Expense for Loan Guarantees by Program and Component:

Subsidy Expense for New Loan Guarantees:

	Loan Guarantee Programs	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
	Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	$ 2,414	$ 2,011	$ (954)	$ -	$ 3,471
FY 2005	Total	$ 2,414	$ 2,011	$ (954)	$ -	$ 3,471
	Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	$ 3,976	$ 3,220	$ (1,592)	$ -	$ 5,604
FY 2004	Total	$ 3,976	$ 3,220	$ (1,592)	$ -	$ 5,604

Modifications and Reestimates:

	Loan Guarantee Programs	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
	Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	$ -	$ 3,760	$ 14,955	$ 18,715
FY 2005	Total	$ -	$ 3,760	$ 14,955	$ 18,715
	Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	$ -	$ -	$ 451	$ 451
FY 2004	Total	$ -	$ -	$ 451	$ 451

Total Loan Guarantee Subsidy Expense:

Loan Guarantee Programs	**FY 2005**	**FY 2004**
Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	$ 22,186	$ 6,055
Total	$ 22,186	$ 6,055

(dollars in thousands)

M. Subsidy Rates for Loan Guarantees by Program and Component:

Budget Subsidy Rates for Loan Guarantees for the Current Year's Cohorts:

	Loan Guarantee Programs	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
	Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	4.5%	4.1%	-1.8%	0.0%	6.8%
FY 2005	Total	4.5%	4.1%	-1.8%	0.0%	6.8%
	Bureau of Indian Affairs - Guaranteed Loans (Credit Reform)	4.7%	3.3%	-1.8%	0.0%	6.2%
FY 2004	Total	4.7%	3.3%	-1.8%	0.0%	6.2%

(dollars in thousands)

N. Schedule for Reconciling Loan Guarantee Liability Balances

	FY 2005	**FY 2004**
Beginning balance of the loan guarantee liability	$ 60,081	$ 52,185
Add: Subsidy expense for guaranteed loans disbursed during the reporting years by component:		
(a) Interest supplement costs	2,415	3,976
(b) Default costs (net of recoveries)	2,011	3,220
(c) Fees and other collections	(954)	(1,592)
Total of the above subsidy expense components	3,472	5,604
Adjustments:		
(a) Fees received	951	1,422
(b) Interest supplements paid	(1,657)	(1,564)
(c) Claim payments to lenders	(2,848)	(1,281)
(d) Interest accumulation on the liability balance	2,956	3,264
Ending balance of the loan guarantee liability before reestimates	62,955	59,630
Add or subtract subsidy reestimates by component:		
(a) Interest rate re-estimate	3,760	-
(b) Technical/default reestimate	14,955	451
Total of the above reestimate components	18,715	451
Ending balance of the loan guarantee liability	$ 81,670	$ 60,081

(dollars in thousands)
O. Administrative Expense:

	Direct Loan Programs			Loan Guarantee Programs		
	Bureau of Reclamation - Direct Loans (Credit Reform)	$	78	Bureau of Indian Affairs - Guaranteed Loan Programs	$	1,151
	Departmental Offices - American Samoa Government (Credit Reform)		-			-
FY 2005	Total	$	78		$	1,151
	Bureau of Reclamation - Direct Loans (Credit Reform)	$	113	Bureau of Indian Affairs - Guraranteed Loan Programs	$	4,405
	Departmental Offices - American Samoa Government (Credit Reform)		836			-
FY 2004	Total	$	949		$	4,405

NOTE 8. INVENTORY AND RELATED PROPERTY, NET

Inventory and Related Property as of September 30, 2005 and 2004 consists of the following:

(dollars in thousands)		FY 2005		FY 2004
Inventory				
Published Maps Held for Current/Future Sale	$	9,675	$	10,070
Raw Materials Held for Use		-		1,252
Gas and Storage Rights held for Current / Future Sales		1,055		1,055
Airplane Parts Held for Use		429		19
Aviation Fuel Held for Use		100		548
Operating Materials				
Working Capital Fund: Inventory, Held for Use		306		444
Stockpile Materials				
Recoverable Below-Ground Crude Helium, Held in Reserve		303,018		319,821
Total Inventory and Related Property		314,583		333,209
Allowance for Obsolescence		(8,888)		(8,890)
Net Inventory and Related Property	$	305,695	$	324,319

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, 2005 and 2004, are shown in the following tables.

(dollars in thousands)	Acquisition Cost	Accumulated Depreciation	**FY 2005** Net Book Value
Land and Land Improvements	$ 2,044,787	$ 62,707	$ 1,982,080
Buildings	2,804,111	1,161,271	1,642,840
Structures and Facilities	19,746,770	8,967,840	10,778,930
Leasehold Improvements	37,015	7,587	29,428
Construction in Progress			
Construction in Progress - General	1,519,655	-	1,519,655
Construction in Progress in Abeyance	558,739	-	558,739
Equipment, Vehicles, and Aircraft	1,847,963	1,167,222	680,741
Assets Under Capital Lease	28,179	3,614	24,565
Internal Use Software:			
In Use	123,583	63,295	60,288
In Development	46,512	-	46,512
Total Property, Plant, and Equipment	$ 28,757,314	$ 11,433,536	$ 17,323,778

(dollars in thousands)	Acquisition Cost	Accumulated Depreciation	**FY 2004** Net Book Value
Land and Land Improvements	$ 2,035,912	$ 58,184	$ 1,977,728
Buildings	2,685,764	1,107,695	1,578,069
Structures and Facilities	19,595,462	8,729,097	10,866,365
Leasehold Improvements	34,104	3,449	30,655
Construction in Progress			
Construction in Progress - General	1,332,970	-	1,332,970
Construction in Progress in Abeyance	557,054	-	557,054
Equipment, Vehicles, and Aircraft	1,780,236	1,095,542	684,694
Assets Under Capital Lease	28,185	2,185	26,000
Internal Use Software:			
In Use	121,564	50,924	70,640
In Development	30,036	-	30,036
Total Property, Plant, and Equipment	$ 28,201,287	$ 11,047,076	$ 17,154,211

NOTE 10. ASSETS ANALYSIS

Assets of Interior include entity assets (unrestricted and restricted) and non-entity 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. Non-entity 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 portion of the Aquatic Resources Trust Fund not designated for other Federal agencies, the Environmental Improvement and Restoration Fund, the Reclamation Fund, and other unavailable receipt funds. See Note 23, Dedicated Collections, for additional information on some of these funds.

Non-entity assets, restricted by nature, consist of MMS's custodial royalty activity, a portion of the Aquatic Resources Trust Fund that is held for others, amounts in deposit, miscellaneous receipts, special receipts, and budget clearing accounts held for others.

The Interior's assets as of September 30, 2005 are summarized into the following categories:

(dollars in thousands)	Entity Unrestricted	Entity Restricted	Non Entity Restricted	**FY 2005**
Intragovernmental Assets:				
Fund Balance with Treasury	$ 10,291,182	$ 21,500,893	$ 239,057	$ 32,031,132
Investments, Net	5,092,465	1,713,703	657,501	7,463,669
Accounts and Interest Receivable	151,958	12,614	344,105	508,677
Loans and Interest Receivable, Net	-	2,458,075	-	2,458,075
Other				
Advances and Prepayments	1,405	-	-	1,405
Total Intragovernmental Assets	15,537,010	25,685,285	1,240,663	42,462,958
Cash	1,270	-	-	1,270
Investments, Net	199,125	-	-	199,125
Accounts and Interest Receivable, Net	213,750	4,860	2,441,956	2,660,566
Loans and Interest Receivable, Net	130,256	33,901	19,698	183,855
Inventory and Related Property, Net	305,695	-	-	305,695
General Property, Plant, and Equipment, Net	17,323,778	-	-	17,323,778
Other				
Advances and Prepayments	136,074	-	-	136,074
Net Power Rights	160,579	-	-	160,579
Subtotal	296,653	-	-	296,653
Stewardship Assets				
TOTAL ASSETS	$ 34,007,537	$ 25,724,046	$ 3,702,317	$ 63,433,900

The Interior's assets as of September 30, 2004, are summarized into the following categories:

(dollars in thousands)	Entity Unrestricted	Entity Restricted	Non Entity Restricted	**FY 2004**
Intragovernmental Assets:				
Fund Balance with Treasury	$ 10,170,437	$ 20,251,642	$ 444,065	$ 30,866,144
Investments, Net	3,937,294	1,642,228	607,807	6,187,329
Accounts and Interest Receivable	120,358	9,827	217,849	348,034
Other				
Advances and Prepayments	1,211	-	-	1,211
Total Intragovernmental Assets	14,229,300	21,903,697	1,269,721	37,402,718
Cash	1,081	-	-	1,081
Investments, Net	191,844	-	-	191,844
Accounts and Interest Receivable, Net	157,582	3,780	1,186,279	1,347,641
Loans and Interest Receivable, Net	170,761	35,804	20,949	227,514
Inventory and Related Property, Net	324,319	-	-	324,319
General Property, Plant, and Equipment, Net	17,154,211	-	-	17,154,211
Other				
Advances and Prepayments	126,579	-	-	126,579
Net Power Rights	170,371	-	-	170,371
Subtotal	296,950	-	-	296,950
Stewardship Assets				
TOTAL ASSETS	$ 32,526,048	$ 21,943,281	$ 2,476,949	$ 56,946,278

NOTE 11. 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, 2005 and 2004, is summarized as follows:

(dollars in thousands)	FY 2004 Beginning Balance	Borrowing / (Repayments), Net	FY 2004 Ending Balance	Borrowing / (Repayments), Net	**FY 2005** Ending Balance
Helium Fund	$ 1,199,204	$ (60,000)	$ 1,139,204	$ (65,000)	$ 1,074,204
Credit Reform Borrowings	155,643	2,391	158,034	(17,236)	140,798
Federal Financing Bank	9,605	(1,964)	7,641	(2,118)	5,523
Total Debt Due to Treasury	$ 1,364,452	$ (59,573)	$ 1,304,879	$ (84,354)	$ 1,220,525

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 intragovernmental 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, 2005 and 2004, is summarized as follows:

(dollars in thousands)	FY 2005	FY 2004
Principal	$ 251,651	$ 251,651
Interest		
Balance, Beginning of Year	887,553	947,553
Repayments	(65,000)	(60,000)
Balance, End of Year	822,553	887,553
Total Debt Due to Treasury	$ 1,074,204	$ 1,139,204

B. Intragovernmental Debt to Treasury under Credit Reform

BIA, BOR, 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.

Bureau of Indian Affairs. The Credit Reform Act authorizes the BIA 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 2006 to 2028.

Bureau of Reclamation. As discussed in Note 7, Reclamation makes 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 6.01 percent to 6.82 percent.

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 5.4 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 and loan guarantee program. 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 interest rate charged on each loan ranges from 7.85 percent to 12.7 percent. The loan has a final payment due date of January 2, 2007.

NOTE 12. FEDERAL EMPLOYEE AND VETERAN BENEFITS PAYABLE

Federal Employee and Veteran Benefits Payable, as of September 30, 2005 and 2004, consisted of the following:

(dollars in thousands)		FY 2005		FY 2004
Federal Employee and Veteran Benefits Payable				
U.S. Park Police Pension Actuarial Liability	$	678,400	$	639,500
Federal Employees Compensation Actuarial Liability		689,305		664,855
Total Federal Employee and Veteran Benefits Payable	$	1,367,705	$	1,304,355

U.S. Park Police Pension Plan. In estimating the U.S. Park Police Pension Plan (USPP Pension Plan) liability and associated expense, the NPS's actuary applies economic assumption to historical cost information to estimate the government's future cost to provide benefits to current and future retires. 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.

In FY 2004, NPS used OPM's assumptions for interest, inflation, and salary increases to calculate the actuarial USPP Pension Plan Liability and associated expense. However, OPM subsequently adjusted their assumptions which caused NPS's assumptions to differ slightly. The impact on the actuarial USPP Pension Plan liability and associated expense, because of the difference, is not significant.

Economic Assumptions Used	FY 2005	FY 2004
Interest Rate	6.25	6.75
Inflationary Rate	3.25	3.75
Projected Salary Increase	4.00	4.25

(dollars in thousands) UPP Pension Plan Expense		FY 2005		FY 2004
Normal Costs	$	1,700	$	1,600
Interest		42,300		41,500
Assumption Changes at Beginning of Year		24,549		(25,305)
Total Pension Expenses	$	68,549	$	17,795

(dollars in thousands) USPP Pension Plan Liability		FY 2005		FY 2004
Beginning Balance	$	639,500	$	649,300
Total Pension Expense		68,549		17,795
Less Benefit Payments		(29,649)		(27,595)
Ending Balance	$	678,400	$	639,500

NOTE 13. CONTINGENT LIABILITIES AND ENVIRONMENTAL AND DISPOSAL LIABILITIES

Interior has responsibility to remediate 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 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 and the likelihood of unfavorable outcome is more than remote.

The accrued and potential Contingent Liabilities and Environmental and Disposal Liabilities as of September 30, 2005 and 2004, are summarized in the categories below:

FY 2005 (dollars in thousands)		Accrued Liabilities	Estimated Range of Loss Lower End of			Upper End of
Contingent Liabilities						
Probable	$	631,174	$	631,174	$	1,627,889
Reasonably Possible				325,728		1,588,978
Environmental and Disposal Liabilities						
Probable		120,808		120,808		171,077
Reasonably Possible				60,427		239,978
Total Contingent Liabilities and Environmental and Disposal Liabilities	$	751,982	$	1,138,137	$	3,627,922

FY 2004 (dollars in thousands)		Accrued Liabilities	Estimated Range of Loss Lower End of			Upper End of
Contingent Liabilities						
Probable	$	760,482	$	760,482	$	1,472,173
Reasonably Possible				393,058		1,744,240
Environmental and Disposal Liabilities						
Probable		101,808		101,808		132,463
Reasonably Possible				71,286		357,131
Total Contingent Liabilities and Environmental and Disposal Liabilities	$	862,290	$	1,326,634	$	3,706,007

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 (CERCLA), the Resource Conservation and Recovery Act (RCRA), Oil Pollution Act (OPA), Clean Water Act (CWA), Clean Air Act (CAA), Safe Drinking Water Act (SDWA), and Asbestos Hazard Emergency Response Act (AHERA). Responsible parties, which may include Federal agencies under certain circumstances, are required to remove releases of hazardous substances at or 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., non-friable asbestos), are not subject to cleanup under applicable law. Only if they become friable or otherwise released to the environment would they be considered contaminants requiring cleanup or abatement. Under normal circumstances, remediation or abatement is limited to situations such as the remodeling or demolition of a building containing these materials where the materials could be released and cause contamination of the environment. Unless and until the materials become friable or otherwise capable of causing contamination, the costs for monitoring or other management of these materials in an undisturbed or encapsulated state are not to be accrued as environmental cleanup. Any cost for remediation or abatement would only accrue if the material becomes friable or is otherwise released into the environment. Such costs would then be reported in the same manner as any other environmental liability.

Indian Trust Funds. The Secretary of the Interior is entrusted with the management of the monies and lands held in trust by the Federal Government for Indian Tribes and individuals. There have been long-standing, complicated issues with Indian trust fund accounting and management. Currently, there is litigation pending related to trust management for both Indian tribes and individuals.

Twenty-five Tribal trust cases currently are pending in various Federal district courts and the U.S. Court of Federal Claims. These cases, which were brought by 19 different Tribes, involve claims for trust fund and asset mismanagement, accounting, and other declaratory relief. A substantial number of the cases are stayed pending settlement negotiations.

In addition, a class action lawsuit has been brought on behalf of individual Indian beneficiaries of the Individual Indian Money (IIM) trust accounts. The lawsuit alleges that Interior and Treasury have breached their trust obligations with respect to the management of funds in the IIM accounts. The plaintiffs claim that they are seeking only an “accounting” of the IIM trust funds and no damages.

Notwithstanding the damages or other claims described above, no probable estimate or range of loss can be made at this time regarding any 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.

Other Contingent Liabilities. Other Contingent Liabilities consist of numerous lawsuits and claims filed against Interior which are awaiting adjudication. They typically relate to Federal Tort Claims Act administrative claims, 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, the 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, including: (1) alleged failure to protect a Tribe's treaty rights; (2) a Tribe's allegation of title to lands as it seeks an injunction to prevent transfer of the lands; (3) claims of a municipal water conservation district regarding repayment obligation for costs of the Central Arizona Project and issues related to project operation; and (4) claims for wrongful death and injuries in a fatal shooting by BIA officers responding on a reservation to a domestic dispute call. 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.

NOTE 14. 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.

Change in Unfunded Liabilities. The Consolidated Statement of Financing 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 this footnote. Differences are primarily the result of certain Treasury requirements related to changes in various liabilities which are reported on the Consolidating Statement of Financing. 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 the Consolidated Statement of Financing.

The Interior's liabilities covered and not covered by budgetary resources as of September 30, 2005, are as follows:

(dollars in thousands)	Covered by Budgetary Resources Current	Covered by Budgetary Resources Non-Current	Not Covered by Budgetary Resources Current	Not Covered by Budgetary Resources Non-Current	**FY 2005**
Intragovernmental Liabilities:					
Accounts Payable	$ 79,881	$ -	$ -	$ -	$ 79,881
Debt	50,000	1,164,867	717	4,941	1,220,525
Other					
Resources Payable to Treasury	-	-	49,974	1,966,860	2,016,834
Advances and Deferred Revenue	1,624,228	-	1,146	1,150	1,626,524
Custodial Liability	-	-	996,371	-	996,371
Other Liabilities					
Accrued Employee Benefits	38,220	-	18,869	32,890	89,979
Aquatic Resources Due to Others	-	-	-	439,929	439,929
Judgment Fund	-	-	-	180,510	180,510
Unfunded FECA Liability	-	-	34,886	56,458	91,344
Other Miscellaneous Liabilities	2	-	88,555	47,009	135,566
Total Other Liabilities	38,222	-	142,310	756,796	937,328
Total Other Intragovernmental Liabilities	1,662,450	-	1,189,801	2,724,806	5,577,057
Total Intragovernmental Liabilities	1,792,331	1,164,867	1,190,518	2,729,747	6,877,463
Public Liabilities:					
Accounts Payable	1,010,546	77,172	-	-	1,087,718
Loan Guarantee Liability	-	81,670	-	-	81,670
Federal Employee and Veterans' Benefits					
U.S. Park Police Pension Actuarial Liability	-	-	-	678,400	678,400
FECA Actuarial Liability	-	-	-	689,305	689,305
Total Federal Employee Veterans' Benefits	-	-	-	1,367,705	1,367,705
Environmental and Disposal Liabilities	-	1,540	-	119,268	120,808
Other					
Contingent Liabilities	-	-	3,190	627,984	631,174
Advances and Deferred Revenue	142,379	-	42,411	304,676	489,466
Payments Due to States	-	-	1,009,418	-	1,009,418
Other Liabilities					
Accrued Payroll and Benefits	195,305	-	-	-	195,305
Unfunded Annual Leave	-	-	2,986	345,466	348,452
Deposit Funds	5,286	-	162,213	8,984	176,483
Capital Leases	-	-	51	26,252	26,303
Custodial Liability	-	-	23,303	-	23,303
Secure Rural Schools Act Payable	-	-	106,810	-	106,810
Storm Damage	4,646	-	26,206	64,488	95,340
Other Miscellaneous Liabilities	24,940	-	612	34,008	59,560
Total Other Liabilities	230,177	-	322,181	479,198	1,031,556
Total Other Public Liabilities	372,556	-	1,377,200	1,411,858	3,161,614
Total Public Liabilities	1,383,102	160,382	1,377,200	2,898,831	5,819,515
Total Liabilities	$ 3,175,433	$ 1,325,249	$ 2,567,718	$ 5,628,578	$ 12,696,978

The Interior's liabilities covered and not covered by budgetary resources as of September 30, 2004, are as follows:

	Covered by Budgetary Resources		Not Covered by Budgetary Resources		
(dollars in thousands)	Current	Non-Current	Current	Non-Current	FY 2004
Intragovernmental Liabilities:					
Accounts Payable	$ 76,826	$ -	$ -	$ -	$ 76,826
Debt	51,065	1,245,989	1,501	6,324	1,304,879
Other					
Resources Payable to Treasury	-	-	231	25,994	26,225
Advances and Deferred Revenue	1,754,257	-	1,630	1,114	1,757,001
Custodial Liability	-	-	671,478	-	671,478
Other Liabilities					
Accrued Employee Benefits	32,953	-	27,179	49,547	109,679
Aquatic Resources Due to Others	-	-	-	420,896	420,896
Judgment Fund	-	-	-	178,879	178,879
Unfunded FECA Liability	-	-	23,383	38,030	61,413
Other Miscellaneous Liabilities	-	-	77,410	54,253	131,663
Total Other Liabilities	32,953	-	127,972	741,605	902,530
Total Other Intragovernmental Liabilities	1,787,210	-	801,311	768,713	3,357,234
Total Intragovernmental Liabilities	1,915,101	1,245,989	802,812	775,037	4,738,939
Public Liabilities:					
Accounts Payable	1,024,845	-	-	-	1,024,845
Loan Guarantee Liability	-	60,081	-	-	60,081
Federal Employee and Veterans' Benefits					
U.S. Park Police Pension Actuarial Liability	-	-	-	639,500	639,500
FECA Actuarial Liability	-	-	-	664,855	664,855
Total Federal Employee Veterans' Benefits	-	-	-	1,304,355	1,304,355
Environmental and Disposal Liabilities	-	6,006	-	95,802	101,808
Other					
Contingent Liabilities	-	-	762	759,720	760,482
Advances and Deferred Revenue	268,277	-	25,816	152,276	446,369
Payments Due to States	-	-	412,880	-	412,880
Other Liabilities					
Accrued Payroll and Benefits	158,619	-	-	2,468	161,087
Unfunded Annual Leave	-	-	2,883	336,447	339,330
Deposit Funds	-	-	358,419	11,022	369,441
Capital Leases	-	-	2,072	24,931	27,003
Custodial Liability	-	-	24,681	-	24,681
Secure Rural Schools Act Payable	-	-	102,387	-	102,387
Storm Damage	-	-	21,188	26,812	48,000
Other Miscellaneous Liabilities	-	-	58	49,975	50,033
Total Other Liabilities	158,619	-	511,688	451,655	1,121,962
Total Other Public Liabilities	426,896	-	951,146	1,363,651	2,741,693
Total Public Liabilities	1,451,741	66,087	951,146	2,763,808	5,232,782
Total Liabilities	$ 3,366,842	$ 1,312,076	$ 1,753,958	$ 3,538,845	$ 9,971,721

NOTE 15. ROYALTIES RETAINED

Royalties Retained include mineral receipts transferred to the Interior totaling $5,130 and $3,491 million for the fiscal years ended September 30, 2005 and 2004, 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 Consolidated Statement of Changes in Net Position in accordance with Federal accounting standards and are considered other sources of budgetary financing.

MMS received $2,229 million and $1,347 million of revenues in FY 2005 and 2004 that they subsequently provided to the states.

NOTE 16. LEASES

Capital Leases

Capital leases as of September 30, 2005 and 2004 consist of the following:

(dollars in thousands)	FY 2005	FY 2004
Real Property	$ 28,000	$ 28,000
Personal Property	179	185
Accumulated Amortization	(3,614)	(2,185)

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 below:

(dollars in thousands)

Fiscal Year	Real Property	Personal Property	Total
2006	$ 1,997	$ 27	$ 2,024
2007	1,997	22	2,019
2008	2,085	19	2,104
2009	2,172	-	2,172
2010	2,172	-	2,172
Thereafter	29,627	-	29,627
Total Future Capital Lease Payments	40,050	68	40,118
Less: Imputed Interest	13,799	16	13,815
Less: Executory Costs	-	-	-
FY 2005 Net Capital Lease Liability	$ 26,251	$ 52	$ 26,303
FY 2004 Net Capital Lease Liability	$ 26,929	$ 74	$ 27,003

Operating Leases

The aggregate of Interior's future minimum lease payments for operating leases are presented in the table below:

(dollars in thousands)	Real Property		Personal Property		
Fiscal Year	Federal	Public	Federal	Public	Total
2006	$ 264,896	$ 46,280	$ 49,852	$ 4,297	$ 365,325
2007	252,269	42,953	51,048	3,696	349,966
2008	246,483	40,721	52,269	3,666	343,139
2009	227,333	39,899	53,524	3,490	324,246
2010	221,114	38,081	54,809	3,336	317,340
Thereafter	339,785	320,927	13,878	-	674,590
Total Future Operating Lease Payments	$ 1,551,880	$ 528,861	$ 275,380	$ 18,485	$ 2,374,606

Most of Interior's facilities are rented from the General Services Administration (GSA), which charges rent that is intended to approximate commercial rental rates. The terms of Interior's rental 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 does not execute an agreement with GSA or enters into cancelable agreements, some of which do not have a formal lease 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 leases frequently exceed one year, although a definite lease period is not always specified.

For real and personal property, future operating lease payments are calculated based on the terms of the lease or if the lease is silent, an annual inflationary factor of 1.5 percent for FY 2006 and 2.4 percent for years 2007 and beyond. The inflationary factors are applied against the actual 2005 rental expense. For operating leases that have an indefinite period of performance, future lease payments are only calculated for 5 years.

NOTE 17. 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 sales of goods and services to Federal agencies and the public, and net cost of operations by program and by responsibility segment.

Responsibility Segment Presentation. OMB Circular 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 in FY 2005 and FY 2004 by the Mission Goals in the FY 2004 Strategic Plan. The Mission Goals, which are applicable beginning FY 2004, are: Resource Protection, Resource Use, Recreation, and Serving Communities. In addition, costs are reported for "Reimbursable Activity and Other." These Mission Goals are supported by 17 Department-level end outcome goals identified in the FY 2004 Strategic Plan.

During FY 2005, some Interior components changed their methodology for allocating costs to Interior's Mission Goals in order to more closely match their strategic and performance plans. The Resource Use mission is the only goal that is not affected by this change. This is a prospective change.

Intragovernmental Costs/Revenue. OMB Circular A-136 has changed the disclosure requirements for transactions between Federal entities and with the public. Under the revised guidance, Interior will present costs associated with Federal agencies, as well as costs associated with the public. This presentation is different from how costs were previously reported. Specifically, in prior years, Interior presented the estimated costs associated with earning revenue from Federal or public sources rather than amounts associated with Federal agencies or with the public. Total costs remain unchanged. Due to the change in the presentation of intragovernmental and public costs, Interior's FY 2004 Consolidated Statement of Net Cost has been reclassified to correspond to the new presentation.

NOTE 18. COSTS

By law, the 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 the Interior and are not reflected in the Interior's financial condition and results. However, in certain cases, other Federal agencies incur costs that are directly identifiable to the 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 Statement of Federal Financial Accounting Standards (SFFAS) No. 4, "Managerial Cost Accounting," the Interior recognizes identified costs paid for the Interior by other agencies as expenses of the Interior. The funding for these costs is reflected as imputed financing sources on the Consolidated Statement of Changes in Net Position. Expenses paid by other agencies on behalf of the Interior were $452 million and $519 million during FY 2005 and FY 2004, respectively. The 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 non-profit conservation organizations and have an estimated value of $184 million and $163 million for FY 2005 and FY 2004, respectively.

During FY 2005 and FY 2004, the costs associated with acquiring, constructing, and renovating heritage assets were $175 million and $118 million, respectively. The costs associated with acquiring and improving stewardship lands were $240 million and $200 million during FY 2005 and FY 2004, respectively.

(dollars in thousands)	Bureau of Indian Affairs	Bureau of Land Management	Bureau of Reclamation	Departmental Offices and Other
Resource Protection				
Intragovernmental Costs	$ -	$ 86,741	$ 16,031	$ 12,989
Public Costs	-	277,431	25,459	14,722
Total Costs	-	364,172	41,490	27,711
Intragovernmental Earned Revenue	-	40,518	7,456	3,613
Public Earned Revenue	-	1,186,084	1,035	-
Total Earned Revenue	-	1,226,602	8,491	3,613
Net Costs	-	(862,430)	32,999	24,098
Resource Use				
Intragovernmental Costs	-	83,043	426,180	1,339
Public Costs	-	263,143	896,358	4,489
Total Costs	-	346,186	1,322,538	5,828
Intragovernmental Earned Revenue	-	2,468	262,414	102
Public Earned Revenue	-	217,766	605,780	-
Total Earned Revenue	-	220,234	868,194	102
Net Costs	-	125,952	454,344	5,726
Recreation				
Intragovernmental Costs	-	30,327	8,548	-
Public Costs	-	157,457	19,173	-
Total Costs	-	187,784	27,721	-
Intragovernmental Earned Revenue	-	5,512	1,118	-
Public Earned Revenue	-	15,181	12,537	-
Total Earned Revenue	-	20,693	13,655	-
Net Costs	-	167,091	14,066	-
Serving Communities				
Intragovernmental Costs	377,576	308,550	-	135,938
Public Costs	2,858,199	1,049,182	-	760,161
Total Costs	3,235,775	1,357,732	-	896,099
Intragovernmental Earned Revenue	332,594	102,535	-	16,905
Public Earned Revenue	118,979	227,815	-	15,004
Total Earned Revenue	451,573	330,350	-	31,909
Net Costs	2,784,202	1,027,382	-	864,190
Reimbursable Activity and Other				
Intragovernmental Costs	-	-	198,893	323,142
Public Costs	-	-	298,076	1,225,624
Total Costs	-	-	496,969	1,548,766
Intragovernmental Earned Revenue	-	-	373,164	1,331,112
Public Earned Revenue	-	-	38,969	24,942
Total Earned Revenue	-	-	412,133	1,356,054
Net Costs	-	-	84,836	192,712
Total				
Intragovernmental Costs	377,576	508,661	649,652	473,408
Public Costs	2,858,199	1,747,213	1,239,066	2,004,996
Total Costs	3,235,775	2,255,874	1,888,718	2,478,404
Intragovernmental Earned Revenue	332,594	151,033	644,152	1,351,732
Public Earned Revenue	118,979	1,646,846	658,321	39,946
Total Earned Revenue	451,573	1,797,879	1,302,473	1,391,678
Net Cost of Operations	$ 2,784,202	$ 457,995	$ 586,245	$ 1,086,726

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 2005**
$ -	$ 357,709	$ 930	$ 246,292	$ 59,798	$ (137,437)	$ 643,053
-	1,173,611	59,182	1,317,434	216,569	-	3,084,408
-	1,531,320	60,112	1,563,726	276,367	(137,437)	3,727,461
-	7,248	-	80,446	61,207	(70,414)	130,074
-	27,979	1	74,560	8,964	-	1,298,623
-	35,227	1	155,006	70,171	(70,414)	1,428,697
-	1,496,093	60,111	1,408,720	206,196	(67,023)	2,298,764
71,533	-	17,250	8,225	26,720	(279,917)	354,373
2,460,628	-	50,398	20,517	70,713	-	3,766,246
2,532,161	-	67,648	28,742	97,433	(279,917)	4,120,619
-	-	1,462	169	5,503	(5,512)	266,606
126,657	-	59	72	818	-	951,152
126,657	-	1,521	241	6,321	(5,512)	1,217,758
2,405,504	-	66,127	28,501	91,112	(274,405)	2,902,861
-	223,560	-	60,182	-	(49,485)	273,132
-	896,208	-	501,564	-	-	1,574,402
-	1,119,768	-	561,746	-	(49,485)	1,847,534
-	44,599	-	10,383	-	(17,171)	44,441
-	258,433	-	9,517	-	-	295,668
-	303,032	-	19,900	-	(17,171)	340,109
-	816,736	-	541,846	-	(32,314)	1,507,425
9,822	88,826	7,755	34,391	292,300	(400,952)	854,206
21,341	260,621	110,989	129,139	815,991	-	6,005,623
31,163	349,447	118,744	163,530	1,108,291	(400,952)	6,859,829
-	1,013	86	5,349	194,064	(182,013)	470,533
9,700	1,304	1	7,878	174,795	-	555,476
9,700	2,317	87	13,227	368,859	(182,013)	1,026,009
21,463	347,130	118,657	150,303	739,432	(218,939)	5,833,820
58,857	4	-	(3,621)	-	(478,268)	99,007
1,507,166	-	61,684	3,645	-	-	3,096,195
1,566,023	4	61,684	24	-	(478,268)	3,195,202
1,577,916	-	-	496	-	(1,022,500)	2,260,188
668	-	-	279	-	-	64,858
1,578,584	-	-	775	-	(1,022,500)	2,325,046
(12,561)	4	61,684	(751)	-	544,232	870,156
140,212	670,099	25,935	345,469	378,818	(1,346,059)	2,223,771
3,989,135	2,330,440	282,253	1,972,299	1,103,273	-	17,526,874
4,129,347	3,000,539	308,188	2,317,768	1,482,091	(1,346,059)	19,750,645
1,577,916	52,860	1,548	96,843	260,774	(1,297,610)	3,171,842
137,025	287,716	61	92,306	184,577	-	3,165,777
1,714,941	340,576	1,609	189,149	445,351	(1,297,610)	6,337,619
$ 2,414,406	$ 2,659,963	$ 306,579	$ 2,128,619	$ 1,036,740	$ (48,449)	$ 13,413,026

(dollars in thousands)	Bureau of Indian Affairs	Bureau of Land Management	Bureau of Reclamation	Departmental Offices and Other
Resource Protection				
Intragovernmental Costs	$ -	$ 89,549	$ 7,093	$ 10,689
Public Costs	-	288,726	20,482	17,867
Total Costs	-	378,275	27,575	28,556
Intragovernmental Earned Revenue	-	13,032	11,122	2,249
Public Earned Revenue	-	402,509	(209)	-
Total Earned Revenue	-	415,541	10,913	2,249
Net Costs	-	(37,266)	16,662	26,307
Resource Use				
Intragovernmental Costs	-	75,138	478,471	1,307
Public Costs	-	243,590	862,793	8,174
Total Costs	-	318,728	1,341,264	9,481
Intragovernmental Earned Revenue	-	1,587	135,055	136
Public Earned Revenue	-	195,271	629,147	78
Total Earned Revenue	-	196,858	764,202	214
Net Costs	-	121,870	577,062	9,267
Recreation				
Intragovernmental Costs	-	34,059	6,158	-
Public Costs	-	97,737	16,383	-
Total Costs	-	131,796	22,541	-
Intragovernmental Earned Revenue	-	1,941	266	-
Public Earned Revenue	-	21,152	24,214	-
Total Earned Revenue	-	23,093	24,480	-
Net Costs	-	108,703	(1,939)	-
Serving Communities				
Intragovernmental Costs	378,927	250,482	-	327,342
Public Costs	2,824,437	1,005,098	-	404,910
Total Costs	3,203,364	1,255,580	-	732,252
Intragovernmental Earned Revenue	221,869	285,828	-	6,896
Public Earned Revenue	118,384	92,918	-	15,622
Total Earned Revenue	340,253	378,746	-	22,518
Net Costs	2,863,111	876,834	-	709,734
Reimbursable Activity and Other				
Intragovernmental Costs	-	(936)	200,336	312,318
Public Costs	-	936	293,547	833,659
Total Costs	-	-	493,883	1,145,977
Intragovernmental Earned Revenue	-	-	373,082	954,056
Public Earned Revenue	-	-	56,128	14,489
Total Earned Revenue	-	-	429,210	968,545
Net Costs	-	-	64,673	177,432
Total				
Intragovernmental Costs	378,927	448,292	692,058	651,656
Public Costs	2,824,437	1,636,087	1,193,205	1,264,610
Total Costs	3,203,364	2,084,379	1,885,263	1,916,266
Intragovernmental Earned Revenue	221,869	302,388	519,525	963,337
Public Earned Revenue	118,384	711,850	709,280	30,189
Total Earned Revenue	340,253	1,014,238	1,228,805	993,526
Net Cost of Operations	$ 2,863,111	$ 1,070,141	$ 656,458	$ 922,740

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 2004**
$ -	$ 168,925	$ 754	$ 228,302	$ 55,676	$ (95,780)	$ 465,208
-	627,269	71,377	1,330,447	211,260	-	2,567,428
-	796,194	72,131	1,558,749	266,936	(95,780)	3,032,636
-	6,956	-	81,226	61,222	(73,430)	102,377
-	54,661	-	45,714	8,459	-	511,134
-	61,617	-	126,940	69,681	(73,430)	613,511
-	734,577	72,131	1,431,809	197,255	(22,350)	2,419,125
65,376	-	14,449	6,084	29,085	(284,287)	385,623
1,559,264	-	92,588	24,471	65,836	-	2,856,716
1,624,640	-	107,037	30,555	94,921	(284,287)	3,242,339
-	-	1,119	107	5,746	(5,069)	138,681
115,669	-	105	414	641	-	941,325
115,669	-	1,224	521	6,387	(5,069)	1,080,006
1,508,971	-	105,813	30,034	88,534	(279,218)	2,162,333
-	280,978	-	54,320	-	(44,015)	331,500
-	1,256,792	-	423,132	-	-	1,794,044
-	1,537,770	-	477,452	-	(44,015)	2,125,544
-	13,304	-	14,208	-	(9,072)	20,647
-	184,919	-	8,020	-	-	238,305
-	198,223	-	22,228	-	(9,072)	258,952
-	1,339,547	-	455,224	-	(34,943)	1,866,592
6,165	121,362	6,650	27,457	289,666	(508,636)	899,415
25,149	389,020	130,745	108,680	844,334	-	5,732,373
31,314	510,382	137,395	136,137	1,134,000	(508,636)	6,631,788
-	4,477	22	3,072	202,603	(358,499)	366,268
9,632	2,760	4	674	167,610	-	407,604
9,632	7,237	26	3,746	370,213	(358,499)	773,872
21,682	503,145	137,369	132,391	763,787	(150,137)	5,857,916
41,113	8,537	-	-	-	(365,549)	195,819
1,324,031	70,039	42,696	-	-	-	2,564,908
1,365,144	78,576	42,696	-	-	(365,549)	2,760,727
1,383,164	40,222	-	-	-	(852,197)	1,898,327
448	38,252	-	-	-	-	109,317
1,383,612	78,474	-	-	-	(852,197)	2,007,644
(18,468)	102	42,696	-	-	486,648	753,083
112,654	579,802	21,853	316,163	374,427	(1,298,267)	2,277,565
2,908,444	2,343,120	337,406	1,886,730	1,121,430	-	15,515,469
3,021,098	2,922,922	359,259	2,202,893	1,495,857	(1,298,267)	17,793,034
1,383,164	64,959	1,141	98,613	269,571	(1,298,267)	2,526,300
125,749	280,592	109	54,822	176,710	-	2,207,685
1,508,913	345,551	1,250	153,435	446,281	(1,298,267)	4,733,985
$ 1,512,185	$ 2,577,371	$ 358,009	$ 2,049,458	$ 1,049,576	$ -	$ 13,059,049

NOTE 19. STRATEGIC PETROLEUM RESERVE

During FY 2005 and FY 2004, MMS transferred to the Department of Energy (DOE) approximately 25.6 million and 38.4 million barrels of oil, respectively, drawn from Federal leases within the Gulf of Mexico. The Interior transferred this petroleum to the DOE to increase the strategic petroleum reserve. The value of the petroleum transferred in FY 2005 and FY 2004 was $1,195 and $1,191 million, respectively.

NOTE 20. STATEMENT OF BUDGETARY RESOURCES

The Combined 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 $26,927 million and $25,109 million as of September 30, 2005 and 2004, 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 balance available at September 30, 2005 and 2004, was $5,685 million and $5,189 million, respectively.

Apportionment Categories of Obligations Incurred. Interior's obligations incurred during FY 2005 and FY 2004 by apportionment category are shown in the following table:

(dollars in thousands)	Apportioned		Not Subject to	
FY 2005	Category A	Category B	Apportionment	Total
Obligations Incurred:				
Direct	$ -	15,878,959	74,480	15,953,439
Reimbursable	-	5,179,194	-	5,179,194
Total Obligations Incurred	$ -	21,058,153	74,480	21,132,633

(dollars in thousands)	Apportioned		Not Subject to	
FY 2004	Category A	Category B	Apportionment	Total
Obligations Incurred:				
Direct	$ -	$ 14,614,681	$ 72,039	$ 14,686,720
Reimbursable	-	5,136,048	-	5,136,048
Total Obligations Incurred	$ -	$ 19,750,729	$ 72,039	$ 19,822,768

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. BOR'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.

BIA receives borrowing authority from Treasury for its loan programs in accordance with the Federal 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. In FY 2005, BIA exercised its statutory authority and borrowed $100,000 from Treasury. No new authority was granted or exercised in FY 2004. The balance in this account as of September 30, 2005 and 2004, was $6.8 million and $6.7 million, respectively.

BIA'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, 2005 and 2004, were $22.9 million.

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 the 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 does not include appropriated dedicated and earmarked receipts. Dedicated and earmarked receipts are accounted for as either exchange or non-exchange revenue.

Legal Arrangements Affecting Use of Unobligated Balances. Interior's unobligated unavailable balances for September 30, 2005 and 2004 are disclosed in the table below:

(dollars in thousands)		FY 2005		FY 2004
Unapportioned amounts unavailable for future apportionments	$	6,533	$	6,356
Expired Authority		102,739		90,923
Total Budgetary Accounts		109,272		97,279
Non-Budgetary Credit Program Financing Accounts		-		-
Unobligated Balance Unavailable	$	109,272	$	97,279

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 2 consecutive years.

The appropriation law, Public Law 108-7, 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, BIA receives contract authority from DOT's Highway Trust Fund for the maintenance and construction of roads and bridges on BIA 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 (SBR) and the Budget of the United States Government. The Combined 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 2004 amounts was released on February 7, 2005, and the President's Budget with the FY 2005 amounts is estimated to be released in February 2006, and both can be located at the OMB Web site (*http://www.whitehouse.gov/omb*). As such, the actual amounts for FY 2005 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 Combined SBR for the period ended September 30, 2004, differ from the amounts presented as 2004 Actuals in the President's FY 2006 Budget. Differences are presented and labeled on the following table:

(dollars in millions)	FY 2004 Amount per President's Budget *	FY 2004 Amount per Statement of Budgetary Resources	Difference	Explanation
Budgetary Resources:				
Budget Authority:				
Appropriations Received	$ 14,923	$ 14,712	$ 211	C,D,E
Contract Authority	30	-	30	E
Net Transfers, Current Year Authority	(114)	(139)	25	D,E
Unobligated Balance:				
Beginning of Fiscal Year	4,763	4,973	(210)	A, B, C, E, F
Net Transfers, Unobligated Balance, Actual	20	26	(6)	A,C,D,E
Spending Authority From Offsetting Collections	5,677	5,321	356	A,C, D, F
Recoveries of Prior Year Obligations	325	394	(69)	A,C, E, F, H
Temporarily Not Available Pursuant to Public Law	(27)	(2)	(25)	A,D, E, H
Permanently Not Available	(191)	(184)	(7)	E, F
Total Budgetary Resources	24,073	25,109	(1,036)	G, H
Status of Budgetary Resources:				
Obligations Incurred	19,952	19,823	129	A, B, C, E, F, H
Unobligated Balance & Unobligated Balance Not Available	5,292	5,286	6	E, F
Total Status of Budgetary Resouces	24,074	25,109	(1,035)	G, H
Relationship of Obligations to Outlays:				
Obligated Balance, Net, Beginning of Fiscal Year	5,742	5,749	(7)	B
Obligated Balance, Net, End of Fiscal Year:	(6,765)	(6,778)	13	B, F
Outlays:				
Disbursements	18,518	18,376	142	A, B, C, E
Collections	(5,404)	(5,297)	(107)	A

A. Bureau of Indian Affairs. Advances from the Department of Education of $133.2 million are reported as Unobligated Balances at the Beginning of the Fiscal Year on the Combined SBR. This amount is not included on that line in the President's Budget due to differences in the treatment of deposit fund liability.

B. Bureau of Land Management. Published timing differences occurred when an adjustment was made to the Wildland Fire Management appropriation that was included in the President's Budget, but did not appear in the Combined SBR because Interior's PAR was published prior to the adjustment being made.

C. Departmental Offices' Tribal Trust and Special Funds. Differences exist between the Departmental Office SBR and actual amounts in the President's Budget as a result of the treatment of pass through appropriations and payments to Tribal trust fund accounts. The differences impact Appropriation Received, Unobligated Balances at the Beginning of the Fiscal Year, Obligations Incurred, and Disbursement lines on the SBR. In addition, amounts related to the Utah Reclamation Mitigation and Conservation (CUPCA) Commission fund are treated as available in the FY 2004 SBR and unavailable in the President's Budget. This difference impacted Appropriations Received and Unobligated Balances at the Beginning of the Fiscal Year. [Budget Accounts 5265, 8030, 0787, and 5174]

D. Fish and Wildlife Service. Differences relate to (1) Appropriations Received and Net Transfers, Current Year Authority due to a $5 million adjustment made to ARTF, Sport Fish Account beginning balance for the U.S. Coast Guard. This adjustment was reported in FWS's FY 2004 Annual Report, but not included in the President's Budget; (2) Net Transfers, Current Year Authority and Net Transfers, Unobligated Balance due to a $15 million adjustment for a transfer with NPS, changing the reporting line as prescribed by OMB scoring rules. The adjustment did not appear in the Combined SBR because Interior's PAR was published prior to the adjustment; and (3) OMB change in the scoring rules requiring unavailable receipt accounts to be reported as temporary reductions instead of permanent reductions. The adjustment did not appear in the Combined SBR because Interior's PAR was published prior to the timing of the adjustment. [Budget Accounts 1611 and 1851]

E. National Park Service. (1) The Concession Improvement account is reported in the President's Budget and is not reported on the Combined SBR as these are not assets of NPS and may not be used in NPS operations and (2) The Land Acquisition and State Assistance Payments account includes $30 million of Contract Authority and Permanently Not Available. This amount of contract authority is included in the annual Appropriation Act; however, it is always rescinded in the same Act before it is passed. Accordingly, it was not appropriated to NPS or apportioned by NPS. It will, however, show in the President's Budget because it is a part of the appropriation Act itself. [Budget Account 5035]

F. U. S. Geological Survey. Differences relate to amounts included in the Combined SBR that are not reported in the President's Budget. These amounts include expired amounts, cancelled authority, working capital fund obligation balances, and offsetting collections.

G. Minerals Management Service. The President's Budget did not include a "total budgetary resources available for obligation" line for the following funds: Mineral Leasing; National Forest Fund; Leases of Lands Acquired for Flood Control, Navigation, an Allied Purposes; and Oil Spill Research which was included in the Combined SBR.

H. Expired Accounts. Differences relate to expired accounts being included in the Combined SBR, but not in the President's Budget.

NOTE 21. ALLOCATION TRANSFERS RECONCILING ITEMS

Interior provides and receives budget resources from other Federal entities in the form of "allocation transfers." The recipient agency (Child) reports the proprietary activity in their Consolidated Balance Sheet, Consolidated Statement of Net Cost, and Consolidated Statement of Changes in Net Position. However, the budgetary activity for these allocation transfers is reported by the providing agency (Parent) in their Combined Statement of Budgetary Resources. This treatment creates a reconciling difference between the proprietary statements and the Combined Statement of Budgetary Resources, which is shown in the Consolidated Statement of Financing.

The following table summarizes the allocation transfers and related amounts that are reported as reconciling differences in the Consolidated Statement of Financing:

(dollars in thousands)

Trading Partner	Nature and Purpose of Transfer	FY 2005	FY 2004
Interior as the Recipient Agency (Child):			
Department of Transportation - Highway Trust	Maintenance of Highways on Interior Land	$ 295,302	$ 269,237
Department of Labor - Job Corps	Employee and Training services	64,229	69,414
Health and Human Services	Child Development and Employment	44,442	40,173
U. S. Department of Agriculture	Forest Protection and Utilization	3,889	3,552
Evironmental Protection Agency	Hazard Sub Resp Trust Fund	989	929
General Services Administration	Electronic Government	202	533
Department of State	International Commissions	-	58
Other		2,559	9,754
Subtotal		411,612	393,650
Interior as the Providing Agency (Parent):			
Department of Transportation	Highway Construction	792	339
U.S. Corps of Engineers	Land Acquisition and State Assistance	32,721	34,147
Department of Agriculture	To fund Soil Conservation Programs	100	228
Subtotal		33,613	34,714
Net Allocation Transfer Reconciling Items		$ 377,999	$ 358,936

NOTE 22. INDIAN TRUST FUNDS

Interior, through the Office of the Special Trustee for American Indians (OST), maintains approximately 1,450 accounts for Tribal and Other Trust Funds (including the Alaska Native Escrow Fund) with combined monetary assets of approximately $2,882 million and $2,975 million as of September 30, 2005 and 2004, 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 non-expendable (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 277,000 open Individual Indian Monies (IIM) accounts with a fund balance of approximately $420 million and $397 million as of September 30, 2005 and 2004, 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, 2005 and 2004. 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.

- 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 certain of these parties have filed lawsuits against the U.S. Government.

- 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 13, 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, 2005 and 2004, are as follows:

Individual Indian Monies Trust Funds
Statement of Assets and Trust Fund Balances - Modified Cash Basis
As of September 30, 2005 and 2004

(dollars in thousands)		FY 2005		FY 2004
ASSETS				
Cash and cash equivalents	$	28,333	$	21,373
Investments		388,586		371,723
Accrued interest receivable		2,950		3,601
TOTAL ASSETS	$	419,869	$	396,697
TRUST FUND BALANCES, held for Individual Indians	$	419,869	$	396,697

Individual Indian Monies Trust Funds
Statement of Changes in Trust Fund Balances - Modified Cash Basis
For the Years Ended September 30, 2005 and 2004

(dollars in thousands)		FY 2005		FY 2004
Receipts	$	275,569	$	183,776
Interest earned on invested funds		18,197		20,216
Gain (Loss) on disposition of investments, Net		7,813		590
Disbursements		(278,407)		(220,953)
Increase (decrease) in trust fund balances, net		23,172		(16,371)
Trust Fund Balances - Beginning of Year		396,697		413,068
Trust Fund Balances - End of Year	$	419,869	$	396,697

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, 2005 and 2004, are as follows:

Tribal and Other Trust Funds
Statement of Assets and Trust Fund Balances - Cash Basis
as of September 30, 2005 and 2004

(dollars in thousands)	FY 2005	FY 2004
ASSETS		
Cash and cash equivalents	$ 501,596	$ 490,380
Due from Other Federal Agencies *	-	7,800
Investments	2,380,222	2,477,052
TOTAL ASSETS	$ 2,881,818	$ 2,975,232
TRUST FUND BALANCES		
Held for Indian tribes	$ 2,604,516	$ 2,708,869
Held by Department of the Interior and considered to be U.S. Government funds	277,302	266,363
TOTAL TRUST FUND BALANCES	$ 2,881,818	$ 2,975,232

* This represents an amount that BIA erroneously transferred from the Trust Funds' account at the U.S. Treasury into the BIA's account at the U.S. Treasury. This amount was transferred on September 30, 2004, and was returned to the proper U.S. Treasury account in October 2004. The erroneous transfer, which was identified through OST's reconciliation and internal control process, did not impact the interest earnings to the Trust Funds.

Tribal and Other Trust Funds
Statement of Changes in Trust Fund Balances - Cash Basis
For the Years Ended September 30, 2005 and 2004

(dollars in thousands)	FY 2005	FY 2004
Receipts	$ 352,920	$ 300,960
Interest Received	146,330	106,348
Gain (Loss) on disposition of investments, Net	18,487	6,359
Disbursements	(611,151)	(318,447)
Increase (Decrease) in trust fund balances, net	(93,414)	95,220
Trust Fund Balances - Beginning of Year	2,975,232	2,880,012
Trust Fund Balances - End of Year	$ 2,881,818	$ 2,975,232

Note: The independent auditors expressed a qualified opinion on these financial statements.
See " Audit Results" section above.

NOTE 23. DEDICATED COLLECTIONS

Dedicated collections as of September 30, 2005 and 2004 consist of the following:

Conservation Funds. Conservation Funds consist of the Land and Water Conservation Fund and the Historic Preservation Fund.

The Land and Water Conservation Fund (LWCF) 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. The fund is accounted for by the information provided by MMS and is reported as a restricted asset.

Annually, $903 million for the LWCF and $150 million for the Historic Preservation Fund (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 LWCF and the HPF are warranted to some of the bureaus within Interior and the rest to the Department of Agriculture's Forest Service.

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.

Abandoned Mine Land Fund. Public Law 95-87 established the OSM, a component of Interior, and authorized the collection of a fee from Coal Mine Operators. Fees of 35 cents per ton of surface mined coal, 15 cents per ton of coal mined underground, and 10 cents per ton of lignite are collected from active mining operations. The fees are deposited in the Abandoned Mine Land (AML) Reclamation Fund, which is used to fund abandoned mine land reclamation projects. The Surface Mining Law specifies that 50% of the reclamation fees collected in each State with an approved reclamation program, or within Indian lands where the Tribe has an approved reclamation program, are to be allocated to that State or Tribe. This 50% is designated as the State or tribal share of the fund. The remaining 50% (the Federal share) is used by Interior to complete high priority and emergency projects, to fund the Small Operator Assistance Program, to fund additional projects directly through State reclamation programs, and to pay collection, audit, and administration costs.

Expenditures from the AML Fund may only be made as a consequence of appropriations or other laws. AML reclamation is accomplished primarily by States and Tribes and is funded by grants. Grant funding levels are determined by Interior's annual appropriation and consider the individual State or Tribe's needs, the State and Federal shares, as well as emergency and special funding requirements.

Under authority of Public Law 101-509, Interior began investing AML funds in U.S. Treasury Securities. Beginning in 1996, under a requirement of the Energy Policy Act of 1992 (Public Law 102-486), Interior began an annual transfer from the investment interest earned to the United Mine Workers of America Combined Benefit Fund (UMWA CBF). This transfer is used to defray anticipated health care costs for eligible union coal mine workers who retired on or before July 20, 1992, and their dependents.

Payments to the UMWA CBF are made in advance based on the number of beneficiaries and an estimate of their benefit costs. Under current practice, the estimate is then adjusted to actual costs as health benefits are paid in subsequent years.

AML program expenses approximate the net cost for the Environmental Restoration GPRA program activity with the addition (+/-) of a pro rata share of allocated costs. The Environmental Restoration GPRA is included in Strategic Goal 1: Resource Protection -- Protect the Nation's Natural, Cultural, and Heritage Resources.

Environmental Improvement and Restoration Fund and Oil Spill Research. The Environmental Improvement and Restoration Fund (EIRF) was a distribution of the Alaska Escrow Fund in which half of the principal was invested in Treasury Securities. The purpose of EIRF is to invest the monies and earn interest until there is further congressional action. Congress has permanently appropriated 20% of the prior fiscal year interest earned by the EIRF to the Department of Commerce each year for marine research activities. The remaining 80% remains in the fund to earn interest and may be appropriated by Congress to certain other agencies, as provided by the law. No assets are available to Interior unless appropriated by Congress.

The funding for Oil Spill Research (OSR) is appropriated from the Department of the Treasury managed Oil Spill Liability Trust Fund (OSLTF) each year. The OSLTF is funded from oil taxes, interest on fund principal, cost recovery from responsible parties, and penalties. The Department of the Treasury transferred $7 million for OSR in FY 2005 and FY 2004 to MMS funding oil spill research, oil spill prevention, response planning activities, and regulation of oil spill financial responsibility. The Oil Spill Response Research program supports research to improve detection and response to an oil spill in the marine environment.

Aquatic Resources Trust Fund and Sport Fish Restoration. The Aquatic Resources Trust Fund (ARTF) receives excise tax revenues from the sale of fishing tackle and equipment, certain motorboat and small engine gasoline, and interest earned on invested trust funds. These funds are subsequently distributed to the FWS Sport Fish Restoration Account (SFRA), the U.S. Coast Guard Boat Safety Program, and the Army Corps of Engineers Coastal Wetlands Program. Although the ARTF is managed and maintained by Treasury (per Title 26 of the U.S. Code, Section 9602), Interior reports the ARTF as they have the preponderance of the fund activity (the SFRA received approximately 79% of the ARTF transfers for both FY 2005 and FY 2004). The SFRA makes grants available to States to restore, conserve, manage, protect, and enhance sport fish resources and coastal wetlands, and also to enhance public use and benefits from sport fish resources.

Wildlife Restoration. The Federal Aid in Wildlife Restoration Program is a key component of the Nation's cooperative conservation work for wildlife and their habitats. It implements the Interior's Resource Protection Goal of sustaining biological communities on Interior-managed and influenced lands and waters by providing financial and technical assistance to States to restore, conserve, manage, and enhance wild bird and mammal populations; acquiring and managing their habitats; providing public use and benefit from wildlife resources; educating hunters; and developing shooting ranges.

The Federal Aid in Wildlife Restoration Act of 1937, also called the Pittman-Robertson Wildlife Restoration Act, as amended (16 U.S.C.669-669k) authorizes the Secretary of the Interior to implement a multi-State conservation grant program and a firearm and bow hunter education and safety program that provides grants to States.

The Wildlife Restoration program is funded by an 11% excise tax on sporting firearms and ammunition, a 12.4% tax on archery equipment, and a 10% tax on handguns. These tax receipts are appropriated to FWS through a permanent-indefinite appropriation for use in the fiscal year following collection. The total of receipts apportioned directly contributes to the Interior's Resource Protection Goal of sustaining biological communities on Interior-Managed and Influenced Lands and Waters.

The Wildlife Restoration program operates on a cost reimbursement basis. Each State pays the costs of approved projects up front and applies intermittently for reimbursement of up to 75% of the costs incurred. The State must provide at least 25% of the project costs from a non-Federal source. However, Puerto Rico, the

U.S. Virgin Islands, Guam, the Northern Mariana Islands, and American Samoa are not required to provide matching shares. The source of funds for the Federal Aid in Wildlife Restoration program is public, and the source of funds for the Wildlife and Sport Fish Restoration program is government.

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 (OST) was created to improve the accountability and management of Indian funds held in trust by the Federal Government. OST develops and implements the policies and procedures governing the management of Indian trust funds. 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/award monies from Federal sources and other lease and rental income from the public.

Central Utah Project Completion Act. The primary purpose of the Central Utah Project Completion Act (CUPCA) is to provide for the orderly completion of the Central Utah Project by authorizing water conservation and wildlife mitigation projects, and by providing funding for conservation activities. The CUPCA office within Interior is mandated by the Act to, among other responsibilities, transfer funds to the Commission, which has exclusive responsibility for completing the fish, wildlife, and recreation projects in the State of Utah required as part of the Central Utah Project. The Commission also receives transfers of annual appropriations from the Western Area Power Administration of the DOE. The Commission has discretion to either expend such funds, or portions thereof, for mitigation activities or to invest such funds, or portions thereof, in a trust fund established by CUPCA, the interest from which is for the future use of the Commission. Interior accounts for and reports on this fund through the Utah Reclamation Mitigation and Conservation Commission Fund.

Natural Resource Damage Assessment and Restoration Fund. Section 301c of the Comprehensive Environmental Response, Compensation, and Liability Act requires promulgation of regulations for the assessment of damages for injury to, destruction of, or loss of natural resources resulting from a discharge of oil or release of a hazardous substance. The responsibility for this rulemaking was delegated to Interior by the President in Executive Order 12580 (January 23, 1987). Interior accounts for and reports on this fund through the Natural Resource Damage Assessment and Restoration Fund (NRDAR). The primary aim of NRDAR is to restore natural resources injured as the result of oil spills or hazardous substance releases. The program assesses the damages and injuries to natural resources entrusted to Interior and negotiates legal settlements or takes other legal actions against the responsible parties for the spill or release. Funds from these settlements are then used to restore the injured resources at no expense to the taxpayer. Settlements often include the recovery of the costs incurred in assessing the damages. These funds are then used to fund further damage assessments.

Southern Nevada Public Land Management Act. The Southern Nevada Public Land Management Act (SNPLMA), 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% of the sales in interest-bearing Treasury securities, while 10% of the proceeds go to the Southern Nevada Water Authority and 5% 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.

Other Dedicated Collections. Other dedicated collections consist of the following:

Donations. The purpose of this fund is to record cash donations provided to the NPS. The fund is accounted for and reported as donated revenue financing source. The source of revenue for this fund is from public donations and is considered an inflow of resources to the government. Under 16 U.S.C. 6, NPS has the authority to use funds as collected.

Priority Land Acquisition. Funds under the Priority Land Acquisitions, Land Exchanges and Maintenance account are from the Land and Water Conservation Fund for priority land acquisitions and exchanges. Interior accounts for and reports on these funds through the Title V Priority Land Acquisitions, Land Exchanges, and Maintenance Fund and the Title VI Priority Land Acquisitions and Land Exchanges Fund. These funds are available for the high priority land acquisitions and exchanges and for reducing maintenance backlogs.

Reclamation Trust Funds. The Reclamation Trust Funds receive monies from the State of California per Public Law 102-575, Title XXXIV, Central Valley Project Improvement Act, to accomplish the following purposes: (a) to protect, restore, and enhance fish, wildlife, and associated habitats in the Central Valley and Trinity River basins of California; (b) to address impacts of the Central Valley Project on fish, wildlife, and associated habitats; (c) to improve the operational flexibility of the Central Valley Project; (d) to increase water-related benefits provided by the Central Valley Project to the State of California through expanded use of voluntary water transfers and improved water conservation; (e) to contribute to the State of California's interim and long-term efforts to protect the San Francisco Bay/Sacramento-San Joaquin Delta Estuary; and (f) to achieve a reasonable balance among competing demands for use of the Central Valley Project water, including the requirements of fish and wildlife, agricultural, municipal and industrial, and power contractors.

Reclamation has established unique cost centers within the accounting system for each of the specified activities under the Act. Once the activity is completed, a report is prepared for the State of California showing the monies collected and the costs incurred.

Everglades. Interior also administers a small portion of the funds available for the Everglades restoration effort. Section 390 of the Federal Agriculture Improvement and Reform Act (Farm Bill) of 1996 (Public Law 104-217), authorized the establishment of an "Everglades Restoration Account" consisting of funds deposited to a special Treasury account derived from the sale of surplus Federal property located in the State of Florida. Although the authority to receive these funds was abolished by the Water Resources Development Act (Public Law 106-541) passed on December 11, 2000, funds deposited to the account prior to that date remain available to support the restoration effort. Interior accounts for and reports on this fund through the Everglades Restoration Account Fund. These funds are to be utilized for "the acquisition of real property … within the Everglades ecosystem; and … the funding of resource protection and resource maintenance activities in the Everglades ecosystem." This legislation also provided $200 million in appropriated funds that have been used primarily for land acquisitions and exchanges necessary to further the restoration effort. These funds have been fully obligated.

Construction Trust Fund. The purpose of this fund is to record NPS trust fund construction. The fund is accounted for and reported as contract authority-allocation transfer account where NPS is the "child." The source of financing for this fund is from the Department of Transportation – Federal Highways as a result of intragovernmental flows. Under Public Law 106-113, NPS has the authority to obligate funds in advance of funds transfer.

National Indian Gaming Commission. The National Indian Gaming Commission (NIGC) was created in 1988 when Congress enacted the Indian Gaming Regulatory Act. Interior accounts for and reports on this fund through the National Indian Gaming Commission fund. The primary mission of the NIGC is to regulate gaming activities on Indian lands for the purposes of shielding Indian tribes from organized crime and other corrupting influences; ensuring that Indian tribes are the primary beneficiaries of gaming revenues; and assuring that gaming is conducted fairly and honestly by both operators and players. To effect these goals, NIGC is authorized to conduct investigations; undertake enforcement actions, including the assessment of fines and the issuance of closure orders; conduct background investigations; conduct audits; review and approve tribal gaming ordinances and management contracts; and issue such regulations as necessary to meet its responsibilities. The NIGC is funded by an assessment of less than one-tenth of one percent of the gross revenues of Indian gaming operations.

Dedicated collections as of September 30, 2005, are as follows:

(dollars in thousands)	Land and Water Conservation Fund	Historic Preservation Fund	Abandoned Mine Land Fund	Oil Spill and Environmental Improvement and Restoration Fund	Southern Nevada Public Land Management Act
ASSETS					
Fund Balance with Treasury	$ 14,303,499	$ 2,531,432	$ 1,336	$ 6,872	$ 1,271
Investments, Net	-	-	2,141,600	1,030,926	1,670,193
Accounts Receivable, Net	-	-	11,401	162	-
General Property, Plant, and Equipment, Net	-	-	-	-	6,571
Other Assets	-	-	20	-	-
TOTAL ASSETS	$ 14,303,499	$ 2,531,432	$ 2,154,357	$ 1,037,960	$ 1,678,035
LIABILITIES					
Aquatic Resource Amounts Due to FWS	$ -	$ -	$ -	$ -	$ -
Aquatic Resource Amounts Due to Coast Guard	-	-	-	-	-
Aquatic Resource Amounts Due to Corps of Engineers	-	-	-	-	-
Accounts Payable	-	-	4,562	1,652	20,362
Other Liabilities	-	-	902	83	135
TOTAL LIABILITIES	-	-	5,464	1,735	20,497
Total Net Position	14,303,499	2,531,432	2,148,893	1,036,225	1,657,538
TOTAL LIABILITIES AND NET POSITION	$ 14,303,499	$ 2,531,432	$ 2,154,357	$ 1,037,960	$ 1,678,035
CHANGE IN NET POSITION					
Net Position, Beginning of Fiscal Year	$ 13,859,218	$ 2,453,491	$ 2,042,550	$ 1,007,579	$ 651,470
Change in Net Position:					
Royalties Retained	903,308	150,174	-	-	-
Non-exchange Revenue					
Taxes	-	-	-	-	-
AML Fee Revenue	-	-	293,365	-	-
Investment Interest and Other	-	-	75,346	29,272	-
Other Non-Exchange Revenue	-	-	99	-	415
Transfers In/Out without Reimbursement	(459,027)	(72,233)	-	7,006	(22,719)
Exchange Revenue - Services Provided and Other	-	-	87	494	1,329,695
Program Expenses	-	-	(196,021)	(8,126)	(301,323)
UMWA-CBF Expenses	-	-	(66,533)	-	-
Net Position, End of Fiscal Year	$ 14,303,499	$ 2,531,432	$ 2,148,893	$ 1,036,225	$ 1,657,538

Birthplace of Abraham Lincoln. The purpose of this fund is to maintain the boyhood home of Abraham Lincoln. The fund is accounted for and reported as interest income. The source of revenue for this fund is from interest income on a U.S. Treasury Security and is a result of intragovernmental flows. Under 16 U.S.C. 212, NPS has the authority to use funds as earned and collected.

Aquatic Resources Trust Fund	Sportfish Restoration	Wildlife Restoration	Office of the Special Trustee for American Indians	Central Utah Project Completion Act	Natural Resource Damage Assessment and Restoration Fund	Other Dedicated Collections	**FY 2005**
$ 7,978	$ 6,330	$ 52,311	$ (34)	$ 37,103	$ 442	$ 125,670	$ 17,074,210
1,544,724	-	454,388	280,034	156,773	178,252	-	7,456,890
9,452	955,724	-	-	-	41,554	10	1,018,303
-	-	-	-	4,124	-	51,750	62,445
-	-	51	-	-	-	1,526	1,597
$ 1,562,154	$ 962,054	$ 506,750	$ 280,000	$ 198,000	$ 220,248	$ 178,956	$ 25,613,445
$ 955,724	$ -	$ -	$ -	$ -	$ -	$ -	$ 955,724
-	71,101	-	-	-	-	-	71,101
-	368,829	-	-	-	-	-	368,829
-	9,681	7,389	-	907	29	1,593	46,175
-	1,097	941	-	235	3	49,526	52,922
955,724	450,708	8,330	-	1,142	32	51,119	1,494,751
606,430	511,346	498,420	280,000	196,858	220,216	127,837	24,118,694
$ 1,562,154	$ 962,054	$ 506,750	$ 280,000	$ 198,000	$ 220,248	$ 178,956	$ 25,613,445
$ 563,419	$ 490,400	$ 469,811	$ 268,447	$ 183,497	$ 175,890	$ 119,669	$ 22,285,441
-	-	-	-	-	-	-	1,053,482
469,584	-	251,124	-	-	-	-	720,708
-	-	-	-	-	-	-	293,365
34,179	-	13,425	8,842	3,935	4,135	-	169,134
-	322	288	3,028	11,490	68,610	24,507	108,759
(460,752)	338,690	(614)	7,889	6,150	(22,258)	16	(677,852)
-	-	49	546	3,613	-	18,100	1,352,584
-	(318,066)	(235,663)	(8,752)	(11,827)	(6,161)	(34,455)	(1,120,394)
-	-	-	-	-	-	-	(66,533)
$ 606,430	$ 511,346	$ 498,420	$ 280,000	$ 196,858	$ 220,216	$ 127,837	$ 24,118,694

Dedicated collections as of September 30, 2004, are as follows:

(dollars in thousands)	Land and Water Conservation Fund	Historic Preservation Fund	Abandoned Mine Land Fund	Oil Spill and Environmental Improvement and Restoration Fund	Southern Nevada Public Land Management Act
ASSETS					
Fund Balance with Treasury	$ 13,859,218	$ 2,453,491	$ 583	$ 6,868	$ 841
Investments, Net	-	-	2,051,301	1,001,652	793,693
Accounts Receivable, Net	-	-	6,578	24	-
General Property, Plant, and Equipment, Net	-	-	-	-	675
Other Assets	-	-	21	-	-
TOTAL ASSETS	$ 13,859,218	$ 2,453,491	$ 2,058,483	$ 1,008,544	$ 795,209
LIABILITIES					
Aquatic Resource Amounts Due to FWS	$ -	$ -	$ -	$ -	$ -
Aquatic Resource Amounts Due to Coast Guard	-	-	-	-	-
Aquatic Resource Amounts Due to Corps of Engineers	-	-	-	-	-
Accounts Payable	-	-	15,286	771	7,532
Other Liabilities	-	-	648	194	136,207
TOTAL LIABILITIES	-	-	15,934	965	143,739
Total Net Position	13,859,218	2,453,491	2,042,549	1,007,579	651,470
TOTAL LIABILITIES AND NET POSITION	$ 13,859,218	$ 2,453,491	$ 2,058,483	$ 1,008,544	$ 795,209
CHANGE IN NET POSITION					
Net Position, Beginning of Fiscal Year	$ 13,443,816	$ 2,377,575	$ 1,952,634	$ 982,597	$ 283,190
Change in Net Position:					
Royalties Retained	903,516	150,164	-	-	-
Non-exchange Revenue					
Taxes	-	-	-	-	-
AML Fee Revenue	-	-	286,160	-	-
Investment Interest and Other	-	-	54,625	24,132	-
Other Non-Exchange Revenue	-	-	26	-	395
Transfers In/Out without Reimbursement	(488,114)	(74,248)	-	7,017	(100)
Exchange Revenue - Services Provided and Other	-	-	26	222	447,507
Program Expenses	-	-	(235,955)	(6,389)	(79,522)
UMWA-CBF Expenses	-	-	(14,967)	-	-
Net Position, End of Fiscal Year	$ 13,859,218	$ 2,453,491	$ 2,042,549	$ 1,007,579	$ 651,470

Aquatic Resources Trust Fund	Sportfish Restoration	Wildlife Restoration	Office of the Special Trustee for American Indians	Central Utah Project Completion Act	Natural Resource Damage Assessment and Restoration Fund	Other Dedicated Collections	**FY 2004**
$ 24,941	$ 14,255	$ 120,209	$ (34)	$ 35,273	$ 617	$ 121,883	$ 16,638,145
1,451,344	-	364,889	268,481	145,066	169,524	65	6,246,015
8,127	921,021	-	-	-	5,754	9	941,513
-	-	-	-	4,147	-	42,919	47,741
-	-	107	-	-	-	1,570	1,698
$ 1,484,412	$ 935,276	$ 485,205	$ 268,447	$ 184,486	$ 175,895	$ 166,446	$ 23,875,112
$ 920,993	$ -	$ -	$ -	$ -	$ -	$ -	$ 920,993
-	68,351	-	-	-	-	-	68,351
-	352,546	-	-	-	-	-	352,546
-	22,991	14,613	-	774	5	2,586	64,558
-	988	781	-	214	-	44,191	183,223
920,993	444,876	15,394	-	988	5	46,777	1,589,671
563,419	490,400	469,811	268,447	183,498	175,890	119,669	22,285,441
$ 1,484,412	$ 935,276	$ 485,205	$ 268,447	$ 184,486	$ 175,895	$ 166,446	$ 23,875,112
$ 554,415	$ 463,439	$ 453,673	$ 257,479	$ 174,006	$ 161,802	$ 121,603	$ 21,226,229
-	-	-	-	-	-	-	1,053,680
455,828	-	238,807	-	-	-	-	694,635
-	-	-	-	-	-	-	286,160
16,551	-	10,255	8,230	10,201	2,024	40	126,058
-	177	198	3,051	(755)	34,088	18,133	55,313
(463,375)	345,405	(173)	8,189	6,163	(19,354)	(2,148)	(680,738)
-	-	-	-	2,250	-	20,886	470,891
-	(318,621)	(232,949)	(8,502)	(8,367)	(2,670)	(38,845)	(931,820)
-	-	-	-	-	-	-	(14,967)
$ 563,419	$ 490,400	$ 469,811	$ 268,447	$ 183,498	$ 175,890	$ 119,669	$ 22,285,441

NOTE 24. CHANGES IN ACCOUNTING PRINCIPLE

In March 2005, OMB issued guidance that instructed BOR to prospectively record a receivable from Western for appropriations that are returned to BOR through collections from power sales. Prior to FY 2005, these appropriations and subsequent recoveries were recorded as transfers in/out without reimbursement on the Consolidated Statement of Changes in Net Position, in accordance with Federal accounting standards using Treasury guidance. The cumulative effect of this change in accounting principle resulted in an increase of $1,724 million to Intragovernmental Loans and Interest Receivable on the Balance Sheet and a corresponding increase to the beginning balance of the Cumulative Results of Operations on the Statement of Changes in Net Position.

The Bonneville Power Administration (BPA), a component of DOE, is responsible for the transmission and marketing of hydropower generated at BOR facilities located in the Pacific Northwest Region. BPA has legislatively assumed the repayment of appropriations used to construct BOR hydropower generation facilities. This legislation requires BPA to recover the appropriations related to BOR's hydropower facilities and to deposit these recoveries, along with interest, into the Reclamation Fund. Although OMB's March 2005 guidance was specific to transactions between WAPA and BOR, the underlying theory is applicable to the transactions between BPA and the Reclamation Fund. Prior to FY 2005, Interior did not recognize an amount due from BPA. The cumulative effect of this change in accounting principle resulted in a $620 million increase to Intragovernmental Loans and Interest Receivable on the Balance Sheet and a corresponding increase to the beginning balance of the Cumulative Results of Operations on the Statement of Changes in Net Position.

BOR and the Office of the Secretary receive appropriations from Treasury's General Fund to construct, operate, and maintain various multipurpose projects. Many of the projects have reimbursable components for which BOR is required to recover the capital investment and O&M costs through user fees, namely the sale of water and power. These recoveries are deposited in Treasury's General Fund. BOR and OS have applied OMB's guidance to the situations where the appropriations from the General Fund are required to be recovered through the sale of water and power. Prior to FY 2005, Interior did not recognize a liability due to Treasury. The cumulative effect of this change is an increase to intragovernmental liabilities on the Balance Sheet in the amount of $2,187 million and a corresponding decrease to the beginning balance of the Cumulative Results of Operations in the Statement of Changes in Net Position by the same amount. This liability is increased when appropriations are expended on reimbursable components of a project, and decreased when reimbursements are received from customers and such funds are transferred to Treasury's General Fund. Interest is accumulated on this liability pursuant to authorizing project legislation or administrative policy. Interest rates used during FY 2005 ranged from 3.2% to 8.5%. Repayment is generally over a period not to exceed 50 years from the time revenue producing assets are placed in service. Actual repayments to Treasury's General Fund in FY 2005 were $176 million, resulting in an ending liability of $1,996 million as of September 30, 2005.

NOTE 25. HURRICANE DAMAGE

During August and September 2005 and 2004, hurricanes caused significant damage to several Interior facilities, parks, and wildlife refuges along the Gulf Coast. The estimated future cost to clean up and repair these sites is approximately $95 million and $48 million, respectively. Most of these costs represent removal of debris, repairs to permanent land improvements and other stewardship assets.

Additionally, a large number of capitalized assets were completely destroyed in FY 2005. Interior adjusted the value of net property, plant, and equipment by $9 million to account for this asset impairment.

Required Supplementary Information (Unaudited, See Auditors' Report)

This section includes the Combining Statement of Budgetary Resources (Budgetary Accounts), deferred maintenance information, intragovernmental transaction disclosures, and supplemental statements for combined working capital and franchise funds.

Combining Statement of Budgetary Resources
for the year ended September 30, 2005
(dollars in thousands)

	Interior Franchise Fund	Water and Related Resources	National Park Service Operations	National Park Service Construction	Management of Land and Resources
Budgetary Resources:					
Budget Authority:					
Appropriations Received	$ -	$ 864,637	$ 1,707,336	$ 356,739	$ 848,939
Net Transfers, Current Year Authority	-	(83,323)	5,222	(6,961)	7,500
Unobligated Balance:					
Beginning of Fiscal Year	734,962	268,834	87,256	400,611	34,750
Net Transfers, Unobligated Balance, Actual	-	(157)	237	-	-
Spending Authority From Offsetting Collections:					
Earned					
Collected	1,574,667	195,254	21,178	112,564	97,434
Receivable From Federal Sources	(1,693)	(1,945)	(75)	2,078	6,916
Change in Unfilled Customer Orders					
Advance Received	(58,036)	7,578	-	(5,052)	4
Without Advance From Federal Sources	(9,787)	6,279	-	19,891	1,614
Subtotal: Spending Authority From Offsetting Collections	1,505,151	207,166	21,103	129,481	105,968
Recoveries of Prior Year Obligations	-	22,558	8,300	5,570	21,979
Temporarily Not Available Pursuant to Public Law	-	(5,534)	-	-	-
Permanently Not Available	-	(1,342)	(35,474)	(4,250)	(12,113)
Total Budgetary Resources	$ 2,240,113	$ 1,272,839	$ 1,793,980	$ 881,190	$ 1,007,023
Status of Budgetary Resources:					
Obligations Incurred:					
Direct	$ -	$ 797,128	$ 1,743,014	$ 388,637	$ 903,436
Reimbursable	1,451,503	199,557	20,357	140,781	70,396
Total Obligations Incurred	1,451,503	996,685	1,763,371	529,418	973,832
Unobligated Balance:					
Apportioned	788,610	276,110	17,333	348,669	33,171
Exempt From Apportionment	-	44	-	(76)	-
Unobligated Balance not Available	-	-	13,276	3,179	20
Total Status of Budgetary Resources	$ 2,240,113	$ 1,272,839	$ 1,793,980	$ 881,190	$ 1,007,023
Relationship of Obligations to Outlays:					
Obligations Incurred	$ 1,451,503	$ 996,685	$ 1,763,371	$ 529,418	$ 973,832
Obligated Balance, Net, Beginning of Fiscal Year	658,670	366,254	338,577	303,549	224,855
Obligated Balance, Net, End of Fiscal Year:					
Accounts Receivable	4,673	17,732	264	30,146	11,591
Unfilled Customer Orders From Federal Sources	167,649	36,138	-	117,495	11,387
Undelivered Orders	(486,228)	(342,203)	(344,898)	(244,244)	(179,517)
Accounts Payable	(230,152)	(99,768)	(72,971)	(196,847)	(57,779)
Total Obligated Balance, Net, End of Fiscal Year	(544,058)	(388,101)	(417,605)	(293,450)	(214,318)
Less: Spending Authority Adjustments	11,480	(26,891)	(8,225)	(27,538)	(30,508)
Outlays:					
Disbursements	1,577,595	947,947	1,676,118	511,979	953,861
Collections	(1,516,631)	(202,832)	(21,178)	(107,512)	(97,438)
Net Outlays Before Offsetting Receipts	60,964	745,115	1,654,940	404,467	856,423
Less: Offsetting Receipts	-	(354)	-	-	-
Net Outlays (Receipts)	$ 60,964	$ 744,761	$ 1,654,940	$ 404,467	$ 856,423

Combining Statement of Budgetary Resources for the year ended September 30, 2005

(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 2005 Total Budgetary Accounts**
$ 843,099	$ 1,025,739	$ 977,205	$ 1,620,107	$ 1,958,347	$ 958,021	$ 4,925,778	$ 16,085,947
716	36	11,083	-	3,897	5,436	(58,984)	(115,378)
89,402	565,764	63,428	-	375,187	46,299	2,542,963	5,209,456
(716)	-	-	-	666	-	635	665
42,320	-	152,797	-	327,727	411,119	2,259,566	5,194,626
(3,642)	-	12,579	-	3,072	(7,334)	65,072	75,028
(8,599)	-	1,328	-	(54,286)	3,600	165,285	51,822
(6,727)	-	(19,766)	-	17,898	3,066	258,386	270,854
23,352	-	146,938	-	294,411	410,451	2,748,309	5,592,330
27,984	15,840	16,886	-	44,815	8,158	239,136	411,226
-	-	-	-	-	-	(6,319)	(11,853)
(11,804)	-	(14,312)	-	(31,066)	(20,716)	(216,387)	(347,464)
$ 972,033	$ 1,607,379	$ 1,201,228	$ 1,620,107	$ 2,646,257	$ 1,407,649	$ 10,175,131	$ 26,824,929
$ 831,011	$ 757,509	$ 985,550	$ 1,620,107	$ 1,947,344	$ 943,813	$ 5,017,257	$ 15,934,806
12,711	-	145,301	-	336,681	410,973	2,390,934	5,179,194
843,722	757,509	1,130,851	1,620,107	2,284,025	1,354,786	7,408,191	21,114,000
128,311	849,870	68,081	-	321,673	22,241	2,702,668	5,556,737
-	-	-	-	-	-	44,952	44,920
-	-	2,296	-	40,559	30,622	19,320	109,272
$ 972,033	$ 1,607,379	$ 1,201,228	$ 1,620,107	$ 2,646,257	$ 1,407,649	$ 10,175,131	$ 26,824,929
$ 843,722	$ 757,509	$ 1,130,851	$ 1,620,107	$ 2,284,025	$ 1,354,786	$ 7,408,191	$ 21,114,000
272,014	277,759	258,930	-	281,108	90,471	3,697,629	6,769,816
5,705	-	39,832	-	9,208	135,460	147,076	401,687
6,000	-	93,398	-	20,993	45,780	324,236	823,076
(255,869)	(856,500)	(322,820)	-	(199,016)	(177,883)	(3,657,865)	(7,067,043)
(42,344)	(21,385)	(63,748)	-	(63,387)	(100,388)	(541,407)	(1,490,176)
(286,508)	(877,885)	(253,338)	-	(232,202)	(97,031)	(3,727,960)	(7,332,456)
(17,614)	(15,840)	(9,700)	-	(65,785)	(3,890)	(562,595)	(757,106)
811,614	141,543	1,126,743	1,620,107	2,267,146	1,344,336	6,815,265	19,794,254
(33,722)	-	(154,125)	-	(273,442)	(414,719)	(2,424,851)	(5,246,450)
777,892	141,543	972,618	1,620,107	1,993,704	929,617	4,390,414	14,547,804
-	(1,000,343)	-	(1,620,107)	-	-	(3,283,691)	(5,904,495)
$ 777,892	$ (858,800)	$ 972,618	$ -	$ 1,993,704	$ 929,617	$ 1,106,723	$ 8,643,309

Combining Statement of Budgetary Resources
for the year ended September 30, 2004
(dollars in thousands)

	Interior Franchise Fund	Water and Related Resources	National Park Service Operations	National Park Service Construction	Management of Land and Resources
Budgetary Resources:					
Budget Authority:					
Appropriations Received	$ -	$ 851,803	$ 1,629,641	$ 355,820	$ 865,744
Net Transfers, Current Year Authority	-	(85,601)	10,067	43,456	15
Unobligated Balance:					
Beginning of Fiscal Year	720,543	266,624	69,027	341,172	36,763
Net Transfers, Unobligated Balance, Actual	-	1,346	21	14,006	-
Spending Authority From Offsetting Collections:					
Earned					
Collected	1,396,541	215,667	20,266	108,247	274,026
Receivable From Federal Sources	(17,054)	9,757	(139)	9,829	(1,816)
Change in Unfilled Customer Orders					
Advance Received	264,506	4,934	-	(1,160)	(12)
Without Advance From Federal Sources	(65,871)	1,493	-	32,077	3,332
Subtotal: Spending Authority From Offsetting Collections	1,578,122	231,851	20,127	148,993	275,530
Recoveries of Prior Year Obligations	-	25,901	7,439	7,414	24,533
Temporarily Not Available Pursuant to Public Law	-	-	-	-	-
Permanently Not Available	-	(5,059)	(25,172)	(4,107)	(10,478)
Total Budgetary Resources	$ 2,298,665	$ 1,286,865	$ 1,711,150	$ 906,754	$ 1,192,107
Status of Budgetary Resources:					
Obligations Incurred:					
Direct	$ -	$ 798,907	$ 1,603,055	$ 384,088	$ 902,363
Reimbursable	1,563,704	219,125	20,839	122,054	254,994
Total Obligations Incurred	1,563,704	1,018,032	1,623,894	506,142	1,157,357
Unobligated Balance:					
Apportioned	734,961	268,833	67,612	400,612	34,730
Exempt From Apportionment	-	-	-	-	-
Unobligated Balance not Available	-	-	19,644	-	20
Total Status of Budgetary Resources	$ 2,298,665	$ 1,286,865	$ 1,711,150	$ 906,754	$ 1,192,107
Relationship of Obligations to Outlays:					
Obligations Incurred	$ 1,563,704	$ 1,018,032	$ 1,623,894	$ 506,142	$ 1,157,357
Obligated Balance, Net, Beginning of Fiscal Year	442,008	339,185	299,641	330,507	218,149
Obligated Balance, Net, End of Fiscal Year:					
Accounts Receivable	6,366	19,677	339	28,068	4,675
Unfilled Customer Orders From Federal Sources	177,436	29,859	-	97,605	9,773
Undelivered Orders	(605,109)	(308,706)	(269,461)	(279,570)	(188,347)
Accounts Payable	(237,363)	(107,084)	(69,455)	(149,652)	(50,957)
Total Obligated Balance, Net, End of Fiscal Year	(658,670)	(366,254)	(338,577)	(303,549)	(224,856)
Less: Spending Authority Adjustments	82,925	(37,150)	(7,300)	(49,320)	(26,049)
Outlays:					
Disbursements	1,429,967	953,813	1,577,658	483,780	1,124,601
Collections	(1,661,047)	(220,601)	(20,267)	(107,087)	(274,014)
Net Outlays Before Offsetting Receipts	(231,080)	733,212	1,557,391	376,693	850,587
Less: Offsetting Receipts	-	(120)	-	-	-
Net Outlays (Receipts)	$ (231,080)	$ 733,092	$ 1,557,391	$ 376,693	$ 850,587

Combining Statement of Budgetary Resources
for the year ended September 30, 2004
(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 2004 Total Budgetary Accounts**
$ 892,725	$ 523,719	$ 963,352	$ 1,162,955	$ 1,916,317	$ 949,686	$ 4,600,628	$ 14,712,390
(126,625)	-	5,200	-	-	-	14,321	(139,167)
101,691	288,798	30,365	-	484,472	78,629	2,487,187	4,905,271
-	926	15,296	-	6,488	-	(12,103)	25,980
16,500	-	137,397	-	229,269	438,941	1,885,842	4,722,696
6,016	-	(3,044)	-	(6,868)	(31,514)	30,296	(4,537)
908	-	(344)	-	3,074	(1,165)	276,936	547,677
(285)	-	71,794	-	(16,264)	(16,761)	19,354	28,869
23,139	-	205,803	-	209,211	389,501	2,212,428	5,294,705
25,758	14,803	16,212	-	63,232	10,744	197,543	393,579
-	-	-	-	-	-	(2,249)	(2,249)
(9,132)	-	(11,932)	-	(23,613)	(17,131)	(71,205)	(177,829)
$ 907,556	$ 828,246	$ 1,224,296	$ 1,162,955	$ 2,656,107	$ 1,411,429	$ 9,426,550	$ 25,012,680
$ 808,505	$ 262,482	$ 957,186	$ 1,162,955	$ 2,038,657	$ 979,877	$ 4,769,101	$ 14,667,176
9,648	-	203,682	-	242,263	385,253	2,114,486	5,136,048
818,153	262,482	1,160,868	1,162,955	2,280,920	1,365,130	6,883,587	19,803,224
89,403	565,764	59,831	-	349,285	21,101	2,480,601	5,072,733
-	-	-	-	-	-	39,444	39,444
-	-	3,597	-	25,902	25,198	22,918	97,279
$ 907,556	$ 828,246	$ 1,224,296	$ 1,162,955	$ 2,656,107	$ 1,411,429	$ 9,426,550	$ 25,012,680
$ 818,153	$ 262,482	$ 1,160,868	$ 1,162,955	$ 2,280,920	$ 1,365,130	$ 6,883,587	$ 19,803,224
314,242	75,068	269,263	-	218,728	26,311	3,207,872	5,740,974
9,347	-	27,253	-	6,136	142,793	82,003	326,657
12,727	-	113,164	-	3,094	42,714	65,849	552,221
(264,649)	(269,274)	(340,205)	-	(214,996)	(162,251)	(3,386,206)	(6,288,774)
(29,439)	(8,485)	(59,141)	-	(75,342)	(113,727)	(459,275)	(1,359,920)
(272,014)	(277,759)	(258,929)	-	(281,108)	(90,471)	(3,697,629)	(6,769,816)
(31,490)	(14,803)	(84,962)	-	(40,100)	37,531	(247,192)	(417,910)
828,891	44,988	1,086,240	1,162,955	2,178,440	1,338,501	6,146,638	18,356,472
(17,407)	-	(137,053)	-	(232,343)	(437,777)	(2,162,778)	(5,270,374)
811,484	44,988	949,187	1,162,955	1,946,097	900,724	3,983,860	13,086,098
-	(496,118)	-	(1,162,955)	-	-	(2,609,874)	(4,269,067)
$ 811,484	$ (451,130)	$ 949,187	$ -	$ 1,946,097	$ 900,724	$ 1,373,986	$ 8,817,031

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 stated 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 of facilities and infrastructure as deferred maintenance.

Inadequately funded maintenance may result from reduced budgets, reallocation of maintenance funds for emergency requirements, insufficient management systems or practices, 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 the end of its expected useful life.

The SFFAS No. 6, "Accounting for Property, Plant, and Equipment," requires annual disclosure of the estimated cost to remedy accumulated deferred maintenance on Interior property, plant, and equipment (PP&E). Both General PP&E and Stewardship PP&E are included.

Deferred maintenance information is accumulated when maintenance was not performed when it should have been or when it was scheduled and which, therefore, was put off or delayed for a future period. Deferred maintenance needs may be further categorized in two tiers, critical and non-critical. Delaying correction of non-critical needs may result in their becoming critical facility or equipment deficiencies at a future time. Code compliance (e.g., life safety, ADA, OSHA, environmental, etc.) and other regulatory or Executive Order compliance requirements not met on schedule are considered deferred maintenance.

The Department has developed a 5-Year Plan that provides a framework for improved planning and management to 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, and through rigorous screening, prioritized the projects based on these criteria. FASAB requires that all deferred maintenance be reported regardless of when it might be performed, not just that included in the 5-Year Plan. The long-term goal is to have deferred maintenance backlog information based on 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.

Interior adopted accounting guidance for concession assets and related liabilities effective October 1, 2004. As a result of adopting this guidance, Interior removed deferred maintenance amounts ranging from $151 million to $325 million from concession assets.

Critical Deferred Maintenance

Categories of deferred maintenance for analytic purposes include (a) Critical Health and Safety Deferred Maintenance: A facility deferred maintenance need that poses a serious threat to public or employee safety or health; (b) Critical Resource Protection Deferred Maintenance: A facility deferred maintenance need that poses a serious threat to natural or cultural resources; (c) Critical Mission Deferred Maintenance: A facility deferred maintenance need that poses a serious threat to a bureau's ability to carry out its assigned mission; (d) Compliance and Other Deferred Maintenance: A facility deferred maintenance need that will improve public or employee safety, health, or accessibility; compliance with codes, standards, laws, complete unmet programmatic needs and mandated programs; protection of natural or cultural resources to a bureau's ability to carry out its assigned mission.

Critical Maintenance is the work prioritized for FY 2004-2009 in the Deferred Maintenance and Capital Improvement Plans for the Bureau of Land Management, the U.S. Geological Survey, the Fish and Wildlife Service, the National Park Service, and the Bureau of Indian Affairs. The Department prioritizes deferred maintenance through 5-year plans that identify the most critical needs. The Bureau of Reclamation has no critical maintenance.

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.

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 a minimum of every 5 years, the condition of buildings and other facilities. The 2005 process is similar to the process in place in FY 2004.

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 (CRV) 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 expert 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 Federal Accounting Standard that requires annual reporting of deferred maintenance of fixed assets.

Facilities and items of equipment are categorized according to condition using terms such as those shown below:

Good "G" – Facility/equipment condition meets established maintenance standards, operates efficiently, and has a normal life. There is no deferred maintenance on facilities/equipment in good condition.

Fair "F" – Facility/equipment condition meets minimum standards but requires additional maintenance or repair to prevent further deterioration, increase operating efficiency, and to achieve normal life expectancy.

Poor/Unsatisfactory "P"– Facility/equipment does not meet most operating standards and requires frequent repairs to prevent accelerated deterioration and provide a minimal level of operating function. In some cases, this includes condemned or failed facilities.

Based on periodic condition assessment surveys, an indicator of condition is the percent of facilities and items of equipment in each of the good, fair, or poor categories.

Interior's current estimate for deferred maintenance includes the following property categories of Roads, Bridges and Trails; Irrigation, Dams and Other Water Structures; Buildings (e.g., Administration, Education, Housing, Historic Buildings); and Other Structures (e.g., Recreation Sites, Hatcheries, etc.).

The estimate generally excludes vehicles and most other categories of operating equipment since on-going maintenance is performed on these assets and such assets would be disposed of before they resulted in a 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 backlog amounts. As such, the Department's current approach for estimating the amount needed to correct deferred maintenance for property, plant, and equipment ranges from approximately $10.1 billion to $18 billion as summarized in *Table 3-1*.

TABLE 3-1

(dollars in thousands)	General PP&E		Stewardship PP&E		Total	
Type of Deferred Maintenance	Low	High	Low	High	Low	High
Roads, Bridges, Trails*	$ 4,658,045	$ 9,156,365	$ 537,357	$ 741,482	$ 5,195,402	$ 9,897,847
Irrigation, Dams and Other Water Structures	1,640,283	2,126,452	65,578	96,699	1,705,861	2,223,151
Buildings *	1,351,411	2,090,445	680,354	1,438,812	2,031,765	3,529,257
Other Structures *	987,923	1,920,399	172,650	369,437	1,160,573	2,289,836
DOI Total	$ 8,637,662	$ 15,293,661	$ 1,455,939	$ 2,646,430	$ 10,093,601	$ 17,940,091

*These totals include deferred maintenance on non-Bureau of Indian Affairs-owned (Tribal) assets for which the Bureau of Indian Affairs is responsible for maintenance (e.g., roads on Tribal lands).

Intragovernmental Transaction Disclosures

Intragovernmental amounts represent transactions between Federal entities included in the Federal Government's annual financial report. These transactions include assets, liabilities, revenues, transfers, and expenses. Interior's FY 2005 intragovernmental transactions are shown in *Tables 3-2, 3-3, and 3-4*.

TABLE 3-2

Intragovernmental Assets

(dollars in thousands)	Fund Balance with Treasury	Investments	Accounts and Interest Receivable	Loans Receivable	Other
Department of the Treasury	$ 32,031,132	$ 7,463,669	$ 354,960	$ -	$ -
Department of Agriculture	-	-	9,094	-	-
Department of Commerce	-	-	6,698	-	50
Department of the Navy	-	-	4,261	-	-
Department of the Army	-	-	10,360	-	-
Department of the Air Force	-	-	4,061	-	-
Environmental Protection Agency	-	-	7,879	-	-
Department of Transportation	-	-	6,641	-	1,182
Department of Health and Human Services	-	-	5,037	-	-
National Aeronautics and Space Adm.	-	-	5,008	-	2
Department of Energy	-	-	9,803	2,458,075	-
U.S. Army Corps of Engineers	-	-	14,832	-	-
Defense Agencies	-	-	42,455	-	-
Other Federal Agencies	-	-	27,588	-	171
TOTAL	$ 32,031,132	$ 7,463,669	$ 508,677	$ 2,458,075	$ 1,405

TABLE 3-3

Intragovernmental Liabilities

(dollars in thousands)	Accounts Payable	Debt	Other Liabilities
Department of the Treasury	$ 3,635	$ 1,220,525	$ 3,361,084
Executive Office of the President	998	-	29,073
Department of Agriculture	3,871	-	41,998
Department of Justice	678	-	20,945
Department of Labor	2,486	-	132,288
Department of the Navy	1,801	-	174,208
Department of the Army	556	-	586,116
Office of Personnel Management	163	-	25,798
General Services Administration	17,964	-	22,846
Department of Homeland Security	343	-	205,862
Department of Education	414	-	89,801
U.S. Army Corps of Engineers	40,346	-	369,904
Other Federal Agencies	6,626	-	517,134
TOTAL	$ 79,881	$ 1,220,525	$ 5,577,057

TABLE 3-4

Intragovernmental Earned and Non-Exchange Revenue

(dollars in thousands)	Non-Exchange Revenue Transfers In	Non-Exchange Revenue Transfers Out	Earned Revenue
Department of the Treasury	$ 359,222	$ 475,590	$ 68,382
Executive Office of the President	-	-	95,563
Department of Agriculture	1,791	155,094	83,664
Department of the Navy	-	-	336,324
Department of the Army	-	-	764,065
Office of Personnel Management	5	13	4,650
General Services Administration	21,166	13,938	9,587
Department of the Air Force	-	-	207,173
Department of Transportation	314,307	11	17,577
Department of Health and Human Services	-	-	189,065
Department of Energy	123,677	140,961	276,356
Department of Education	-	-	309,787
U.S. Army Corps of Engineers	17	58,054	77,071
Defense Agencies	-	-	342,370
Other Federal Agencies	15,650	81,816	390,208
TOTAL	$ 835,835	$ 925,477	$ 3,171,842

Working Capital and Franchise Funds

The Department has four working capital funds established by law to finance a continuing cycle of operations, with the receipts from the operations available for use by the funds without further action by Congress. The four working capital funds, which operate as revolving funds, are established in the Bureau of Reclamation, the Bureau of Land Management, the U.S. Geological Survey, and Departmental Offices. The costs of providing services and operating the funds are fully recovered from customers. The major working capital fund customers are Interior bureaus and offices, Department of Defense, and other Federal agencies; however, some services are provided to States and nongovernment entities. Some of the significant services provided to customers consist of central reproduction, telecommunications, aircraft services, supplies, publications, training, computer processing and related activities, engineering and technical services, and certain cross-servicing activities such as payroll, personnel, and financial and accounting services. The services provided by the working capital funds are usually those that may be performed more advantageously on a reimbursable basis.

In addition, the Department manages the Interior Franchise Fund (IFF) that is part of the Franchise Fund Pilot program authorized by the Government Management Reform Act of 1994. The purpose of the IFF is to pilot new approaches for providing shared administrative services to reduce the cost of government to the taxpayer by fostering competition and entrepreneurship among providers of commonly required products and services to Federal agencies. Some of the significant services include procurement support, financial systems and related services, and other administrative support services. The IFF is a separate legal entity that allows Interior to share cost savings with others that result from providing cost-effective and efficient services to Federal agencies. By building on this experience of providing cost-effective and efficient services, Interior can provide even greater cost savings within Interior and in working with other agencies. It also provides a cost-effective way to partner with the private sector through established relationships with vendors that understand and have worked with the Federal Government to provide quality services to Federal organizations. The major customers of the IFF include the Department of Defense and the Executive Office of the President.

The following summarizes information about the assets, liabilities, and net cost of Interior's working capital and franchise funds as of and for the years ended September 30, 2005 and 2004. The financial information presented includes intra-departmental transactions.

Supplemental Balance Sheet
Combined Working Capital and Franchise Funds
as of September 30, 2005
(dollars in thousands)

	Bureau of Land Management	Bureau of Reclamation	Departmental Offices	Interior Franchise Fund	U.S. Geological Survey	**FY 2005** TOTAL
ASSETS						
Intragovernmental Assets:						
Fund Balance with Treasury	$ 57,532	$ 49,974	$ 595,988	$ 1,332,667	$ 80,386	$ 2,116,547
Accounts and Interest Receivable, Net	-	9,919	101,078	4,673	-	115,670
Other	-	126	16,792	153	-	17,071
Total Intragovernmental Assets	57,532	60,019	713,858	1,337,493	80,386	2,249,288
Cash	56	-	-	-	-	56
Accounts and Interest Receivable, Net	-	91	2,579	250	2	2,922
Loans and Interest Receivable, Net	-	1,900	-	-	-	1,900
Inventory and Related Property, Net	306	-	528	-	-	834
General Property, Plant, and Equipment, Net	102,172	34,823	66,720	-	9,382	213,097
Other	77	217	8	2	-	304
Stewardship Assets						
TOTAL ASSETS	$ 160,143	$ 97,050	$ 783,693	$ 1,337,745	$ 89,770	$ 2,468,401
LIABILITIES						
Intragovernmental Liabilities:						
Accounts Payable	$ 3	$ 4,712	$ 11,360	$ 1,348	$ 870	$ 18,293
Debt	-	1,900	-	-	-	1,900
Other						
Advances and Deferred Revenue	5,640	1,709	497,219	1,078,948	-	1,583,516
Other Liabilities	1	7,185	2,073	96	114	9,469
Total Intragovernmental Liabilities	5,644	15,506	510,652	1,080,392	984	1,613,178
Accounts Payable	30	5,312	136,489	227,906	3,691	373,428
Federal Employee and Veterans' Benefits	-	-	6,222	-	-	6,222
Environmental and Disposal Liabilities	-	-	1,300	-	-	1,300
Other						
Advances and Deferred Revenue	-	667	4,729	2	-	5,398
Other Liabilities	124	17,707	10,023	803	545	29,202
TOTAL LIABILITIES	5,798	39,192	669,415	1,309,103	5,220	2,028,728
Commitments and Contingencies						
Net Position						
Unexpended Appropriations	-	-	789	-	-	789
Cumulative Results of Operations	154,345	57,858	113,489	28,642	84,550	438,884
Total Net Position	154,345	57,858	114,278	28,642	84,550	439,673
TOTAL LIABILITIES AND NET POSITION	$ 160,143	$ 97,050	$ 783,693	$ 1,337,745	$ 89,770	$ 2,468,401

Supplemental Balance Sheet
Combined Working Capital and Franchise Funds
as of September 30, 2004
(dollars in thousands)

	Bureau of Land Management	Bureau of Reclamation	Departmental Offices	Interior Franchise Fund	U.S. Geological Survey	**FY 2004** TOTAL
ASSETS						
Intragovernmental Assets:						
Fund Balance with Treasury	$ 55,184	$ 49,459	$ 596,637	$ 1,393,632	$ 85,133	$ 2,180,045
Accounts and Interest Receivable, Net	-	9,992	39,973	6,370	-	56,335
Other	-	401	10,658	1,283	-	12,342
Total Intragovernmental Assets	55,184	59,852	647,268	1,401,285	85,133	2,248,722
Cash	55	-	-	-	-	55
Accounts and Interest Receivable, Net	4	70	755	292	5	1,126
Loans and Interest Receivable, Net	-	3,100	-	-	-	3,100
Inventory and Related Property, Net	444	-	567	-	-	1,011
General Property, Plant, and Equipment, Net	95,112	36,193	45,087	-	8,234	184,626
Other	131	225	5	2	-	363
Stewardship Assets						
TOTAL ASSETS	$ 150,930	$ 99,440	$ 693,682	$ 1,401,579	$ 93,372	$ 2,439,003
LIABILITIES						
Intragovernmental Liabilities:						
Accounts Payable	$ 8	$ 7,962	$ 3,012	$ 2,821	$ 263	$ 14,066
Debt	-	3,100	-	-	-	3,100
Other						
Advances and Deferred Revenue	3,650	1,736	488,658	1,136,984	-	1,631,028
Other Liabilities	1	6,940	1,450	54	98	8,543
Total Intragovernmental Liabilities	3,659	19,738	493,120	1,139,859	361	1,656,737
Accounts Payable	16	4,184	94,102	234,060	4,225	336,587
Federal Employee and Veterans' Benefits	-	-	6,062	-	-	6,062
Environmental and Disposal Liabilities	-	-	1,300	-	-	1,300
Other						
Advances and Deferred Revenue	-	782	4,731	2	-	5,515
Other Liabilities	150	15,230	9,399	432	454	25,665
TOTAL LIABILITIES	3,825	39,934	608,714	1,374,353	5,040	2,031,866
Commitments and Contingencies						
Net Position						
Unexpended Appropriations	-	-	4,827	-	-	4,827
Cumulative Results of Operations	147,105	59,506	80,141	27,226	88,332	402,310
Total Net Position	147,105	59,506	84,968	27,226	88,332	407,137
TOTAL LIABILITIES AND NET POSITION	$ 150,930	$ 99,440	$ 693,682	$ 1,401,579	$ 93,372	$ 2,439,003

Supplemental Statement of Net Cost
Combined Working Capital and Franchise Funds
for the year ended September 30, 2005
(dollars in thousands)

	Full Cost of Goods and Services Provided	Related Exchange Revenues	Excess of Full Cost Over Exchange Revenue
Bureau of Land Management			
Motorized Fleet Program	$ 25,758	$ (32,413)	$ (6,655)
Total Bureau of Land Management	25,758	(32,413)	(6,655)
Bureau of Reclamation			
Engineering and Technical Services	103,179	(103,936)	(757)
Administrative Services	223,945	(223,888)	57
Computer and Related Services	18,232	(16,036)	2,196
Total Bureau of Reclamation	345,356	(343,860)	1,496
Departmental Offices			
Aircraft Services	156,803	(159,790)	(2,987)
Building Management/Rental	36,789	(39,923)	(3,134)
Charge Card Rebate	2,736	(5,951)	(3,215)
Federal Services	1,124,039	(1,113,180)	10,859
Y2K/Other	8	-	8
Financial and Business Management System	99	-	99
Intra-Bureau Eliminations	(212,562)	212,562	-
Total Departmental Offices	1,107,912	(1,106,282)	1,630
Interior Franchise Fund			
Government Works Acquisition Services	1,510,314	(1,522,965)	(12,651)
U.S. Films and Video Productions	4,789	(4,389)	400
Total Interior Franchise Fund	1,515,103	(1,527,354)	(12,251)
U.S. Geological Survey			
Reimbursable Services	38,270	(40,784)	(2,514)
Capital Investments	15,917	-	15,917
Total U.S. Geological Survey	54,187	(40,784)	13,403
Total Working Capital and Franchise Funds	$ 3,048,316	$ (3,050,693)	$ (2,377)

Supplemental Statement of Net Cost
Combined Working Capital and Franchise Funds
for the year ended September 30, 2004
(dollars in thousands)

	Full Cost of Goods and Services Provided	Related Exchange Revenues	Excess of Full Cost Over Exchange Revenue
Bureau of Land Management			
Motorized Fleet Program	$ 24,568	$ (29,604)	$ (5,036)
Total Bureau of Land Management	24,568	(29,604)	(5,036)
Bureau of Reclamation			
Engineering and Technical Services	98,213	(101,547)	(3,334)
Administrative Services	220,218	(226,405)	(6,187)
Computer and Related Services	15,974	(13,532)	2,442
Total Bureau of Reclamation	334,405	(341,484)	(7,079)
Departmental Offices			
Aircraft Services	136,740	(137,906)	(1,166)
Building Management/Rental	38,368	(38,996)	(628)
Charge Card Rebate	7,748	(6,307)	1,441
Federal Services	741,154	(744,860)	(3,706)
Y2K/Other	(49)	-	(49)
Financial and Business Management System	-	-	-
Intra-Bureau Eliminations	(138,106)	138,106	-
Total Departmental Offices	785,855	(789,963)	(4,108)
Interior Franchise Fund			
Government Works Acquisition Services	1,330,907	(1,349,056)	(18,149)
U.S. Films and Video Productions	1,700	(1,700)	-
Total Interior Franchise Fund	1,332,607	(1,350,756)	(18,149)
U.S. Geological Survey			
Reimbursable Services	38,316	(38,451)	(135)
Capital Investments	13,854	(107)	13,747
Total U.S. Geological Survey	52,170	(38,558)	13,612
Total Working Capital and Franchise Funds	$ 2,529,605	$ (2,550,365)	$ (20,760)

This page
intentionally
left
blank

Required Supplementary Stewardship Information (Unaudited, See Auditors' Report)

The Department of the Interior is the Federal Government's largest land-management agency, administering over 500 million acres of America's land mass and serves as steward for the natural and cultural resources associated with these lands. Approximately 437 million acres of the 500 million acres are considered stewardship land. The approximately 437 million acres of stewardship land does not include an estimated 56 million acres of tribally and individually-owned land held in trust by the Bureau of Indian Affairs. Interior also supervises mineral leasing and operations on an estimated 700 million acres of mineral estate that underlie both Federal and other surface ownerships. These stewardship assets are valued for environmental resources, recreational and scenic values, cultural and paleontological resources, vast open spaces, and the resource commodities and revenue provided to the Federal Government, States, and counties.

Stewardship Lands

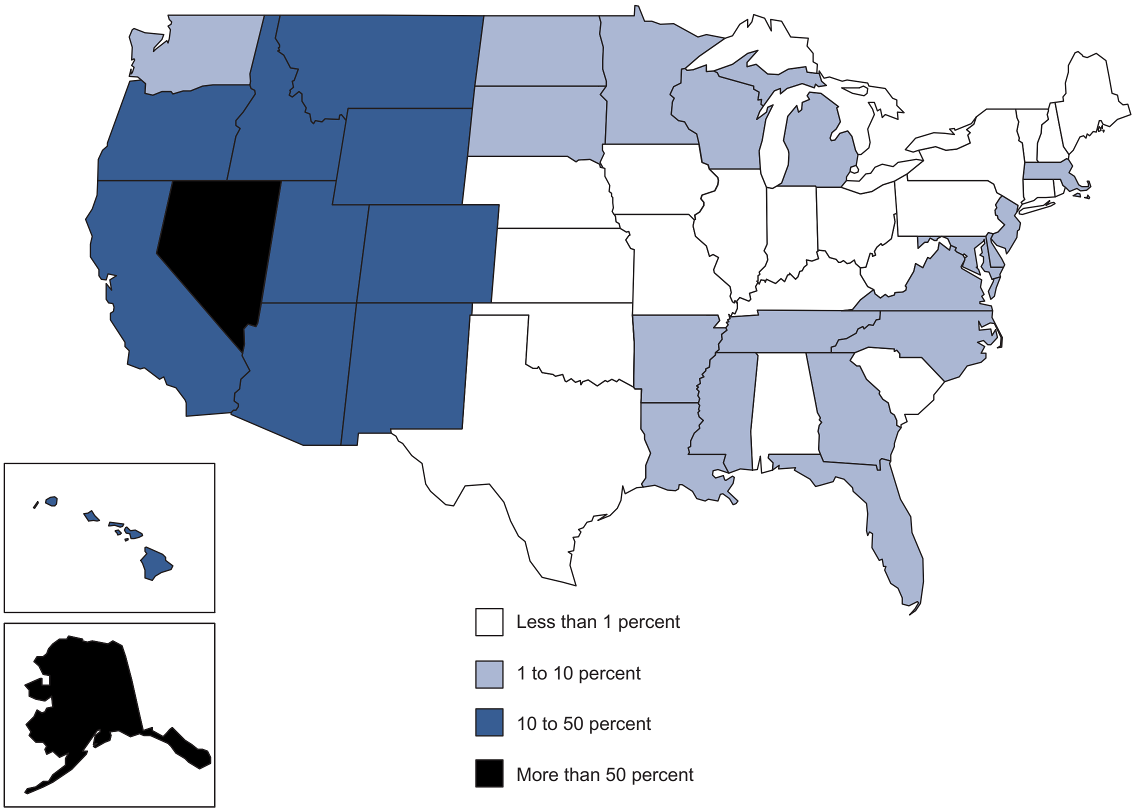
Most of the public lands managed by Interior were once a part of the 1.8 billion acres of public domain lands acquired by the Nation between 1781 and 1867. Each of America's 50 States, the District of Columbia, the Pacific Islands, the Virgin Islands, Guam, and Puerto Rico, contain lands that are managed by the Department of the Interior (*Figure 3-1*).

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 and to the American people. These include National Parks, Wildlife Refuges, Public Lands, and many other lands of national and historical significance.

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,

FIGURE 3-1

State Acreage Managed by Interior
(as of September 30, 2005)



scenic, scientific, and historical values; outdoor recreation; livestock grazing; timber; watersheds; and wildlife and fish habitat.

Table 3-5 shows the major types of lands administered by each Interior bureau with stewardship responsibilities.

Major Categories of Stewardship Lands

Interior's stewardship lands include a number of assets that are of special value to the Nation. The major categories of stewardship land administered by the Department are:

National Wildlife Refuge System. Lands managed by the U.S. Fish and Wildlife Service (FWS) and includes National Wildlife Refuges, Refuge Coordination Areas, Waterfowl Production Areas, and Fish Hatcheries.

Multiple-Use Public Lands. Lands managed by the Bureau of Land Management (BLM) that represents approximately 42 percent of the lands under Federal ownership.

National Park System. The National Park System is administered by the National Park Service (NPS) and include the Nation's National Parks.

Cultural, Schools, and Housing Lands. Consist primarily of American Indian home sites, both tribal and non-tribal and are administered by the Bureau of Indian Affairs (BIA). Also included is land associated with numerous Indian schools. These lands are used for a wide range of activities, including recreation, conservation, and functions vital to the culture and livelihood of American Indians and Alaska Natives.

TABLE 3-5

Interior Stewardship Lands
as of September 30, 2005

Category by Type	Federal Acres: 2005 Beginning Balance	Additions	Withdrawals	2005 Ending Balance	Total Non-Federal Acres	Combined Total Acres	Condition - Acceptable or Needs Intervention 1/	Number of Units
National Park System	79,022,673	35,101	-12,741	79,045,033	5,507,288	84,552,321	Acceptable	388
National Wildlife Refuge System	90,306,600	125,400	-	90,432,000	3,912,000	94,344,000	Acceptable	884
Multiple Use Public Lands 2/	261,848,120	72,272	-157,480	261,762,912	0	261,762,912	Acceptable	12
Other Recreation Land 3/	0	170	-	170	0	170	Acceptable	15
Cultural, Schools, and Housing	46,529	0	-90	46,439	0	46,439	Acceptable	79
Reclamation, Agricultural, and Irrigation Lands 4/	5,875,943	1,799	-247,312	5,630,430	0	5,630,430	Acceptable	221
Other Stewardship Lands 5/	20,778	306	-80	21,004	0	21,004	Acceptable (approximately 20,000 acres) Needs Intervention (approximately 800 acres)	53
Total	437,120,643	235,048	-417,703	436,937,988	9,419,288	446,357,276		1,652

1/ Land is categorized as "acceptable" when it is adequate for operating needs and the Department has not identified any improvements that are necessary to prepare and/or sustain the land for its intended use. Land is categorized as "needs intervention" when the Department has identified improvements that are necessary to prepare and/or sustain the land for its intended use.

2/ The overall decrease resulted from the net effect of acquisitions of privately-owned lands through purchase, donation, or exchange offset by the disposal of lands through exchange and various public land laws (including sales).

3/ Other Recreation Land includes fishing access sites and one campsite on Bureau of Indian Affairs-managed lands.

4/ The total additions and withdrawals reflects activities by the Bureau of Reclamation that are not actual additions/withdrawals, but adjustments to number of acres recorded in Reclamation's land inventory system.

5/ Other Stewardship Land refers to lands that cannot be readily included in any of the other categories such as the lands associated with schools and industrial areas.

Comparative Information

	Beginning Balance	Acres	Withdrawals	Ending Balance	Total Non-Federal Acres	Combined Total Acres	Number of Units
FY 2005	437,120,643	235,048	-417,703	436,937,988	9,419,288	446,357,276	1,652
FY 2004	437,135,941	328,118	-343,416	437,120,643	9,181,662	446,302,305	1,504

Reclamation, Agricultural, and Irrigation Lands. This category includes lands used for various irrigation projects and agricultural lands which are used primarily for farming and grazing. These lands are administered by the BIA and the Bureau of Reclamation.

Other Types of Stewardship Lands

Interior administers other types of stewardship lands including:

National Wilderness Areas. Wilderness Areas are Federal lands that have been designated by Congress and are devoted to the public purposes of recreational, scenic, scientific, educational, conservation, and historical use (*Figure 3-2*). These areas, which are generally greater than 5,000 acres, 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.

There are approximately 106.4 million acres in the National Wilderness Preservation System, of which approximately 71.5 million acres (67%) are managed by DOI. In FY 2004, the National Wilderness Preservation System encompassed approximately 105.6 million acres with 71 million acres (67%) managed by DOI.

National Wild and Scenic Rivers System. For a river to be eligible for the National Wild and Scenic Rivers System, it must be in a free-flowing condition and possess one or more of the following values to a remarkable degree: scenic, recreation, fish and wildlife, geologic, 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

FIGURE 3-2

National Wilderness Preservation System (acres in millions)

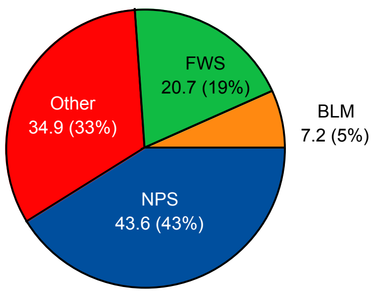
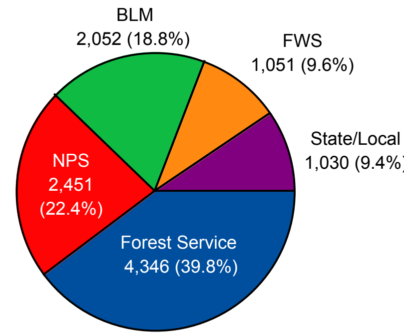


FIGURE 3-3

National Wild and Scenic Rivers System (in miles)



to determine eligibility may be the responsibility of either the Department of the Interior (the National Park Service, the Fish and Wildlife Service, and the Bureau of Land Management), the Department of Agriculture (the U.S. Forest Service), or the shared responsibility of both agencies. Congress then decides whether to add the river to the National Wild and Scenic Rivers System (*Figure 3-3*). Only an Act of Congress may remove a river from the System.

The Department manages approximately 55% of the National Wild and Scenic Rivers System, which totals approximately 10,900 miles. There was virtually no change in the size of the system between FY 2004 and FY 2005.

Bureau Stewardship Lands

Bureau of Land Management. The BLM has stewardship responsibility for the multiple-use management of natural resources on approximately 262 million 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% of the lands under Federal ownership. The BLM is guided by principles of multiple use and sustained yield in managing the public lands. All of the public lands are managed for multiple use and are used for multiple (more than one) resource values. There is no "predominate" or single use that over-rides or over-shadows this multiple use concept on any of the lands managed by BLM. Historically, multiple-use has meant that the same areas of land can be used simultaneously for two or more purposes, often by two or more different persons or groups. These uses may be complementary or, as if frequently the case, competitive with one another.

The BLM has an overall decrease of approximately 157,000 acres during the fiscal year. This decrease resulted from the net effect of acquisitions of privately-owned lands through purchase, donation, or exchange offset by the disposal of lands through exchange and various public land laws (including sales). Changes in BLM's acreage data are also attributable to lands that have been withdrawn or reserved by an Executive Order, Secretarial Order, Act of Congress, or Public Land Order for a specific public purpose and transferred to the jurisdiction of another Federal agency. The vast majority of the decrease in BLM-administered acres is a result of lands being withdrawn/reserved in previous years but not administratively deleted from records until this fiscal year.

Fish and Wildlife Service. Stewardship lands managed by the Fish and Wildlife Service (FWS) include the National Wildlife Refuge System, the National Fish Hatcheries Program, Refuge Coordination Areas, and Waterfowl Production 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 Migratory Bird Conservation Fund and the Land and Water Conservation Fund.

These lands provide permanent protection for valuable wetland, riparian, coastal and upland habitat for fish, wildlife and plant species, including threatened and endangered species. The FWS added one wildlife refuge to the National Wildlife Refuge System, which increased the number of sites in the System from 883 to 884.

The extent of damage to FWS lands along the Gulf Coast caused by hurricanes during August and September 2005, will not be fully known for some time, but is considered quite substantial. Intervention on these lands to return them to an acceptable condition is expected to take a number of years.

National Park Service. National Park Service (NPS) stewardship lands are used and managed in accordance with the statutes authorizing their acquisition or directing their use and management. Stewardship land areas may encompass land owned by entities other than NPS. Changes in NPS boundaries occur only when authorized by Presidential Proclamation or by an Act of Congress. Subsets of lands within the authorized boundaries of the National Park System can have additional stewardship asset designations such as wilderness areas, and wild and scenic rivers. Subject to the availability of funds, privately-owned land will be acquired when opportunities arise, or when an owner uses or threatens to use his/her property in a manner not compatible with park purposes. Through acquisitions, status changes, withdrawals, and error corrections, the NPS added 35,101 acres and withdrew 12,741 acres during FY 2005.

The National Park System encompasses 388 sites containing approximately 84 million acres within their boundaries. Of this total, approximately 79 million acres are owned by the United States in fee simple title and approximately 253,000 acres in less-than-fee title (i.e., scenic easements). Non-Federal lands within the NPS system are either privately-owned (approximately 4.2 million acres) or owned by State and local governments (approximately 1.2 million acres).

Bureau of Reclamation. Reclamation Project Lands: The Bureau of Reclamation (BOR) 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 public. The Bureau 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 term "Reclamation Withdrawn Lands" refers to those lands withdrawn from public entry and set aside for authorized Reclamation purposes.

The BOR experienced a net decrease of 243,513 acres of land during FY 2005 due to three major actions rather than an actual withdrawal of acres: (a) the completion of the fifth year of a five-year land reconciliation effort in which changes to withdrawn lands were identified during the research, correction, and reconciliation of BOR's project acquired lands and land rights with the agency's project financial records; (b) successful revocation by the BLM of a portion of the Owyhee Project lands identified as no longer needed for project purposes; and (c) a reduction in withdrawn acres due to prior year BLM revocations which were not previously captured in the real property inventory system.

Bureau of Indian Affairs. Bureau of Indian Affairs (BIA) stewardship lands include cultural sites, which consist primarily of fishing sites where only Tribal members are provided access to rivers for fishing; schools and housing, which consists primarily of home sites both Tribal and non-Tribal, and land associated with numerous Indian schools; office and industrial sites which are used primarily for office space, water treatment plants, roads, storage facilities; reclamation and irrigation lands used for numerous irrigation projects; and agricultural lands which are used primarily for farming and grazing. BIA stewardship land does not include approximately 56 million acres of Tribally and individually-owned land held in trust by the bureau.

In the category of "Cultural, Schools, and Housing", BIA experienced a net decrease of 90 acres of land during FY 2005. Rather than an actual withdrawal of land, this decrease was due to a recategorization of land to the "Other Recreation Land" category.

Departmental Offices - Utah Reclamation Mitigation and Conservation Commission. The Utah Reclamation Mitigation and Conservation Commission (Commission) was established by Congress in 1994 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. Land acquired and investments made in order to mitigate for the loss of fish and wildlife resources caused by Reclamation project construction are not essential or integral parts of the dam, pipeline, etc., and are not "acquired for in connection with the construction" of the project assets, even if the fish and wildlife mitigation is achieved in the immediate vicinity of the project asset. The Commission aquires lands either through purchase, donation, or condemnation. In over 95% of the acquisitions, the lands have been acquired on a "willing seller" basis. In all cases, habitat conditions on the lands have been improved and in many cases, improvements have been substantial. All land withdrawn from Commission ownership would occur as part of a purchase or condemnation.

Condition of Stewardship Lands

The Department is required to report on the condition of stewardship land. The categories the Department uses in relation to the condition of stewardship land are "acceptable" or "needs intervention." Land is categorized as being in "acceptable" condition when it is adequate for operating needs and the bureau has not identified any improvements to the land that are necessary to prepare and/or sustain the land for its intended use. For example, parklands, wilderness lands, deserts, and lands that are underwater due to dams and reservoirs would normally be in acceptable condition. When a bureau has determined that improvements are necessary for the land itself to meet operating needs, the land is categorized as that which "needs intervention." This category would generally pertain to land that is used for special purposes, such as grazing.

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 archeological and historic sites, paleontological sites, historic and prehistoric structures, cultural landscapes, and other resources. Many are listed on the National Register of Historic Places, acknowledging their importance to American history. 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 of heritage assets, including stewardship lands. Some stewardship land assets are also considered to be non-collectible cultural and natural heritage assets, such as national parks and fish and wildlife refuges. Also, 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; all of these assets may be listed separately on the National Register of Historic Places. Likewise, a national park may lie within cultural and natural heritage assets such as historic landmarks or monuments, or archeological and paleontological sites may lie within the boundaries of a national park. Congress may designate national monuments to protect historic landmarks, historic and prehistoric structures, or other objects of historic or scientific interest on public lands.

The National Register of Historic Places, which is administered by the National Park Service, includes heritage assets such as national monuments, archeological districts, trails, landscapes, historic districts, campsites, structures, paleontological sites, historic objects, fish hatcheries, petroglyphs, lighthouses, and cemeteries. Illustrative of the overlap and relationship between heritage assets is the fact that all historic areas within the National Park System are listed on the National Register.

TABLE 3-6

Non-Collectible Cultural and Natural Heritage Assets
as of September 30, 2005

Category by Type	Beginning balance (units)	Additions (units)	Withdrawals (units)	2005 Ending balance (units)	Heritage Asset Designation-C or N *	Condition (%) 1/ Good	Fair	Poor	Unknown
Archeological and Historic Sites 2/	346,068	4,824	(273,200)	77,692	C	21%	15%	6%	57%
Cultural Landscapes	180	78	-	258	C	37%	54%	9%	0%
Historic and Prehistoric Structures	26,585	474	(1,585)	25,474	C	47%	37%	13%	3%
Natural Heritage Special Management Areas	2,300	16	(1,924)	392	N	100%	0%	0%	0%
National Historic Landmarks	212	2	-	214	C	78%	0%	7%	14%
National Park System	388	1	(1)	388	N	100%	0%	0%	0%
National Register of Historic Places	4,811	359	(1)	5,169	C	0%	0%	0%	100%
Paleontological Sites	3,921	587	(1,101)	3,407	N	37%	3%	1%	59%
National Wildlife Refuge System	544	1	-	545	N	0%	100%	0%	0%
World Heritage Properties	5	-	-	5	N	0%	0%	0%	100%
Total	385,014	6,342	(277,812)	113,544					

* "C" indicates a cultural heritage site and "N" indicates a natural heritage site.

1/ "Good condition means a site shows no clear evidence of negative disturbance or deterioration by natural forces or human activities; "fair" means that a site shows clear evidence of negative disturbances or deterioration by natural forces and/or human activities; "poor" means that a site shows clear evidence of human activities and no corrective actions have been taken to protect and preserve the integrity of the site; "unknown" may means that, due to the nature of the site, such as sites underwater, the condition cannot be determined or that, due to financial constraints, the condition of a site cannot be determined.
2/ Reflects corrected beginning balance. Also, the Bureau of Land Management no longer reports on the number of archeological and historic sites reflecting the withdrawal of 271,474 acres for FY 2005.

Comparative Information

	Beginning Balance	Additions	Withdrawals	Ending Balance
FY 2005 1/	385,014	6,342	-277,812	113,544
FY 2004	377,176	13,906	-6,093	384,989

Difference between FY 04 ending balance and FY 05 beginning balance is due to a corrected FY 05 beginning balance reflecting end of year adjustments for the Bureau of Land Management.

Non-Collectible Cultural and Natural 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 public and does not normally dispose of such property. Withdrawals of non-collectible heritage assets are due primarily to redesignations by Congress, natural destruction or deterioration of the asset, or transfer to another Federal agency.

Interior's non-collectible heritage assets are shown in *Table 3-6*.

Archeological and Historic Sites. Archeological sites are locations that contain material remains or physical evidence of past human activity. Archeological sites include prehistoric structures, middens, and roadways, such as those found on many of the lands managed by the Department in the southwest. Sites also include the ancient earthen mounds in the mid-western and southern parts of the Nation, many of them managed by Interior bureaus. Other archeological sites come from historic times and are associated with the settlement of the United States by Euro-Americans, African-Americans, and Asian-Americans. The Historic Sites, Buildings and Antiquities Act of 1935 authorized the preservation for public use of historic sites, buildings, and objects of significance for the inspiration and benefit of the American people. The Act gives the Secretary of the Interior the authority to secure, collate, and preserve drawings, plans, photographs, buildings, and objects. The Secretary is also authorized to survey historic and archeological sites, buildings, and objects to determine which sites, buildings, and objects possess exceptional value as commemorative or illustrative of the history of the United States.

Cultural Landscapes. A cultural landscape is a geographic area, including both natural and cultural resources, associated with an historic event, activity, or person.

Historic and Prehistoric Structures. Historic and prehistoric structures are constructed works consciously created to serve some human activity or purpose. These structures include buildings and monuments, dams, canals, stockades and fences, defensive works, temple mounds and kivas, ruins of all structural types, and outdoor sculptures. Structures are historic because they individually meet the criteria of the National Register of Historic Places or are contributing elements of sites or districts that meet National Register criteria. As such, historic structures are significant at the national, State, or local level, and are associated with the important people and history of the Nation. Prehistoric means of, pertaining to, or belonging to the era before recorded history.

Several historic structures managed by the Department were damaged during Hurricane Katrina. Two structures managed by the NPS were destroyed by the Hurricane: the Ship Island 1853 Lighthouse Ruins and the Ship Island 1886 Lighthouse and Keeper's Quarters in the Mississippi District of the Gulf Islands National Seashore. The condition of historic structures in Jean Lafitte National Historical Park and Preserve in Louisiana and the Mississippi District of Gulf Islands National Seashore were also affected by Hurricane Katrina. Of the 17 structures in Jean Lafitte, one structure previously in good condition was downgraded to poor condition and another previously in fair condition was also downgraded to poor condition.

Interior adopted accounting guidance for concession assets and related liabilities effective October 1, 2004. As a result of adopting this guidance, Interior reported FY 2005 withdrawal of 1,585 units from the historic and prehistoric structure category.

National Historic Landmarks. National Historic Landmarks are districts, sites, buildings, structures, or objects possessing exceptional value in commemorating or illustrating the history of the United States. 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 importance 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, as well as possessing a high degree of integrity of location, design, setting, materials, workmanship, feeling, and association.

Paleontological Sites. A paleontological site is a spatially defined area from which a fossil (or fossils) is found or has been recovered and whose geologic context and attributes have been documented for the purpose of scientific study, management, and/or interpretation. Since the early 1800s, professional and amateur paleontologists have made discoveries that helped launch the new scientific discipline of paleontology in America, filling our Nation's museums of natural history with the remains of spectacular creatures that have captured the public's imagination. Today, the public lands continue to provide paleontological resources that fuel scientific discovery and evoke public wonder. Interior bureaus manage these fragile and nonrenewable resources as a public trust not only to assure preservation of scientific values, but also to see that educational and recreational values are realized.

Collectible Heritage Assets

The Department is steward of large, unique, and diversified collection of library holdings and museum collections (*Table 3-7*). These assets are held in both Federal and non-Federal facilities.

Library Collections

The Department of the Interior Library contains holdings that cover the broad range of matters related to the Department's mission to protect and provide access to the Nation's heritage. Specific collections include a comprehensive law collection, an extensive periodical collection, and a rare book collection consisting of 19th century monographs on Native Americans, American history, and zoology. The collections are augmented by online access with full-text capabilities. Departmental policy dictates that copies of publications produced for or by its bureaus and offices be deposited in the Departmental Library, thus assuring a continuing, reliable source of information. The Library serves DOI employees in the Washington, D.C area and field offices throughout the Nation, and enhances its ability to fulfill its responsibilities by providing an informative Web site at *http://library.doi.gov*, online access to the catalog of holdings over the Web site, and training sessions to familiarize Departmental staff with the treasures of the collection.

TABLE 3-7

FY 2005 Collectible Heritage Assets

	Beginning Collections	Additions	Withdrawals	Ending Collections	Condition of Collection (%) 1/			
Interior Library Collections					**Good**	**Fair**	**Poor**	
Departmental Library	1	-	-	1	90%	7%	3%	0%
U.S. Geological Survey Library	4	-	-	4	74%	17%	9%	0%
Total	5			5				

1/ "Good" means the collection is in usable condition; "fair" means the collection is in need of minor repair or cleaning; "poor" means the collection is in need of major conservation efforts.

					Condition of Facility Housing Collection 2/			
Interior Museum Collections	**Beginning Collections**	**Additions**	**Withdrawals**	**Ending Collections**	**Good (Meet > 70%**	**Fair (Meet 50-70%)**	**Poor (Meet < 50%**	**Not Yet Assessed**
Held at Interior Bureau Facilities	649	5	(4)	650	244	135	101	170
Held at Non-Interior Bureau Facilities	632	9	(10)	631	105	67	9	450
Total	1,281	14	(14)	1,281				

!/ Good condition means the number of collections meeting more than 70% of standards in Departmental Manual Chapter 411, Museum Property; fair means meeting 50-70% of Departmental standards, and poor means meeting less than 50% of Department standards.

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 Library, built from this notable and cost-effective exchange program, plus purchases and gifts, has become the world's largest collection of earth science information. The library is housed in four libraries in Reston, Virginia; Menlo Park, California; Denver, Colorado; and, Flagstaff, Arizona.

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 and, 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 following strict procedures to follow the highest ethics standards and to make every effort to keep the items in 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 bureaus. Museum collections managed by Interior bureaus are important both for their intrinsic value and for their usefulness in support of Interior's mission of managing Federal land, cultural resources, and natural resources. Cataloging the collections continues to be a priority within Interior bureaus and continues to improve 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 Departmental Manual Section 411, Chapter 3. The standards achieved by facilities that house collections are a good indicator of the status of collections for which item-level condition data are not available. Facilities that meet at least 70 percent of the Department's standards for managing museum collections are judged to be in "good" condition, those that meet between 50% and 70% of standards are in "fair" condition, and those that meet less than 50% of applicable standards are in "poor" condition.

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. The collections include items ranging from historic furnishings in the home of John Adams, to flags that flew over Fort Sumter, to Thomas Edison's handwritten notes on inventions, to the tools and furnishings of a working ranch in Montana, to botanical specimens from Yosemite, and archeological items from Mesa Verde. These museum collections, from 359 NPS units and managed at 317 NPS locations, are important not only individually, but also because of their direct association with the nationally significant sites in the National Park System.

Notable acquisitions in FY 2005 include 200 Ojibwe items and accompanying field records from a Minnesota ethnologist at Grand Portage National Monument; a set of stereocards featuring the exterior and interior of Lincoln Home from 1865 to the early 1900s at Lincoln Home National Historic Site; a Great Lakes lighthouse boat of the type used from the 1920s to 1950s adding to the largest permanent exhibit of historic Great Lakes vessels in the Nation at Sleeping Bear Dunes National Lakeshore; a blanket that accompanied stampeder Charles McDuffee to the Klondike Gold Fields in 1897 at Klondike Gold Rush National Historical Park; and artifacts from a boys club and other items associated with the Wright Brothers at Dayton Aviation Heritage National Historical Park.

Hurricanes Katrina and Rita impacted NPS collections in Florida, Louisiana, Mississippi, and Texas. Damage, but no losses, have been reported; however, assessments are not complete. At Dry Tortugas National Park, an historic cannon at Fort Jefferson was damaged and stabilized. The stored object collection at Jean Lafitte National Historical Park was undamaged, but moved to temporary off-site storage. Items on exhibit at Chalmette Battlefield were flooded and salvaged. High-value objects are receiving conservation treatment. At Gulf Islands National Seashore, flooded collections in the Davis Bayou Unit have been salvaged, stabilized, and moved to temporary off-site storage. Some, but not all objects on exhibit at Fort Massachusetts on Ship Island have been assessed; the exhibits were severely damaged.

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 that are accessible to the public. Most collections originating from BLM-managed land are housed in non-Federal facilities throughout the country. To date, BLM has identified 154 professional facilities in 33 States and Canada where millions of objects originating from the public lands reside. The BLM also curates objects in three BLM facilities: the Anasazi Heritage Center in Dolores, Colorado; the Billings Curation Center in Billings, Montana; and, the National Historic Oregon Trail Interpretive Center on Flagstaff Hill, Oregon.

Bureau of Reclamation. Overall, Reclamation internal units are working with their non-Reclamation partners to update curatorial service agreements. In addition, the units are updating and/or developing new museum property management documents. For example, units have entered into, or are negotiating for, agreements for the following type of activities: (1) evaluating and resolving accession, catalog, and ownership information/issues, (2) performing annual inventories, (3) stabilizing collections, (4) repackaging collections, and (5) labeling. Reclamation once again utilized the National Council for Preservation Education intern program and employed six interns to do museum property related activities.

The total number of museum property items under Reclamation's control increased during this reporting cycle. The increase was the result of new accessions and improved catalog information. The item-level withdrawals were the result of items being determined to be: (1) outside Reclamation's control, (2) previously misidentified as museum property, or (3) better identified under a different discipline heading (i.e., historic objects reclassified as archeology documents).

Bureau of Indian Affairs. BIA 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 displayed in BIA administrative offices, illustrating the history, mission, and activities of the bureau, as well as highlighting traditional and contemporary American Indian material culture. Collections are also managed in museums, universities and other repositories and made available to Tribes and the public through research, exhibitions, and publications that document and highlight Tribal histories and traditions.

BIA museum collections are housed at 100 BIA facilities and 72 non-BIA facilities. Museum collection additions and withdrawals include one collection of materials being transferred from a BIA facility to a non-DOI tribal museum on long-term loan; a repatriation of human remains from a BIA facility to affiliated Tribal representatives under the Native American Graves Protection and Repatriation Act, and one non-Interior museum closure, where objects were transferred to another non-Interior repository that manages other BIA museum collections.

Fish and Wildlife Service. 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. The majority of FWS museum collections are maintained on loan to museums and other institutions. The FWS ensures that these collections are safeguarded through compliance with the Secretary of the Interior's curation standards found in 36 CFR 79. Institutions housing FWS museum collections must maintain the appropriate environmental, record-keeping, and security controls in order to qualify to maintain Federal collections.

U.S. Geological Survey. The USGS uses its museum property collection to illustrate important achievements and challenges to the Earth Sciences, to document the history of the USGS, and to enlighten those who use the collection. The USGS museum collections are housed in both Federal and non-Federal institutions in an effort to maximize accessibility to the public. The 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, and in 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.

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. Department museum activities include collection management, exhibit development, educational outreach, and research. Museum objects are acquired through donation, purchase, exchange, transfer, and field collection and are governed by each DOI bureau's mission and the Interior museum's ability to manage and preserve museum objects in accordance with Departmental standards.

Minerals Management Service. All MMS museum property is photographed, cataloged and have temporary numbers assigned. MMS staff is planning an educational outreach to increase awareness and visibility of the collection. It is hoped that educational efforts will result in identification of more items associated with MMS history that may be suitable for management as museum property. No new items were identified during FY 2005.

Stewardship Investments

Investment in Research and Development

Interior is an important source for the Nation's natural resources research and development initiatives, and is a reliable source for credible, objective, and unbiased information needed by resource managers across the Nation, within and outside of the Department. 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 is 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.

TABLE 3-8

Investment in Research and Development
(in millions)

Category	FY 2001	FY 2002	FY 2003	FY 2004 1/	FY 2005	TOTAL
Basic Research	$64.6	$87.0	$77.0	$70.6	79.0	378.2
Applied Research	659.1	893.3	768.2	842.4	762.7	3,925.7
Developmental	57.3	92.4	106.8	77.6	75.6	409.7
TOTAL	$781.0	$1,072.7	$952.0	$990.6	$917.3	$4,713.6

1/ The amounts for FY 2004 reflect end of year adjustments by the National Park Service and the Bureau of Land Management.

Interior's research and development activities are presented in *Table 3-8* in three major categories:

Basic research. A systematic study to gain knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications toward processes and products in mind;

Applied research. A systematic study to gain knowledge or understanding necessary for determining the means by which a recognized and specific need may be met; and,

Developmental. 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 advance scientific knowledge and utilize the latest technologies to provide timely answers and products, and improve the quality of life for the communities served. USGS research and data products support the Department's resource and land management needs and provide the science information needed by other Federal, State, Tribal, and local government agencies to guide planning, management, and regulatory programs.

USGS efforts in restoring the Everglades is an outstanding example of basic research with science applications that address issues resulting from nearly a century of wetland drainage and impoundment and that provide the information needed to restore the health of this unique ecosystem. The USGS provides the primary science support to the Department for resource management and restoration in South Florida. These and other studies are providing the highest quality scientific research and scientific information so that USGS partners at Interior and State and local agencies can fulfill their resource management and technical responsibilities.

The USGS and the Geological Survey of Canada are conducting research into community planning for multiple natural hazards along the Sea-to-Sky corridor located in British Columbia in anticipation of population increases and the upcoming Winter Olympics. The Sea-to Sky corridor is one of the most spectacular settings in the world offering travelers along Highway 99 North an uninterrupted vista of Howe Sound, year-round glaciers, and breath-taking West Coast mountain scenery. USGS and GSC also jointly produced a paper on developing methods to estimate the economic value of improved geologic maps for mineral exploration in mature and frontier mining districts.

National Park Service. Through appropriations for natural resource stewardship (encompassing natural resource research support and natural resource management, including the Natural Resource Preservation Program [NRPP]), and the Cultural Resource Preservation Program (CRPP), the NPS performs a wide range of mission-oriented research in support of its natural and cultural resource stewardship responsibilities. This work constitutes primarily either basic or applied research focusing on park-based needs for scientific and scholarly information necessary for park management.

Natural resource research and development funds support a variety of applied research projects including:

- Demographic monitoring, disease surveillance, and identifying an effective oral vaccine delivery mechanism for bison infected with bovine brucellosis in Grand Teton National Park. Bovine brucellosis causes reproductive failure in ungulates and has major economic implications for the regional, national, and international cattle industry. This work follows a recently adopted interagency management plan. The project's results will be used to develop effective strategies for addressing population and disease concerns, while providing for long-term bison conservation.

Minerals Management Service. The MMS manages the mineral resources on 1.76 billion acres of the Outer Continental Shelf (OCS) to ensure that exploration, development, and production activities are conducted in a manner that conserves natural resources, provides for the safety of offshore workers, and assures protection of the environment.

Significant accomplishments during FY 2005 include:

Chemosynthetic Ecosystems. Detailed environmental information on the deep Gulf of Mexico is needed as the energy industry continues its search for producible oil and natural gas reservoirs beyond the Outer Continental Shelf into the deep waters of the continental slope. The geological features that make the Gulf of Mexico an important petroleum province also provide conditions that result in the existence of natural seeps and chemosynthetic communities. To meet management needs for environmental information, the Environmental Studies Program (ESP) conducts interdisciplinary studies in deepwater areas of the Gulf of Mexico to describe the distribution and structure of the unique ecosystems and biogeochemical and physical processes that influence these biologic resources.

The MMS Chemosynthetic Ecosystems research has revealed many intriguing facts about the chemosynthetic animals and communities. Chemosynthetic communities are organisms living off gas and oil that seep from the earth's surface. These communities form what are equal to reef communities teaming with life. Chemosynthetic communities in the northern Gulf of Mexico were discovered in 1984 during a study conducted for the MMS. Findings indicate that Gulf seep species studied to date have a very slow growth rate. When Gulf chemosynthetic communities are buried and suffocated by natural events such as turbidity flow, the same community will eventually grow back. Thus, the extraction of oil and gas from subsurface reservoirs is not predicted to deprive the communities of the necessary gasses for survival. MMS has developed regulatory measures designed to protect the unique chemosynthetic communities from the physical effects of OCS mineral activities.

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 development of solutions pertaining to flood hydrology, water quality, irrigation return flows, and the delivery of hydropower to the West. 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 end 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 (CUPCA). 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 (CUWCD). Examples of R&D investments are:

- *Utah Lake Salinity Control.* Feasibility study to reduce the salinity of Utah Lake;

- *Mitigation and Conservation Measures*. To provide mitigation and conservation measures outside the State of Utah by restoring damaged natural ecosystems on public lands and waterways affected by the Federal Reclamation program; and,

- *Water Management Improvement.* Study of wholesale and retail pricing to encourage water conservation and a study of the coordinated operations of independent municipal, industrial, irrigation and water systems.

Departmental Offices - Utah Reclamation Mitigation and Conservation Commission. The Commission invests in either 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). For FY 2005, the Commission's research has focused primarily on:

- *Sage Grouse.* A Northern American bird threatened by loss and deterioration of sage-steppe grassland habitat and predation.

- *June Sucker.* A fish occurring naturally only in Utah Lake and the Provo River which is federally listed as endangered.

Bureau of Land Management. The ultimate 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 these needs to research agencies, universities, and other non-governmental organizations.

In 2005, the BLM began new and continued past research and development efforts, including:

- Continuing studies in the Cooperative Forest Ecosystem Research Program, emphasizing influences of landscape pattern and management on composition of terrestrial and aquatic species, riparian linkage, and analysis of riparian management and conservation strategies, and post-fire rehabilitation and ecology;

- Continuing the mapping of infestations and accurately monitoring the spread of invasive species on western rangelands; improving methods for predicting areas most vulnerable to invasions; and assessing the effects of management practices and natural disturbances on invasions; and,

- Continuing research efforts on wild horses that focus on population modeling and fertility control on herd dynamics and working to refine multiple-year contraceptive vaccines

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 *Table 3-9*.

Bureau of Indian Affairs Education Programs

Within the BIA, the Office of Indian Education Programs (OIEP) takes the lead in the area of education. The OIEP vision and long-range goal is to unite and promote healthy Indian communities through lifelong learning. This vision and goal is implemented through the commitment to provide quality education opportunities from early childhood throughout life.

Adult Education

The adult education program provides opportunities for adult Indians and Alaska Natives to complete the General Equivalency Degree (GED). Completion of the GED increases adult Indians and Alaska Natives' economic competitiveness and reduces their economic dependence on Federal welfare programs. It also provides basis skills for transition to community college or job placement. In addition, this program specifically improves the Native Americans' educational opportunities, employment skills and

TABLE 3-9

Investment in Human Capital
(in millions)

Category	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	TOTAL
Educational Programs 1/	526.7	$606.8	$559.6	$570.2	$549.0	$2,812.3
Job Corps Program	51.4	55.6	59.4	57.4	52.6	276.4
Other Educational Programs 2/	0.0	15.0	11.8	11.9	12.1	50.8
TOTAL	$578.1	$677.4	$630.8	$639.5	$613.7	$3,139.5

1/ Educational Programs include the Bureau of Indian Affairs' School Operations, Adult Education Post-Secondary Education, Scholarships, and Other Educational Programs.
2/ Indian Employment, Training, and Related Services Act (477 Program)

abilities while enhancing the local economy and their economic competitiveness on reservations.

Significant Output/Accomplishment
During School Year 2003-2004 (last full year data available), the Sinte Gleska University's Adult Basic Education Program reported that all goals were met or surpassed. Forty-nine students attained their GED, which is the largest number to date. The program, which is currently the fourth largest Adult Education Program in South Dakota, expects to continue growing to meet "No Child Left Behind" standards.

Other Education Programs
The Johnson O'Malley (JOM) Program provides supplemental financial assistance to meet the unique and specialized education needs of eligible Indian (age 3 through grade 12) students attending public schools. JOM is the only BIA program that provides for the culturally-related and supplementary academic needs of Indian children attending public schools.

These programs support the Bureau's Annual Performance Plan goal that seeks to improve the succession of students to each educational level.

The Tribal Design Programs allow Tribes to design programs that meet the needs of their local communities and support the goals written in the bureau's performance plan.

Significant Output/Accomplishment
During School Year 2004-2005, the Navajo Nation's JOM Program (through 37 schools, school districts and tribal subcontracts) provided assistance to more than 51,000 students in Arizona, New Mexico, and Utah.

Post-Secondary Education Programs
The Post-Secondary Education Programs are an important component in the economic development of Tribal communities. It also supports the Department's goal on "Improving Communities" by promoting growth within Indian communities. These programs primarily consist of operating grants and supplemental funds for Tribal Colleges and Universities (TCU). They also include the Undergraduate and Graduate Scholarship Programs, Haskell Indian Nations University, and Southwestern Indian Polytechnic Institute.

The operating funds for TCUs are provided through the TCU Program, which provides grants to defray expenditures for academic, educational, and administrative purposes, and for the operation and maintenance of 25 TCUs. Six Tribes supplement the operation of their TCUs by providing additional TPA funds for policy development, curriculum additions, and general program operations.

The Undergraduate and Graduate Scholarship Programs are administered by the BIA and by Tribes under self-determination contracts, grants, or self-governance compacts. The Undergraduate Scholarship Program provides financial assistance for eligible American Indian and Alaska Native students attending accredited post-secondary institutions. Each scholarship award is based on the student's certified financial aid requirements for Title IV Federal Assistance, such as the Pell Grant.

Significant Output/Accomplishment
The most significant accomplishment during School Year 2003-2004 was that the number of graduates increased at Haskell and Southwestern Indian Polytechnic Institute. This clearly demonstrates the continued success of these two Indian schools.

School Operations
The Indian School Equalization Program (ISEP) provides formula-based funding for BIA-operated grant, contract elementary, and secondary schools. Funds are distributed using the ISEP formula which considers Weighted Student Units (WSU) 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 School Operations Program consists of ISEP, transportation, Family and Child Education (FACE) and administrative cost funds.

Significant Output/Accomplishment
The most significant accomplishment in school operations was illustrated within the recent Family and Child Education (FACE) impact study. This study conducted by an independent research firm determined that in School Year 2004-2005:

- The FACE Program was successful in encouraging parents to enroll their child in preschool programs.

- The FACE Program was successful in preparing children for school.

	School Year 2004-2005		School Year 2003-2004	
School Operations	Schools	Students	Schools	Students
Contract/Grant Schools	122	29,370	120	28,976
Bureau-Operated Schools	62	18,218	64	18,695
Totals	184	47,588	184	47,671

The Indian Employment, Training, and Related Services Act (477 Program)
The Indian Employment, Training, and Related Services Act (P.L. 102-477) allows federally recognized Tribes to apply funding by the Departments of Labor, Health and Human Services, and DOI to employ, train, and provide child care, welfare reform, and related services. The Tribal governments are allowed to integrate the employment, training, and related services in order to effect improved services. In essence, the services reduce joblessness in Indian communities and foster economic development on Indian lands, while serving Tribally determined goals that are consistent with policies of self-determination and self-governance.

Significant Output/Accomplishment
The Tribes now spend fewer funds on administration, while simultaneously improving increased client services through the reduction of administrative burdens. For instance, annual Tribal reporting on various forms and instructions was reduced from several hundred pages to only a few pages per year. As a result, the program now requires only one set of client files and applications, instead of several different application forms, eligibility documentation, and other related administrative burdens.

In addition, 48 Tribal grantees under the 477 Program, and amendments to the 477 Program (P.L. 106-568) strengthened the 477 initiative by providing Tribes with the flexibility to use a certain percent of their existing funds for job creation. Several Tribes have taken a leadership role in this particular initiative. As a result, they are implementing economic development projects that now assist other Tribes in creating jobs. For instance, the Citizen

Potawatomi Nation redesigned their 477 plan to create jobs and assist clients, as well as employers.

Job Corps Program
Through the Job Corps Program, the Interior provides residential education and job training to disadvantaged youth through program participation from Interior bureaus. The Job Corps, established in 1964, is the Nation's largest national job training and education program and offers job training, basic education, social skills training, and support services to young people ages 16-24 that face multiple barriers to employment. Job Corps Civilian Conservation Centers are operated by the Departments of the Interior and Agriculture and are located on National Wildlife Refuges, in National Parks, and in National Forests. Job Corps students perform valuable work to improve these public lands. In FY 2005, a total of approximately $52.6 million was expended by the Department for the Job Corps Program.

Bureau Job Corps Program Highlights

Bureau of Reclamation. Reclamation operates five Job Corps Centers to educate and train disadvantaged youth. In FY 2005, Reclamation expended approximately $30 million in residential education and job training, including courses in computer technology, painting, woodworking, welding, culinary arts, and social and leadership development.

The following chart shows the numbers of Reclamation Center graduates as a percentage of the total Center enrollment and the number of graduates placed into jobs within one year of graduation as a percentage of the graduates in the placement pool.

The Ft. Simcoe center has an enrollment capacity of 224 students. Job Corps is a self-paced, open entry/exit program. This means it takes some students longer than others to graduate. Depending on incoming educational levels, it can take a student between eight months and two years to complete the program and graduate. Therefore the number of graduates does not always equal the number of enrollees. In fact, the number of graduates can exceed the number of enrollees if the average length of stay is less than one year.

Reclamation Center Graduates

Center	Graduates	Enrollment	%	Graduates Placed	Graduate Placement Pool	%
Centennial	272	300	90.7	276	299	92.3
Columbia Basin	215	250	86.0	186	200	93.0
Ft. Simcoe	230	224	102.7	227	250	90.8
Weber Basin	173	224	77.2	165	181	91.2
Collbran	171	200	85.5	177	187	94.7

National Park Service. The NPS operates three Job Corps Civilian Conservation Centers: the Oconaluftee Center in North Carolina, the Great Onyx Center in Mammoth Cave, Kentucky, and the Harpers Ferry Center in Harpers Ferry, West Virginia. Student capacity is approximately 200 for each of the Centers. These Centers offer residential, educational, training, and employment programs. Job Corps centers are rated on the attainment of goals for graduates and student placements in jobs once students leave the program. Students graduate from the program with a high school diploma or General Education diploma. Graduates obtain jobs in various industries including business technology, transportation (trucking), plumbing, and building and construction. FY 2005 graduates and placements for the three NPS centers are:

General Education Diploma/High School Diploma

Center	GED/HSD Graduates	Total Students	% of Students	Targeted Goal	% of Goal Met
Great Onyx	131	303	43%	47.5%	91%
Harpers Ferry	131	259	51%	45.1%	>100%
Oconaluftee	82	206	40%	47.8%	83%

Vocational Graduates

Center	Graduates	Total Students	% of Students	Targeted Goal	% of Goal Met
Great Onyx	161	414	39%	65%	60%
Harpers Ferry	244	347	70%	65%	>100%
Oconaluftee	132	264	50%	65%	77%

Placements

Center	Graduates	Total Students	% of Students	Targeted Goal	% of Goal Met
Great Onyx	197	399	49%	95%	52%
Harpers Ferry	248	269	92%	95%	97%
Oconaluftee	134	153	88%	95%	92%

U.S. Fish and Wildlife Service. The FWS operates two Job Corps Civilian Conservation Centers: Mingo, located at the Mingo Wildlife Refuge in Puxico, Missouri, and Treasure Lake, located at the Wichita Mountains Wildlife Refuge in Diahoma, Oklahoma. Effective January 2005, operation of the Mingo Job Corps Center was transferred to the U.S. Forest Service. Job Corps Centers are rated on the attainment of goals for graduation and student placement in jobs once students leave the program. The FWS's ratings are as follows for the number of students served, graduates, and placements:

FWS Ratings

Center	Students Served	Graduates	%	Placements	% of Graduate Placements
Treasure Lake	429	156	36%	172	40%

TABLE 3-10

FY 2005 Investment in Non-Federal Physical Property
(in millions)

Category	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	TOTAL
Dams and Other Water Structures	$132.1	$161.6	$244.7	$213.2	$244.8	$996.4
Land	6.0	8.7	65.0	120.0	90.4	290.1
Roads and Bridges	253.9	259.2	240.8	217.0	112.5	1,083.4
Schools and Public Buildings	94.8	149.6	89.1	99.7	93.8	527.0
Not Classified	179.0	169.0	1.0	1.0	15.0	365.0
Total 1/	$665.8	$748.1	$640.6	$650.9	$556.5	$3,261.9

1/ Changes in prior year numbers reflect year-end adjustments and corrections by several Interior bureaus.

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.

Interior's investment in non-Federal physical property is shown in *Table 3-10*.

Bureau of Indian Affairs. BIA's investment in non-Federal physical property includes schools, dormitories and other infrastructures, and the Indian Reservation and Roads (IRRB) program.

The Office of Facility Management and Construction (OFMC), in conjunction with the BIA, owns or provides funds for a considerable number and broad variety of buildings and other associated facilities across the Nation, including buildings with historic and architectural significance. The BIA'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 BIA also provides funding for administrative buildings at a number of tribal locations. Other facilities include dormitories, road forestry and detention centers, numerous irrigation facilities, and significantly hazardous dams. Additionally, program sub-activities have elements that 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 BIA is continually striving to correct code and standard deficiencies.

Indian Reservation Roads and Bridges Program. The BIA Division of Transportation jointly administers the Indian Reservation Roads (IRR) Program and the Indian Reservation Roads Bridge Program (IRRBP) with the Federal Highway Administration. The purpose of the IRR Program is to provide safe and adequate transportation and public road access to and within Indian reservations, Indian lands, and communities for Indians and Alaska Natives, visitors, recreational users, resource users, and others, while contributing to economic development, self-determination, and employment of Indians and Alaska Natives. As of October 2004, the IRR system consisted of approximately 27,749 miles of BIA and tribally-owned public roads and 31,345 miles of State, county, and local government public roads, as well as an inventory of over 1,020 BIA-owned bridges.

Bureau of Reclamation. Reclamation's investments in non-Federal physical property provide assistance through a variety of measures, all related to water and related resources management. 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. Reclamation-wide programs that improve State and local fish and wildlife habitats through activities such as the construction or betterment of structures or facilities are also included.

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 of improvements of other physical assets for purposes of enhancing fish and wildlife management in States and for land restoration, species protection, recreational hunting and boating improvements, and habitat loss prevention.

National Park Service. Congress may annually appropriate funds 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. Typically, more than 90% 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 are associated with these projects. During FY 2005, $21.2 million has been expended for these pass through projects.

Of this $21.2 million, approximately $9.2 million was used to support the construction of an Abraham Lincoln Interpretive Center in downtown Springfield, Illinois. The planned two-part Abraham Lincoln Presidential Library and Interpretive Center will consist of a museum portion, a library, and archives. Another $2.3 million was expended for the Southwest Pennsylvania Heritage Commission. These costs reflect FY 2005 expenditures of a portion of 12 years of appropriated funding totaling approximately $36.8 million to continue support efforts to develop a regional network of sites along the Path of Progress National Heritage Tour Route in the Southwest Region of Pennsylvania.

Departmental Offices - The Office of Insular Affairs. The Office of Insular Affairs (OIA) 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. These grants involve hospitals, public buildings, roads, schools, sewage facilities, and solid waste facilities.

Departmental Offices - Central Utah Project Completion Act. The Central Utah Project Completion Act (CUPCA) expressly authorized the Utah Reclamation Mitigation and Conservation Commission to invest in fish and wildlife habitat improvements on non-Federal properties because the Federal reclamation projects in Utah affected fish and wildlife resources beyond the boundaries of the Reclamation projects and opportunities to mitigate on Federal lands are often limited. FY 2005 activities include:

- *Duchesne Strawberry Diversion Structures*. The Commission, in conjunction with the Duchesne County Water Conservancy District in Utah, is reconstructing the rehabilitating diversion structures on the Duchesne and Strawberry Rivers.

- *Wetlands Around Great Salt Lake*. The Great Salt Lake ecosystem provides the vast majority of the remaining valuable wetlands in Utah and is a critical site for achieving wetland mitigation. The Commission has made investments on wetland properties in conjunction with major wetland conservation programs conducted by the State of Utah Division of Wildlife Resources, Utah State University, the Nature Conservancy, and the National Audubon Society. Commission investments have included a variety of habitat improvement.

This page
intentionally
left
blank

Other Supplementary Information (See Auditors' Report)

Other Supplemental 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 provided 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, and 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 $40.5 million and $44.3 million (unaudited), as of September 30, 2005 and 2004, respectively.

Consolidating Balance Sheet
as of September 30, 2005
(dollars in thousands)

	Bureau of Indian Affairs	Bureau of Land Management	Bureau of Reclamation	Departmental Offices and Other
ASSETS				
Intragovernmental Assets:				
Fund Balance with Treasury	$ 1,508,092	$ 1,064,535	$ 6,090,731	$ 1,023,951
Investments, Net	66,541	1,749,802	-	416,998
Accounts and Interest Receivable	7,231	15,388	825,974	102,429
Loans and Interest Receivable, Net	-	-	2,458,075	-
Other	2,556	1,278	1,423	30,879
Total Intragovernmental Assets	1,584,420	2,831,003	9,376,203	1,574,257
Cash	638	56	100	-
Investments, Net	1,065	-	-	198,060
Accounts and Interest Receivable, Net	26,330	10,367	31,459	47,767
Loans and Interest Receivable, Net	28,131	-	146,468	5,658
Inventory and Related Property, Net	-	304,378	-	528
General Property, Plant, and Equipment, Net	1,372,343	388,934	13,015,525	337,671
Other	82,632	77	198,315	3,613
Stewardship Assets				
TOTAL ASSETS	$ 3,095,559	$ 3,534,815	$ 22,768,070	$ 2,167,554
LIABILITIES				
Intragovernmental Liabilities:				
Accounts Payable	$ 55,408	$ 38,981	$ 24,651	$ 7,366
Debt	29,715	1,074,204	96,811	19,795
Other				
Resources Payable to Treasury	21,041	-	1,780,970	214,742
Advances and Deferred Revenue	94,756	9,950	8,780	475,850
Custodial Liability	-	57,518	-	-
Other Liabilities	158,477	131,392	88,996	5,342
Total Intragovernmental Liabilities	359,397	1,312,045	2,000,208	723,095
Accounts Payable	90,099	37,366	204,868	161,112
Loan Guarantee Liability	81,670	-	-	-
Federal Employee and Veteran Benefits	121,283	94,971	88,702	17,437
Environmental and Disposal Liabilities	51,576	3,491	35,360	1,300
Other				
Contingent Liabilities	62,487	1,465	9,515	-
Advances and Deferred Revenue	7,400	-	452,633	6,762
Payments Due to States	-	-	-	-
Other Liabilities	64,046	296,696	51,757	64,121
TOTAL LIABILITIES	837,958	1,746,034	2,843,043	973,827
Commitments and Contingencies				
Net Position				
Unexpended Appropriations	1,242,504	471,557	350,519	402,540
Cumulative Results of Operations	1,015,097	1,317,224	19,574,508	791,187
Total Net Position	2,257,601	1,788,781	19,925,027	1,193,727
TOTAL LIABILITIES AND NET POSITION	$ 3,095,559	$ 3,534,815	$ 22,768,070	$ 2,167,554

Consolidating Balance Sheet
as of September 30, 2005
(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 2005 Total**
$ 1,444,637	$ 19,152,506	$ 49,332	$ 1,457,266	$ 240,082	$ -	$ 32,031,132
1,088,246	1,370	2,141,599	1,999,113	-	-	7,463,669
404,789	23,253	34	28,913	58,048	(957,382)	508,677
-	-	-	-	-	-	2,458,075
194	6,910	43	1,368	2,519	(45,765)	1,405
2,937,866	19,184,039	2,191,008	3,486,660	300,649	(1,003,147)	42,462,958
-	425	-	50	1	-	1,270
-	-	-	-	-	-	199,125
2,426,301	8,971	11,439	22,004	75,928	-	2,660,566
-	3,598	-	-	-	-	183,855
-	-	-	-	789	-	305,695
28,543	1,098,686	2,417	917,489	162,170	-	17,323,778
2	11,746	-	210	58	-	296,653
$ 5,392,712	$ 20,307,465	$ 2,204,864	$ 4,426,413	$ 539,595	$ (1,003,147)	$ 63,433,900
$ 3,463	$ 18,013	$ 52	$ 6,993	$ 8,670	$ (83,716)	$ 79,881
-	-	-	-	-	-	1,220,525
-	-	-	-	81	-	2,016,834
1,079,418	2,575	208	976	2,229	(48,218)	1,626,524
1,799,017	-	-	-	-	(860,164)	996,371
3,781	61,238	1,576	462,964	34,611	(11,049)	937,328
2,885,679	81,826	1,836	470,933	45,591	(1,003,147)	6,877,463
249,352	212,711	7,098	59,301	65,811	-	1,087,718
-	-	-	-	-	-	81,670
9,837	928,328	3,867	62,270	41,010	-	1,367,705
-	14,966	-	14,033	82	-	120,808
550,690	2,139	2,570	100	2,208	-	631,174
829	9,888	-	7,485	4,469	-	489,466
1,009,418	-	-	-	-	-	1,009,418
92,931	188,090	7,150	152,316	114,449	-	1,031,556
4,798,736	1,437,948	22,521	766,438	273,620	(1,003,147)	12,696,978
8,574	944,005	41,544	536,093	181,906	-	4,179,242
585,402	17,925,512	2,140,799	3,123,882	84,069	-	46,557,680
593,976	18,869,517	2,182,343	3,659,975	265,975	-	50,736,922
$ 5,392,712	$ 20,307,465	$ 2,204,864	$ 4,426,413	$ 539,595	$ (1,003,147)	$ 63,433,900

Consolidating Balance Sheet
as of September 30, 2004
(dollars in thousands)

	Bureau of Indian Affairs	Bureau of Land Management	Bureau of Reclamation	Departmental Offices and Other
ASSETS				
Intragovernmental Assets:				
Fund Balance with Treasury	$ 1,468,919	$ 1,252,381	$ 5,233,607	$ 1,047,353
Investments, Net	68,565	829,445	-	392,303
Accounts and Interest Receivable	28,199	12,493	351,764	47,832
Loans and Interest Receivable, Net	-	-	-	-
Other	1,732	1,090	1,236	22,718
Total Intragovernmental Assets	1,567,415	2,095,409	5,586,607	1,510,206
Cash	432	55	91	-
Investments, Net	1,077	-	-	190,767
Accounts and Interest Receivable, Net	26,388	20,691	32,179	8,231
Loans and Interest Receivable, Net	33,558	-	166,900	23,098
Inventory and Related Property, Net	-	321,319	-	567
General Property, Plant, and Equipment, Net	1,328,541	355,621	13,065,549	298,728
Other	91,412	131	191,983	656
Stewardship Assets				
TOTAL ASSETS	$ 3,048,823	$ 2,793,226	$ 19,043,309	$ 2,032,253
LIABILITIES				
Intragovernmental Liabilities:				
Accounts Payable	$ 43,240	$ 24,895	$ 25,711	$ 5,608
Debt	29,615	1,139,204	114,098	21,962
Other				
Resources Payable to Treasury	25,994	-	-	-
Advances and Deferred Revenue	147,996	16,221	10,381	475,696
Custodial Liability	-	73,376	-	-
Other Liabilities	163,154	122,004	89,086	4,517
Total Intragovernmental Liabilities	409,999	1,375,700	239,276	507,783
Accounts Payable	94,146	31,436	196,000	113,603
Loan Guarantee Liability	60,081	-	-	-
Federal Employee and Veterans' Benefits	118,325	90,507	85,815	17,809
Environmental and Disposal Liabilities	67,065	6,330	5,629	1,300
Other				
Contingent Liabilities	58,070	3,650	62,624	712
Advances and Deferred Revenue	7,550	136,389	269,096	4,727
Payments Due to States	-	-	-	-
Other Liabilities	79,976	498,380	47,138	38,872
TOTAL LIABILITIES	895,212	2,142,392	905,578	684,806
Commitments and Contingencies				
Net Position				
Unexpended Appropriations	1,177,903	461,140	325,934	403,846
Cumulative Results of Operations	975,708	189,694	17,811,797	943,601
Total Net Position	2,153,611	650,834	18,137,731	1,347,447
TOTAL LIABILITIES AND NET POSITION	$ 3,048,823	$ 2,793,226	$ 19,043,309	$ 2,032,253

Consolidating Balance Sheet
as of September 30, 2004
(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 2004 Total**
$ 1,501,565	$ 18,603,252	$ 44,792	$ 1,479,492	$ 234,783	$ -	$ 30,866,144
1,029,419	65	2,051,300	1,816,232	-	-	6,187,329
294,990	17,490	45	26,410	60,776	(491,965)	348,034
-	-	-	-	-	-	-
1,283	5,487	50	1,302	3,883	(37,570)	1,211
2,827,257	18,626,294	2,096,187	3,323,436	299,442	(529,535)	37,402,718
-	395	-	107	1	-	1,081
-	-	-	-	-	-	191,844
1,148,036	13,702	6,631	10,700	81,083	-	1,347,641
-	3,958	-	-	-	-	227,514
-	-	-	-	2,433	-	324,319
32,058	980,223	2,561	900,160	190,770	-	17,154,211
3	12,434	-	286	45	-	296,950
$ 4,007,354	$ 19,637,006	$ 2,105,379	$ 4,234,689	$ 573,774	$ (529,535)	$ 56,946,278
$ 4,865	$ 26,197	$ 45	$ 5,810	$ 9,885	$ (69,430)	$ 76,826
-	-	-	-	-	-	1,304,879
-	-	-	-	231	-	26,225
1,137,545	4,155	6	689	4,742	(40,430)	1,757,001
999,250	-	-	-	-	(401,148)	671,478
2,866	63,619	1,500	440,742	33,569	(18,527)	902,530
2,144,526	93,971	1,551	447,241	48,427	(529,535)	4,738,939
245,192	163,742	17,947	80,068	82,711	-	1,024,845
-	-	-	-	-	-	60,081
8,711	879,969	3,830	58,820	40,569	-	1,304,355
-	7,513	-	12,874	1,097	-	101,808
550,000	16,814	68,600	12	-	-	760,482
7,594	13,351	-	5,949	1,713	-	446,369
412,880	-	-	-	-	-	412,880
68,848	183,219	7,083	88,241	110,205	-	1,121,962
3,437,751	1,358,579	99,011	693,205	284,722	(529,535)	9,971,721
7,450	1,000,273	38,489	501,981	163,343	-	4,080,359
562,153	17,278,154	1,967,879	3,039,503	125,709	-	42,894,198
569,603	18,278,427	2,006,368	3,541,484	289,052	-	46,974,557
$ 4,007,354	$ 19,637,006	$ 2,105,379	$ 4,234,689	$ 573,774	$ (529,535)	$ 56,946,278

Consolidating Statement of Changes in Net Position
for the fiscal year ended September 30, 2005
(dollars in thousands)

	Bureau of Indian Affairs	Bureau of Land Management	Bureau of Reclamation	Departmental Offices and Other
UNEXPENDED APPROPRIATIONS				
Beginning Balance	$ 1,177,903	$ 461,140	$ 325,934	$ 403,846
Budgetary Financing Sources				
Appropriations Received, General Funds	2,338,479	1,931,631	190,227	1,085,382
Appropriations Transferred In/Out	248,839	(354,432)	41,639	(40,010)
Appropriations-Used	(2,491,411)	(1,541,145)	(205,939)	(1,036,231)
Other Adjustments	(31,305)	(25,638)	(1,342)	(10,447)
Net Change	64,602	10,416	24,585	(1,306)
Ending Balance - Unexpended Appropriations	$ 1,242,505	$ 471,556	$ 350,519	$ 402,540
CUMULATIVE RESULTS OF OPERATIONS				
Beginning Balance	$ 975,708	$ 189,694	$ 17,811,797	$ 943,601
Adjustments				
Change in Accounting Principle	-	-	405,417	(248,267)
Beginning Balance, as adjusted	975,708	189,694	18,217,214	695,334
Budgetary Financing Sources				
Appropriations-Used	2,491,411	1,541,145	205,939	1,036,231
Royalties Retained	-	81,408	1,763,969	-
Non-Exchange Revenue	153	(166)	15	84,908
Transfers In/Out without Reimbursement	240,178	(115,127)	(78,763)	16,015
Donations and Forfeitures of Cash and Cash Equivalents	-	-	-	22
Other Budgetary Financing Sources	(4,968)	14	33,958	14,020
Other Financing Sources				
Imputed Financing from Costs Absorbed by Others	68,435	79,870	67,863	22,566
Transfers In/Out without Reimbursement	12,218	(1,621)	(51,621)	3,271
Donations and Forfeitures of Property	16,165	-	2,177	5,547
Total Financing Sources	2,823,592	1,585,523	1,943,537	1,182,580
Net Cost of Operations	(2,784,203)	(457,994)	(586,244)	(1,086,726)
Net Change	39,389	1,127,529	1,357,293	95,854
Ending Balance - Cumulative Results of Operations	$ 1,015,097	$ 1,317,223	$ 19,574,507	$ 791,188

Consolidating Statement of Changes in Net Position for the fiscal year ended September 30, 2005

(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 2005 Total**
$ 7,450	$ 1,000,273	$ 38,490	$ 501,980	$ 163,343	$ -	$ 4,080,359
169,175	2,238,294	109,805	1,176,585	958,021	-	10,197,599
3,343	102,345	-	86,270	5,647	-	93,641
(168,927)	(2,354,429)	(104,439)	(1,212,825)	(924,389)	-	(10,039,735)
(2,467)	(42,478)	(2,311)	(15,918)	(20,716)	-	(152,622)
1,124	(56,268)	3,055	34,112	18,563	-	98,883
$ 8,574	$ 944,005	$ 41,545	$ 536,092	$ 181,906	$ -	$ 4,179,242
$ 562,153	$ 17,278,154	$ 1,967,879	$ 3,039,504	$ 125,708	$ -	$ 42,894,198
-	-	-	-	-	-	157,150
562,153	17,278,154	1,967,879	3,039,504	125,708	-	43,051,348
168,927	2,354,429	104,439	1,212,825	924,389	-	10,039,735
2,229,170	1,054,553	-	1,036	-	-	5,130,136
29,273	33	368,898	793,791	(104)	-	1,276,801
(3,994)	(245,745)	-	127,309	1,526	-	(58,601)
-	27,578	-	3,287	2,272	-	33,159
-	(388)	-	8,404	-	-	51,040
15,117	114,472	6,828	62,061	62,772	(48,451)	451,533
(838)	1,776	(666)	4,289	2,151	-	(31,041)
-	612	-	-	2,095	-	26,596
2,437,655	3,307,320	479,499	2,213,002	995,101	(48,451)	16,919,358
(2,414,407)	(2,659,962)	(306,580)	(2,128,621)	(1,036,740)	48,451	(13,413,026)
23,248	647,358	172,919	84,381	(41,639)	-	3,506,332
$ 585,401	$ 17,925,512	$ 2,140,798	$ 3,123,885	$ 84,069	$ -	$ 46,557,680

Consolidating Statement of Changes in Net Position
for the fiscal year ended September 30, 2004
(dollars in thousands)

	Bureau of Indian Affairs	Bureau of Land Management	Bureau of Reclamation	Departmental Offices and Other
UNEXPENDED APPROPRIATIONS				
Beginning Balance	$ 1,149,927	$ 412,460	$ 314,643	$ 340,299
Budgetary Financing Sources				
Appropriations Received, General Funds	2,332,793	2,002,596	168,998	1,059,789
Appropriations Transferred In/Out	289,264	(426,887)	38,141	(58,117)
Appropriations-Used	(2,564,378)	(1,505,149)	(195,353)	(928,421)
Other Adjustments	(29,705)	(21,879)	(495)	(9,702)
Net Change	27,974	48,681	11,291	63,549
Ending Balance - Unexpended Appropriations	$ 1,177,901	$ 461,141	$ 325,934	$ 403,848
CUMULATIVE RESULTS OF OPERATIONS				
Beginning Balance	$ 1,004,583	$ (262,935)	$ 17,098,978	$ 863,025
Adjustments				
Change in Accounting Principle	-	-	-	-
Beginning Balance, as adjusted	1,004,583	(262,935)	17,098,978	863,025
Budgetary Financing Sources				
Appropriations-Used	2,564,378	1,505,149	195,353	928,421
Royalties Retained	-	16,216	1,066,780	-
Non-Exchange Revenue	187	176	149	50,548
Transfers In/Out without Reimbursement	218,845	(71,693)	(5,449)	(13,009)
Donations and Forfeitures of Cash and Cash Equivalents	-	-	-	-
Other Budgetary Financing Sources	2,641	15	-	(1,791)
Other Financing Sources				
Imputed Financing from Costs Absorbed by Others	52,189	75,389	137,554	26,203
Transfers In/Out without Reimbursement	(4,005)	(2,479)	(25,181)	(595)
Donations and Forfeitures of Property	-	-	73	13,536
Total Financing Sources	2,834,235	1,522,773	1,369,279	1,003,313
Net Cost of Operations	(2,863,111)	(1,070,143)	(656,460)	(922,738)
Net Change	(28,876)	452,630	712,819	80,575
Ending Balance - Cumulative Results of Operations	$ 975,707	$ 189,695	$ 17,811,797	$ 943,600

Consolidating Statement of Changes in Net Position
for the fiscal year ended September 30, 2004
(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 2004 Total**
$ 6,969	$ 983,029	$ 36,299	$ 498,236	$ 187,440	$ -	$ 3,929,302
165,316	2,154,954	106,424	1,121,014	949,686	-	10,061,570
-	152,656	-	94,718	86	-	89,861
(162,538)	(2,258,373)	(101,939)	(1,198,544)	(956,739)	-	(9,871,434)
(2,297)	(31,994)	(2,294)	(13,443)	(17,131)	-	(128,940)
481	17,243	2,191	3,745	(24,098)	-	151,057
$ 7,450	$ 1,000,272	$ 38,490	$ 501,981	$ 163,342	$ -	$ 4,080,359
$ 532,485	$ 16,753,497	$ 1,878,297	$ 2,913,926	$ 152,407	$ -	$ 40,934,263
-	-	-	-	-	-	-
532,485	16,753,497	1,878,297	2,913,926	152,407	-	40,934,263
162,538	2,258,373	101,939	1,198,544	956,739	-	9,871,434
1,346,760	1,054,996	-	6,456	-	-	3,491,208
24,132	25	340,929	745,963	100	-	1,162,209
(3,983)	(332,008)	-	165,382	1,491	-	(40,424)
-	19,418	-	3,444	1,629	-	24,491
-	1,387	-	170	-	-	2,422
12,975	98,007	5,124	50,488	61,242	-	519,171
(569)	1,770	(401)	4,588	(350)	-	(27,222)
-	61	-	-	2,025	-	15,695
1,541,853	3,102,029	447,591	2,175,035	1,022,876	-	15,018,984
(1,512,185)	(2,577,370)	(358,009)	(2,049,457)	(1,049,576)	-	(13,059,049)
29,668	524,659	89,582	125,578	(26,700)	-	1,959,935
$ 562,153	$ 17,278,156	$ 1,967,879	$ 3,039,504	$ 125,707	$ -	$ 42,894,198

This page intentionally left blank

United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

November 15, 2005

Memorandum

To: Secretary

From: for Earl E. Devaney
Inspector General

Subject: Independent Auditors' Report on the Department of the Interior's Annual Report on Performance and Accountability for Fiscal Year 2005 (Report No. X-IN-MOA-0011-2005)

INTRODUCTION

The Department of the Interior (DOI) contracted with KPMG LLP, an independent certified public accounting firm, to audit the financial statements of DOI for fiscal years 2005 and 2004. The contract required that KPMG conduct its audit in accordance with the *Government Auditing Standards*, issued by the Comptroller General of the United States; Office of Management and Budget's Bulletin 01-02, as amended, *Audit Requirements for Federal Financial Statements*; and the Government Accountability Office/President's Council on Integrity and Efficiency's *Financial Audit Manual.*

FINDINGS

In its audit report dated November 15, 2005, KPMG issued an unqualified opinion on the DOI financial statements. However, KPMG identified 14 reportable conditions in DOI's internal controls over financial reporting, of which two were considered to be material weaknesses. KPMG also found three significant deficiencies in DOI's internal controls over Required Supplementary Information and Required Supplementary Stewardship Information. In addition, KPMG identified five instances where DOI did not comply with laws and regulations, including two instances of noncompliance with the Federal Financial Management Improvement Act (FFMIA).

KPMG is responsible for the attached auditors' report and for the conclusions expressed in the report. We do not express an opinion on DOI's financial statements, conclusions on the effectiveness of internal controls, conclusions on whether DOI's financial management systems substantially complied with FFMIA, or conclusions on compliance with laws and regulations.

DOI CORRECTIVE ACTIONS

DOI agreed with 12 of the 14 reportable conditions over financial reporting, one of the three significant deficiencies in internal controls over Required Supplementary Information and Required Supplementary Stewardship Information, and three of the five instances of noncompliance with laws and regulations.

DOI partially concurred with KPMG's finding on controls over the Indian trust funds, which was considered a material weakness. Management will continue to develop and implement additional procedures and internal controls to address the issues noted in the audit. However, DOI stated that it is in a position to draw conclusions that the differences between supporting records and recorded transactions are few in number, small in size, and not widespread or systematic. KPMG reiterated that management had not resolved differences relating to the trust fund balances and did not have adequate controls to ensure that trust fund activity and balances were recorded properly and timely.

DOI also partially concurred with the reportable condition on application and general controls over financial management systems. DOI pointed out that it made substantial progress in improving controls over its systems in fiscal year 2005 and believed that there were no apparent systemic weaknesses at the Department level. KPMG acknowledged that DOI made improvements in security and controls but stated that it had identified a number of conditions that could have affected DOI's ability to detect unauthorized changes to financial information, to control electronic access to sensitive information, and to protect its information.

With regard to the finding on deferred maintenance estimates, which was considered a significant deficiency in internal control over the required supplementary information, DOI partially concurred. However, DOI stated that stewardship land managed by the Department does not have deferred maintenance as defined by the authoritative guidance. KPMG responded that as of September 30, 2005, DOI did not have documented evidence that it had completed condition assessments for all stewardship land, and that DOI was unable to demonstrate that maintenance had not been deferred for its stewardship land. KPMG also stated that DOI reported known instances of land that is in need of intervention and had requested future outlays to correct these conditions in various reports and budget requests.

The finding on stewardship reporting, which was considered a significant deficiency in the reporting of required supplementary stewardship information, was also partially concurred with by DOI. DOI admitted that processes can be improved related to stewardship reporting. DOI did not agree that condition assessments are required for stewardship land. DOI also believed that it is following standard practices. KPMG stated that DOI is required to disclose the condition of stewardship land in accordance with the accounting standards.

DOI partially concurred with the finding on noncompliance with the Single Audit Act Amendments of 1996, stating that while the noncompliance was at some bureaus, the instances did not rise to the level that justified reporting the noncompliance at the Departmental level. KPMG responded that DOI did not ensure that grantees submitted progress reports, completed single audits, and submitted single audit reports timely. KPMG also stated that DOI did not have single audit reports for 395 different grants and did not issue corrective action plans for 59 findings. Additionally, KPMG noted that one component did not obtain progress reports for 15 of a sample of 32 grants that it selected for testing. It reiterated its conclusion that DOI did not comply with the requirements of the Single Audit Act and the related OMB circular.

With regard to the finding on noncompliance with the Debt Collection Improvement Act of 1996, DOI disagreed, stating that it has appeals processes in place that, although they may vary from bureau to bureau, are defined by law and impact when payments become due for collection and subsequently eligible for debt referral. DOI also stated that, as Treasury guidance stipulates, amounts that are the subject of an administrative appeal do not become eligible for referral until the appeal is concluded and the amount of the debt is fixed. During fiscal year 2005, DOI claimed that it continued to improve its process to ensure eligible receivables were referred to Treasury in a timely manner. KPMG acknowledged that DOI is improving its debt referral processes but noted that, although Minerals Management Service (MMS) receivables represented DOI's largest receivables with the public, 9 of 32 receivables sampled that were over 180 days delinquent had not been referred to Treasury. KPMG also cited the Bureau of Indian Affairs (BIA) receivables as another example of receivables not referred in a timely manner. KPMG added that for BIA, the incorrect interest rate was applied.

The DOI response follows KPMG's audit report as an attachment to this memorandum.

REPORT DISTRIBUTION

The legislation, as amended, creating the Office of Inspector General (5 U.S.C.A. App. 3) requires semiannual reporting to Congress on all audit reports issued, actions taken to implement audit recommendations, and recommendations that have not been implemented. Therefore, this report will be included 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
Deputy Chief Financial Officer
Director, Office of Financial Management
Audit Liaison Officer
Focus Leader for Management Control and Audit Follow-up, Office of Financial Management

KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report

Secretary and Inspector General
U.S. Department of the Interior:

We have audited the accompanying consolidated balance sheets of the U.S. Department of the Interior (Interior) as of September 30, 2005 and 2004, and the related consolidated statements of net cost, changes in net position, financing, and custodial activity, and the related combined statements of budgetary resources (hereinafter referred to as the "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 audits, we also considered Interior's internal control over financial reporting 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, 2005 and 2004, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 24 to the financial statements, Interior changed its method of accounting for appropriated debt transactions in accordance with the provisions of Office of Management and Budget (OMB) guidance that became effective October 1, 2004. Also, as discussed in note 17 to the financial statements, Interior's fiscal year 2005 consolidated statement of net cost is not comparable to its fiscal year 2004 consolidated statement of net cost because Interior revised its method of allocating certain costs and revenues between programs in fiscal year 2005.

Our fiscal year 2005 consideration of internal control over financial reporting resulted in the following conditions being identified as reportable conditions:

Reportable Conditions Considered to be Material Weaknesses

A. Controls over implementing new accounting policies and procedures
B. Controls over the Indian Trust funds

Other Reportable Conditions

C. Reconciliation of intragovernmental transactions and balances
D. Application and general controls over financial management systems
E. Controls over property, plant, and equipment
F. Controls over accruals
G. Controls over environmental contingencies

H. Financial management at the Bureau of Indian Affairs
I. Controls over revenue
J. Controls over grants
K. Segregation of responsibilities over purchases and entries
L. Controls over charge cards
M. Controls over obligations
N. Controls over the U.S. Park Police Pension Plan

We also noted the following significant deficiencies in internal control over Required Supplementary Information and Required Supplementary Stewardship Information that, in our judgment, could adversely affect Interior's ability to collect, process, record, and summarize this information:

O. Performance measure reporting
P. Deferred maintenance estimates
Q. Stewardship reporting

The results of our tests of fiscal year 2005 compliance with certain provisions of laws, regulations, contracts, and grant agreements disclosed the following instances 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. 01-02, *Audit Requirements for Federal Financial Statements*:

R. Single Audit Act Amendments of 1996
S. Debt Collection Improvement Act of 1996
T. OMB Circular No. A-25, *User Charges*
U. Federal Financial Management Improvement Act (FFMIA) of 1996

The following sections discuss our opinion on Interior's financial statements, our consideration of Interior's internal control over financial reporting, 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 consolidated balance sheets of the U.S. Department of the Interior as of September 30, 2005 and 2004, and the related consolidated statements of net cost, changes in net position, financing, and custodial activity, and the combined statements of budgetary resources for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Interior as of September 30, 2005 and 2004, and its net costs, changes in net position, budgetary resources, reconciliation of net costs to budgetary obligations, and custodial activities for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 24 to the financial statements, Interior changed its method of accounting for appropriated debt transactions in accordance with the provisions of OMB guidance that became effective October 1, 2004. Also, as discussed in note 17 to the financial statements, Interior's fiscal year 2005 consolidated statement of net cost is not comparable to its fiscal year 2004 consolidated statement of net cost because Interior revised its method of allocating certain costs and revenues between programs in fiscal year 2005.

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 accounting principles generally accepted in the United States of America or OMB Circular A-136, *Financial Reporting Requirements*, Part A, *Form and Content of the Performance and Accountability Report*. 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. As a result of such limited procedures, we believe that the Required Supplementary Information and the Required Supplementary Stewardship Information are not presented in conformity with accounting principles generally accepted in the United States of America. The Required Supplementary Information disclosures for deferred maintenance are not complete or current because Interior had not estimated deferred maintenance for all assets and did not consistently update deferred maintenance estimates. Additionally, performance measure results may not be accurate, as Interior did not properly design controls to collect, process, record, summarize, and report performance measure information. We also noted that Interior did not disclose the costs incurred to generate intragovernmental revenues by budget functional classification, as required, and did not fully reconcile intragovernmental transactions and balances with its trading partners. Finally, the Required Supplementary Stewardship Information disclosures for stewardship assets and investments are not current, complete, or consistently supported, because Interior did not consistently follow its established procedures and controls to accumulate and report the disclosure information and did not disclose all required information.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Performance Data and Analysis section, the Appendices, and the special account funds in the Other Supplementary Information section are an integral part of Interior's *Fiscal Year 2005 Annual Report on Performance and Accountability*. However, this information is not a required part of the financial statements and is presented for purposes of additional analysis. The information in the Performance Data and Analysis section, the Appendices, and the special account funds in the Other Supplementary Information section has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information in the Other Supplementary Information 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 consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole

INTERNAL CONTROL OVER FINANCIAL REPORTING

Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Interior's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements.

KPMG

Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

In our fiscal year 2005 audit, we noted certain matters, described below, involving internal control over financial reporting and its operation that we consider to be reportable conditions. We believe that reportable conditions A and B are material weaknesses.

A. Controls over Implementing New Accounting Policies and Procedures

In March 2005, the OMB issued guidance in response to the Federal Accounting Standards Advisory Board's Accounting and Auditing Policy Committee's Technical Exposure Draft entitled *Recognition of the Transfer of Funds Between Interior's Reclamation Fund and Energy's Western Area Power Administration: In Accordance with SFFAS 1, Accounting for Selected Assets and Liabilities, and SFFAS 5, Accounting for Liabilities of the Federal Government*. OMB's guidance instructed Interior to record a receivable rather than transfers in/out for transactions with the Western Area Power Administration (Western). In addition, Interior applied OMB's guidance to similar transactions with the Bonneville Power Administration (BPA) and the U.S. Department of the Treasury (Treasury) General Fund.

Interior applied significant resources and effort, including coordinating with Western, BPA, the U.S. Department of Energy (Energy), the U.S. Treasury, and OMB to implement OMB's guidance in a relatively short time period. However, Interior did not consistently record certain transactions as Interior:

1. Recorded $261 million of repayments as part of the adjustment to beginning balances that should have been recorded as current year repayments.
2. Recorded $240 million of costs, of which $127 million should have been recorded as part of the beginning balance and $113 million should not have been recorded.
3. Recorded $206 million of repayments received in prior years as current year repayments that should have been recorded as part of the adjustment to beginning balances.
4. Did not properly allocate transactions among project sponsors, including $112 million of repayments.
5. Did not record $27 million in liabilities to Treasury.
6. Did not fully reconcile balances with Western by approximately $21 million.

These differences primarily resulted because Interior had not fully developed accounting policies and procedures to change its processes for recording these transactions and had not fully developed posting models by September 30, 2005. As a result of our observations, Interior analyzed and adjusted the financial statements as of and for the year ended September 30, 2005.

KPMG

Recommendations

We recommend that Interior improve its policies and procedures related to recording transactions with Western, BPA, and Treasury, in accordance with OMB guidance, as follows:

1. Improve policies and procedures related to recording additions to and repayments against the receivables and liabilities, including coordinating with the U.S. Department of the Treasury to determine the appropriate posting models.
2. Develop and implement procedures and controls for recording and reporting transactions with Western, BPA, and Treasury, including sufficient management oversight.
3. Require a second individual to compare the transactions recorded in the general ledger to supporting documentation and document his/her approval on the supporting documentation.
4. Continue to resolve the difference between Interior's receivable and Western's liability.

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.

B. 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 monetary and nonmonetary resources held in trust on behalf of American Indian Tribes, 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), the Bureau of Indian Affairs (BIA), 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 that is non-expendable or the funds that are held for future transfer to Indian Tribes upon satisfaction of certain conditions and 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.

We noted that Interior's procedures and internal controls were not adequate to ensure that the Indian Trust Funds' activity and balances were recorded properly or timely. Specifically, we noted the following:

1. Trust Fund Balances

As disclosed in the footnotes to the financial statements, several financial reporting differences from prior periods relating to the fairness of the Indian Trust Funds balances have not been resolved. Certain parties, for whom Interior holds assets in trust, have filed a class action lawsuit for an accounting of Individual Indian Monies that may or may not lead to claims against the United States Federal Government. Additionally, other parties do not agree with the Indian Trust Funds balances reported by Interior and have filed claims against the United States Federal Government.

KPMG

2. Individual Indian Monies Subsidiary Ledger

The balance of the control account for Individual Indian Monies account holders did not agree to the sum of the balances from the subsidiary ledger, and it cannot be determined which balance, if either, is correct. As of September 30, 2005, the aggregate sum of all positive balances included in the subsidiary ledger exceeded the control account by approximately $6 million. Interior has requested funding from Congress to resolve this difference. In addition, as of September 30, 2005, the subsidiary ledger contained negative account balances totaling approximately $44 million (of which approximately $192,000 was attributed to individual Indian accounts as of September 30, 2005).

3. Special Deposit Accounts

In accordance with Title 25 of the Code of Federal Regulations and as directed by BIA, OST records receipts into special deposit accounts within the subsidiary ledger when the recipient trust fund account is unknown at the time of receipt. When BIA 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 BIA 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 2005. As of September 30, 2005, there were approximately 20,000 special deposit accounts, with balances totaling approximately $40 million.

4. Undistributed and Unusual Balances

OST has not been able to determine the proper recipients of undistributed interest of approximately $1.8 million as of September 30, 2005. In addition, OST and BIA have not been able to determine the allocation of approximately $2.1 million of undistributed interest. Furthermore, there were 12 Tribal Trust Funds accounts with negative cash balances totaling approximately $724,000 as of September 30, 2005.

5. Entering and Maintaining Trust Fund Information

The regional and agency offices of BIA perform a critical role in the initial input and subsequent changes to the Indian Trust Funds' information disclosed by Interior. We noted the following weaknesses related to the internal controls performed by regional and agency offices:

a. ***Trust Fund Systems***

BIA had not consistently implemented automated systems for tracking and processing activities of the Indian trust assets. Agency offices use "off-the-shelf" software, internally developed software, in-house databases, and manual processes to manage ownership records, track lease activity, account for receivables/revenue, and determine distribution amounts. BIA had developed an automated system for certain activities; however, BIA had not yet fully implemented this new system in all agency offices. This situation increases the risk that transactions are recorded inaccurately and untimely.

KPMG

b. *Segregation of Duties*

The responsibilities for Indian trust processing are not properly segregated to prevent or detect errors. Although BIA improved segregation of responsibilities during the year, BIA did not segregate realty and land management activities (i.e., lease compliance) from accounting activities (i.e., collecting, depositing, and sending instructions to OST to create, record, and distribute receipts). Also, in limited cases, the same employee was responsible for all activities associated with trust transactions, including initiating lease agreements, generating billings, collecting funds, making deposits, and sending instructions to OST to create accounts and distribute funds.

c. *Accounts Receivable*

BIA had not fully developed and communicated standardized policies and procedures for establishing, tracking, and pursuing accounts receivable for the Indian Trust Funds. This results in inconsistent processes and increases the risk that amounts due to Indian Trust Funds are not identified and ultimately collected. Several agency offices prepared bills after receiving payments rather than sending bills in advance of the payment due date. In addition, certain agency offices did not identify or pursue past due receivables and instead relied on landowners/lessors to inquire of overdue payments before pursuing the receivable. Furthermore, several agency offices did not maintain a listing of leases and permits against which receivables could be established.

d. *Probate Backlog*

BIA did not consistently enter probate orders for land title into the trust management systems timely. Although BIA made progress in reducing the backlog, as of September 30, 2005, BIA indicated that it had probate orders that had not been recorded. This increases the potential for untimely distributions of income to the account holders of the Indian Trust Funds.

e. *Untimely Deposits*

Several BIA agency offices did not consistently forward trust receipts in a timely manner to OST to be deposited. As a result, in certain instances, deposits of trust receipts were delayed for up to 5 business days and in others, delays were up to 12 days. In one instance, we noted a delay of 38 days.

f. *Supervised and Restricted Accounts*

BIA did not consistently maintain documentation for supervised accounts, including social service assessment and evaluation forms, disbursement documentation, annual review documentation, court orders, and notification of restriction letters. Furthermore, BIA did not consistently perform annual reviews of active accounts.

g. *Appraisal Review*

One of the key elements in performing realty trust transactions is the requirement to obtain appraisals for realty transactions. Current laws allow the appraisal function to be carried out by tribes, who are often the named parties involved in realty transactions. BIA is responsible for assisting trust beneficiaries in the negotiation and execution of realty transactions. Office of Appraisal Services (OAS) is responsible for conducting reviews of appraisals that are compacted by tribes for the benefit of trust beneficiaries. BIA controls were not in place to ensure that all appraisals, conducted under compacts or contracts, completed by tribes for the benefit of trust beneficiaries had been approved by OAS.

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 agreed with our recommendations. Management indicated that Interior is in a position to draw conclusions that differences between supporting records and recorded transactions are not significant.

Auditors' Response to Management's Response

As summarized in our finding above, management had not resolved differences relating to the Trust Fund balances and did not have adequate controls to ensure that Trust Fund activity and balances were recorded properly and timely. Therefore, we continue to believe that the control weaknesses identified constitute a material weakness.

C. Reconciliation of Intragovernmental Transactions and Balances

Interior is required to reconcile transactions and balances with other Federal entities in accordance with the Treasury's *Federal Intragovernmental Transactions Accounting and Policies Guide.* Although Interior made substantial improvements to reconcile with other Federal entities, Interior had not fully reconciled its intragovernmental transactions and balances with other Federal entities because Interior did not consistently reconcile transactions and balances during the year and because the trading partners did not consistently provide information by Interior component or Treasury fund symbol. As a result, Interior's transactions and balances with other Federal entities may not eliminate on the Government-wide financial statements.

Recommendation

We recommend that Interior continue to improve its process to reconcile transactions and balances with other Federal entities. These procedures should include confirming amounts, at the Interior component level, with trading partners and meeting with trading partners to resolve any differences identified.

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.

KPMG

D. Application and General 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 A-130, *Management of Federal Information Resources.* These conditions could have affected Interior's ability to prevent and detect unauthorized changes to financial information, control electronic access to sensitive information, and protect its information. Although Interior's financial management systems are consistent with the financial management systems requirements, we identified the following conditions during fiscal year 2005:

1. ***Entity-wide Security Program***

   An entity-wide security program, including security policies and a related implementation plan, is the foundation of an entity's security control structure and a reflection of senior management's commitment to addressing security risks. Interior did not have procedures in place to appropriately track the implementation status of certain Service Level Agreements (SLA) and Security Service Agreements (SSA). In addition, the Interior did not have current SLA and SSA agreements with certain customers to designate security responsibilities. Interior had procedures for conducting background investigations; however, Interior did not perform background investigations for all new and current employees and contractors, consistently perform re-investigations in a timely manner, or consistently maintain investigation documentation. Interior did not have a process to monitor the periodic completion of technical training by certain information technology employees and certain contractors. Interior had performed risk assessments for its major applications and general support systems during the past fiscal year; however, Interior did not consistently classify certain computer information resources based on risk assessments.

2. ***Access Controls***

   Access controls should provide reasonable assurance that computer resources such as data files, application programs, and computer-related facilities and equipment are protected against unauthorized modification, disclosure, and loss. Interior did not fully establish controls to prevent and detect unauthorized access. In addition, Interior did not consistently monitor account creation, modification, and termination; effectively assign access privileges based upon job duties; periodically monitor security violations and inactive accounts; periodically review and recertify user accounts; periodically review transaction audit reports; remove access of terminated employees timely; or monitor system access to financial applications. Although Interior reviews the network system audit trail logs, Interior had not formally documented policies and procedures indicating the required frequency of the reviews or the responsibilities of the reviewers at certain components.

3. ***System Software Controls***

   Controls over the modification of system software change controls should provide reasonable assurance that operating system controls are not compromised. Without proper system software controls, unauthorized individuals using the system software could circumvent controls to read, modify, or delete critical or sensitive information or programs. Interior did not consistently document policies and procedures for restricting and monitoring access to system software, identifying and resolving system software issues, processing changes to system software, and reviewing event logs. Interior also did not consistently monitor the use of operating system software; formally document and approve the change management process for certain applications;

test all system software patches in a test environment before installing the patches in the production environment; perform post-implementation reviews after installing emergency patches; prepare change request forms and plans; or maintain documentation for upgrades. Although Interior reviewed event logs, Interior did not maintain evidence that the reviews were completed.

4. ***Software Development and Change Controls***

Establishing controls over the modification of application software programs helps ensure that only authorized programs and modifications are implemented. Without proper change controls, there is an increased risk that either intentional or unintentional changes could be made to the system's processing functionality, the wrong version of a program could be implemented, a virus could be inserted, or built-in security features could be disabled. Interior had not formally developed, documented, or implemented data processing procedures to control and standardize the maintenance of two financial applications. In addition, Interior did not use library management software to control changes to one of the accounting applications. Additionally, Interior shared manager and account level passwords among several users at one component. Finally, Interior's system configurations did not adequately segregate duties at one component as the configurations provided individuals, who are involved with programming, testing and migrating changes to production, access to the source code, test, and production libraries.

5. ***Service Continuity***

Losing the capability to process, retrieve, and protect information maintained electronically could significantly affect Interior's ability to accomplish its mission. Consequently, procedures should be in place to protect information resources, minimize the risk of unplanned interruptions, and recover critical operations should interruptions occur. Interior had not fully developed and documented a comprehensive contingency and disaster recovery plan for one of its applications. Interior also had not fully documented its service continuity procedures or fully trained team members for emergency response. In addition, Interior did not test certain contingency and disaster recovery or continuity of operations plans, did not consistently prepare daily and monthly backup files, and did not test the backup files for certain financial applications. We also noted that Interior did not have current maintenance agreements for all of its computer and related equipment. Finally, Interior should consider improving the location of plumbing lines and adding secondary air conditioning at one of its computer centers.

6. ***Segregation of Responsibilities***

Proper segregation of duties should be ensured through the establishment of policies, procedures, and organizational structure so that one individual cannot control key aspects of financial transactions, and thereby conduct unauthorized actions or gain unauthorized access to assets or records. Interior's policies identified the primary and secondary roles and responsibilities duties of information technology team members and indicate that roles may overlap; however, Interior's policies did not consistently indicate the responsibilities that must be segregated, or the compensating controls for those responsibilities not segregated.

Recommendation

We recommend that Interior continue to improve the security and general controls over the financial management systems. These controls should address each of the areas discussed above, as well as other areas that might affect the information technology control environment to ensure adequate security and protection of the information systems.

Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management partially agreed with our findings. Management indicated that Interior has made substantial progress improving internal controls and believes that our findings did not rise to the level of a reportable condition.

Auditors' Response to Management's Response

We acknowledge that Interior has made improvements in the security and controls over information systems. However, we identified a number of conditions that could have affected Interior's ability to detect unauthorized changes to financial information, control electronic access to sensitive information, and protect its information, as summarized in our finding above. Therefore, we continue to believe that the control weaknesses identified constitute a reportable condition.

E. Controls Over Property, Plant, and Equipment

Interior needs to improve controls over property, plant, and equipment to ensure transactions are promptly recorded and properly classified and accounted for in order to prepare timely and reliable financial reports. We noted control weaknesses in the following areas:

1. Recording Transactions

Interior needs to improve controls over property, plant, and equipment to ensure transactions are properly classified and recorded. We identified 67 exceptions in the 1,095 property and cost transactions tested at certain components. Specifically, we noted that Interior capitalized costs that should have been expensed, expensed costs that should have been capitalized, recorded transactions in the current year that occurred in prior years, recorded dates or costs that did not agree with the supporting documentation, or did not record an asset. In addition, Interior did not consistently classify 11 of 546 expenses as operating, heritage, or stewardship costs, resulting in misclassifications of $31 million. Furthermore, Interior did not properly record donated property of approximately $16 million and did not properly remove $18 million of concession assets that are not owned by Interior.

2. Construction-in-Progress

Interior did not consistently analyze and review its construction-in-progress account throughout the fiscal year. Interior also did not transfer construction projects from the construction-in-progress account to the appropriate completed property accounts at the time of completion or properly approve the transfer from the construction-in-progress account for projects totaling $65 million. In addition, Interior misclassified approximately $13 million of advances to others and expenses as construction-in-progress.

3. Reconciliation and Review

Interior did not properly reconcile one of its property subsidiary ledgers to the general ledger, because we identified a difference of $15 million. Interior also did not consistently establish controls to review and approve certain land inventory records, monitor internal use software, and account for changes to asset useful lives.

4. ***Capital versus Operating Lease Assessments***

   In accordance with the accounting standards, Interior is required to capitalize leases that meet certain criteria. Interior did not consistently review leases to determine if they were capital or operating leases, because Interior incorrectly capitalized one lease, did not properly capitalize four leases, and was unable to provide 30 of the 35 lease determination schedules selected for testing at certain components. In addition, Interior did not consistently ensure that the lease determination schedules agreed to the related supporting documentation and the general ledger for 11 of the 14 lease determination schedules that we received at certain components. Interior also did not require a supervisor to review and approve the lease determination schedules.

5. ***Future Minimum Lease Payments***

   In accordance with the accounting standards, Interior is required to disclose future minimum lease payments. Interior did not effectively prepare the future minimum lease payment schedule for disclosure in its financial report, because we identified differences between the future minimum lease payment schedule and the lease agreements for 32 of the 56 leases tested at certain components. As a result of our observations, Interior analyzed and adjusted its schedule of future minimum lease payments by a total of approximately $157 million.

As a result of our observations, Interior expended a significant amount of time and resources analyzing and adjusting property, plant, and equipment balances and future minimum lease payment disclosures as of and for the year ended September 30, 2005.

Recommendations

We recommend that Interior implement the following recommendations to improve controls over its property, plant, and equipment:

1. ***Recording Transactions***

   a. Periodically train personnel on how to distinguish between costs that should be capitalized versus expensed, and on properly classifying heritage, stewardship, and operating costs in the accounting system.

   b. Require a second individual to compare property and expense transactions to the related source documents to verify that transactions are properly expensed or capitalized as well as properly classified, and document his/her approval on the supporting documentation.

   c. Record property transactions at the time the transaction occurs.

   d. Perform periodic inventories of property.

2. ***Construction-in-Progress***

   a. Review its construction-in-progress accounts to identify completed projects that should be transferred to the appropriate completed property account and projects that are improperly classified as construction-in-progress. This review should be performed monthly.

   b. Require a second individual to compare construction-in-progress transfers to the related source documents to verify that transactions are properly transferred, and to document his/her approval on the supporting documentation.

KPMG

3. Reconciliation and Review

a. Reconcile the property subsidiary ledgers to the general ledger and resolve any differences on a monthly basis.

b. Require a second individual to review and approve certain land inventory records, internal use software transactions, and changes to asset useful lives.

4. Capital versus Operating Lease Assessments

a. Provide additional guidance and training to personnel on the process of identifying whether leases should be classified as capital or operating leases.

b. Document the evaluation of whether leases should be classified as capital or operating leases.

c. Require a second individual to agree the lease evaluations to the supporting documentation and to document his/her approval on the lease evaluations.

d. Require a second individual to compare capital lease transactions from the general ledger to the supporting documentation and document his/her approval on the supporting documentation.

e. Maintain the lease evaluation documentation, including the related present value calculations and fair market value assessments.

5. Future Minimum Lease Payments

a. Provide additional guidance and training to personnel on preparing the future minimum lease payment schedule.

b. Require supervisors to compare the future minimum lease payment schedules to supporting documentation and document his/her approval on the future minimum lease payment schedules.

c. Develop and maintain a database of all real and personal property leases to assist in monitoring and reporting future minimum lease payments. This database should include lease number, type, term, payments, and other information that facilitates preparation of the future minimum lease payment disclosure.

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.

F. Controls over Accruals

In accordance with the accounting standards, Interior is required to record liabilities based on a probable future outflow or other sacrifice of resources as a result of past transactions or events. Interior did not establish controls to ensure that three of its programs properly recorded liabilities at the end of the reporting period. In addition, for two programs, Interior did not test the accuracy of accrual methodologies by comparing estimated amounts to actual amounts. Interior also did not ensure that the subsequent activity report used to estimate accruals was complete by approximately $5 million for one of its programs. In addition, Interior did not properly allocate the accruals to receivables and advances from others, resulting in a net misclassification of approximately $2 million. Furthermore, Interior did not properly reconcile the accrual calculations to the general ledger for one component, because the general ledger exceeded the accrual calculations by approximately $15 million.

As a result of our observations, Interior performed additional analysis and recorded additional accruals of approximately $62 million.

Recommendations

We recommend that Interior perform the following:

1. Establish controls to ensure that accruals are properly recorded at the end of the reporting period.
2. Require all of its components to finalize and test the accrual methodology for the quarterly financial statements. Testing should include comparing prior year estimates to actual results and adjusting the methodology based on these results.
3. Provide guidance and training to personnel on the development and testing of accrual methodologies.
4. Reconcile the accrual calculations to the general ledger and enhance controls to ensure that the accrual calculations are complete and accurate. This should include having a supervisor review and approve the accrual calculation and reconciliation from the calculation to the general ledger.

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.

G. Controls over Environmental Contingencies

Interior has not properly designed controls or sufficiently trained staff to ensure that environmental information is effectively identified, maintained, and reported. Although Interior issued policies for estimating environmental liabilities, Interior did not consistently interpret and apply these policies, consistently prepare documentation supporting the environmental liability estimates, or consistently update the estimates for inflation. In addition, Interior did not estimate costs or had incorrectly removed prior year estimates for certain sites. Interior also did not consistently have a second individual review and approve the probability assessments, site identifications, and the cost estimate documentation for 21 of the 181 environmental liability projects tested at certain components. In addition, BIA's organizational and communication structure did not facilitate developing and assessing environmental liabilities for that component. Furthermore, Interior completed a site prioritization at the regional level, rather than across BIA. As a result, the accrued environmental liabilities were understated by approximately $13 million, and the disclosed range of environmental liabilities was understated by approximately $10 million to $32 million.

As a result of our observations, Interior analyzed and adjusted its environmental balances and disclosures.

KPMG

Recommendations

We recommend that Interior improve internal controls to ensure that environmental contingencies are properly accrued or disclosed in its financial statements, as follows:

1. Continue to provide periodic training to scientists, financial management staff, and others, to ensure that they understand Interior policies and the accounting standards related to estimating and recording environmental liabilities.
2. Annually adjust environmental estimates based on inflation.
3. Require components to consistently estimate costs for each site, and consider the experience across Interior in developing these estimates.
4. Require a second individual to review and approve the probability assessment, site identification, and the cost estimate documentation, to ensure that they are properly prepared and match the supporting documentation.
5. Implement an organizational structure that fosters communication between scientists, financial management staff, and others at BIA.
6. Perform site prioritization across BIA.

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.

H. Financial Management at BIA

Interior needs to improve its BIA financial management organization and processes, as follows:

1. BIA did not have enough sufficiently trained financial staff to manage accounting operations and ensure financial transactions are properly recorded. BIA has attempted to compensate for staff departures by assigning additional responsibilities to the remaining personnel and subcontractors. However, this does not provide an effective or efficient long-term solution.
2. BIA financial management policies and procedures were not fully developed or consistently applied throughout BIA. Specifically, we noted that the policies and procedures related to construction-in-progress and environmental contingent liabilities were developed in prior years, but not consistently implemented during fiscal year 2005. Additionally, BIA had not developed policies and procedures for several financial management areas, such as suspense and deposit accounts, reimbursable agreements, monitoring grantees, and referral of debt to Treasury.
3. BIA did not consistently perform timely management review procedures, including analysis of select financial statement accounts, reconciling items with its trading partners, and resolving differences between the general ledger and subsidiary ledgers. In addition, BIA did not investigate and resolve suspense accounts totaling $7 million, including $4 million from prior years. Furthermore, BIA did not effectively review journal vouchers, as we noted that BIA recorded adjustments to the incorrect accounts.

As a result, BIA expended a significant amount of time and resources reconciling its financial accounts, resolving differences between the general ledger and subsidiary ledgers, and adjusting the general ledger for purposes of preparing its fiscal year 2005 financial statements.

Recommendations

We recommend that Interior's Office of Financial Management work with BIA to perform the following:

1. Recruit additional accounting staff and continue to train existing staff to ensure that BIA has sufficiently trained resources to account for and report financial transactions.

2. Evaluate and implement best practices of other Interior components and consider outsourcing certain functions.

3. Develop and communicate, to financial and program staff, financial management policies and procedures.

4. Enforce consistent application of financial management policies and procedures through internal control reviews.

5. Develop and implement formal month-end financial reporting processes to review all financial statement accounts, reconcile balances and transactions with trading partners, investigate and resolve suspense accounts, and resolve differences between the general ledger and subsidiary ledgers. This should include having a supervisor review and approve the procedures and completed reconciliations.

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.

I. Controls over Revenue

Interior needs to improve controls over its revenue process, to ensure that transactions are promptly and properly recorded for timely and reliable financial reporting as follows:

1. Interior had not investigated and resolved over $98 million of royalty receivables that were over one year old and fully reserved as doubtful royalty receivables, or approximately $66 million of credit balances that were over 30 days old, including approximately $23 million of credits that are over one year old as of September 30, 2005.

2. Interior did not implement the appropriate controls to effectively reconcile subsidiary ledgers to the general ledger for receivables, review unbilled receivables and deferred revenue accounts on a regular basis, properly record revenue transactions, bill receivables in a timely manner, prevent duplicate bills, and consistently review and approve the related allowance calculation at BIA.

3. Interior did not adequately monitor certain reimbursable agreements, because Interior did not approve 5 of the 45 reimbursable agreements that we tested, did not include administrative costs in bills for reimbursable agreements, and did not consistently record advances and receivables at the agreement level, resulting in an understatement of $15 million in deferred revenue.

4. Interior did not have adequate controls to ensure that delinquent receivables for BIA and the Minerals Management Service (MMS) were identified for referral to Treasury for collection or offset in a timely manner.

5. Interior did not formally document procedures for certain mineral lease revenue transactions at the Bureau of Land Management (BLM), consistently prepare the accounting documentation for the mineral lease revenue transactions, effectively review and approve mineral lease documentation, or consistently transfer mineral lease revenues and the accounting documentation between its components in a timely manner.

As a result of our comments, Interior performed a detailed analysis of revenue transactions and adjusted the fiscal year 2005 financial statements accordingly.

Recommendations

We recommend that Interior implement the following recommendations to improve controls over revenue:

1. Analyze and resolve aged and credit accounts receivable balances.

2. Reconcile the subsidiary ledger and the general ledger on a monthly basis, including investigating and resolving any differences identified.

3. Review unbilled receivables and deferred revenue accounts on a regular basis, to ensure that revenue transactions are properly recorded, receivables are billed in a timely manner, and bills are not issued more than once.

4. Require a second individual to review the allowance calculation and reimbursable agreements, and to document his/her approval.

5. Develop and implement a methodology to identify, record, and bill for the administration costs related to reimbursable agreements.

6. Record advance and receivable transactions at the agreement level.

7. Identify and resolve customer agreements with both an accounts receivable and advance balance.

8. Implement controls to ensure timely referral of delinquent debt to the U.S. Department of the Treasury.

9. Develop and implement formal documented procedures to account for mineral lease revenue at BLM.

10. Require supervisors to review and approve the accounting documentation for the related mineral lease revenue transactions, to ensure that the documentation is consistently prepared and approved.

11. Transfer mineral lease revenues and the accounting documentation between components at the time the transactions occur.

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.

KPMG

J. Controls over Grants

In accordance with *Single Audit Act Amendments of 1996* as well as Public Laws 93-638 and 100-297*,* Interior should monitor grantees to ensure grantees expend awards in accordance with the grant requirements and Federal regulations. Interior improved its monitoring processes during the year; however, Interior had not fully developed controls to monitor the grantees to detect and prevent misuse of federal awards. Specifically, we noted that Interior did not consistently perform the following:

1. Grant Database

Maintain a grant database that includes information such as the grantee name, grant number, date granted, award amount, funds expended, date audit reports are received, period covered by the audit reports, findings in the audit reports, and management decisions on findings.

2. Progress Reports

Ensure that grantees submit grant progress reports, such as form SF-269, *Report for Status of Funds*, form SF-270, *Request for Advance of Reimbursement*, and/or form SF-272, *Report of Federal Cash Transactions*. Interior did not receive the required or equivalent forms for 15 of the 32 transactions that we tested at the National Park Service.

3. Audit Reports

Ensure that grantees complete single audits and submit reports within nine months of the grantees' year end. Interior had not received 395 single audit reports within the required time period. Interior indicated that it had provided extensions to seven of these grantees; however, Interior did not formally document extensions provided to five of those seven grantees.

4. Findings

Issue management decisions on audit findings within six months after receipt of audit reports and ensure that the grantees take appropriate and timely corrective action, because Interior identified 59 instances where Interior had not issued responses within the required timeline.

Recommendations

We recommend the Interior perform the following, to improve the monitoring efforts of grantees as follows:

1. Grant Database

Maintain a grant database that enables Interior to monitor the status of the grants and document monitoring procedures completed. This database should include the grantee name, grant number, date granted, award amount, funds expended, date audit reports are received, period covered by the audit reports, findings in the audit reports, and management decisions on findings.

2. Progress Reports

Require grantees to submit forms SF-269, SF-270, and SF-272 when funds are paid in advance. In addition, Interior should require SF-269 to be submitted periodically and at the end of the project.

KPMG

3. ***Audit Reports***

   Establish a monitoring and follow-up process to verify receipt of single audit reports within nine months of the grantees' year end. Interior should utilize the Federal Clearinghouse website on an ongoing basis to determine when an audit report has been submitted. If reports are not received, Interior should require grantees to submit formal requests for audit extensions, evaluate the requests, and formally document approval of the requests. In addition, Interior should consider the need to limit future grant awards until extensions are provided or audit reports are received.

4. ***Findings***

   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.

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.

K. Segregation of Responsibilities over Purchases and Entries

The principles of segregation of duties stipulate that no one individual should have complete control over transaction processing functions, which include the initiation, approval, and execution of a transaction. Allowing a single individual to perform all phases of a transaction increases the likelihood that errors or irregularities may occur and not be detected. Interior did not properly segregate BLM purchasing responsibilities, as certain individuals had the ability to create and approve a purchase requisition, create and approve a purchase order, and approve invoices for payment. Additionally, for 10 of the 150 Bureau of Reclamation journal entries that we tested, Interior did not have a second individual review and approve the entry or complete the review in a timely manner. Finally, Interior did not have evidence of supervisory review and resolution for differences on two monthly reconciliations between the general ledger and reports from Treasury.

Recommendation

We recommend that Interior perform the following:

1. Segregate the responsibilities for creating and approving a purchase requisition, creating and approving a purchase order, and approving invoices for payment, to ensure transactions are properly recorded and assets are safeguarded.

2. Require a second individual to compare journal entries to supporting documentation and document his/her approval on the journal entry.

3. Document review and resolution of reconciliation differences.

4. Require a second individual to review and approve reconciliations.

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.

L. 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. 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, Interior did not consistently follow these internal control procedures, as we identified 90 exceptions in the 255 statements that we tested at certain components. For example, cardholders and supervisors did not always sign and date the charge card statements or consistently sign and date the charge card statements in a timely manner. In addition, card holders did not consistently maintain charge card receipts to support the charges. Interior also did not consistently investigate and resolve transactions on the unusual charge card transaction reports. Furthermore, Interior had not terminated cards for 99 former employees at one component.

Recommendations

We recommend that Interior perform the following:

1. Continue to provide training to personnel on charge card procedures.
2. Require approving officials to be more diligent in monitoring and enforcing compliance with Interior's charge card policies.
3. Allocate sufficient resources to oversee compliance with DOI charge card policies and procedures, including investigating and resolving transactions on the unusual charge card transaction reports.
4. Terminate charge cards at the time an employee separates from Interior.

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.

M. Controls over Obligations

Obligations should be promptly recorded, properly classified, and accounted for, in order to prepare timely and reliable reports. Interior incorrectly documented the sum of the current order amount and the estimated future potential order amounts rather than the actual order amount on certain purchase orders. Interior recorded obligations based on these incorrect purchases orders, resulting in an overstatement of obligations and an understatement of unobligated balances. Interior performed an analysis and adjusted its financial statements by $85 million.

Recommendations

We recommend that Interior improve internal controls to ensure that obligations are properly recorded in the financial report, as follows:

1. Provide additional guidance and training to personnel on the process of preparing purchase orders and entering purchase orders into the accounting system.
2. Require contract supervisors to review purchase orders to ensure that they are properly prepared and properly entered into the accounting system and document his/her approval on the purchase order.

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.

N. Controls over the U.S. Park Police Pension Plan

Interior is required to determine and record a liability for the actuarial present value of the future benefits of the U.S. Park Police Pension Plan (USPP Pension Plan). Interior obtained the census data to calculate the liability from the District of Columbia, the plan administrator. Interior recalculated a sample of annuity payments based on the supporting documentation available in the pension files maintained by the District of Columbia and identified several differences between the census data file and the supporting documentation maintained in the pension files.

As part of our testing of the USPP Pension Plan liability, we also recalculated a sample of the annuity payments and identified differences between the census data file and the supporting documentation. These differences included both underpayments and overpayments that netted to approximately 1% of the total annuity payments that we tested. In addition, we compared the census data file to the supporting documentation for 219 participants and identified 69 differences in gender, age, and other factors. Interior, in consultation with its actuaries, evaluated the differences identified and concluded that the USPP Pension Plan liability was fairly stated as of September 30, 2005. However, all census data differences need to be resolved so as not to affect future actuarial projections and to ensure pension payments for retirees are not adversely affected.

Recommendation

We recommend that Interior work with the District of Columbia to investigate and resolve differences between the census data and the supporting documentation to ensure that pension liabilities are properly presented in Interior's financial statements.

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.

A summary of the status of prior year reportable conditions is included as Exhibit I. We also noted certain additional matters that we reported to the management of Interior in a separate letter dated November 15, 2005.

INTERNAL CONTROL OVER REQUIRED SUPPLEMENTARY INFORMATION, INCLUDING PERFORMANCE MEASURES, AND REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

O. Performance Measure Reporting

With respect to the design of internal controls relating to existence and completeness assertions over performance measures determined by management to be key and reported in Interior's *Fiscal Year 2005 Annual Report on Performance and Accountability*, we noted certain significant deficiencies in internal control over reported performance measures discussed in the following paragraph that, in our judgment, could adversely affect Interior's ability to collect, process, record, summarize, and report performance measures in accordance with management's criteria.

Interior did not properly design controls to collect, process, record, summarize, and report performance measures related to the BIA and the BLM programs. Specifically, we noted that Interior did not consistently provide adequate evidence to support the performance measure results and revised the performance results as a result of our observations for the BIA programs. In addition, Interior had reported prior year results as current year results for many of the BLM programs. In addition, BIA management did not review and approve the reported performance measures results.

Recommendation

We recommend that Interior perform the following related to the BIA and the BLM programs:

1. Design and implement controls to collect, process, record, summarize, and report performance measures.
2. Document performance results and maintain this documentation.
3. Implement procedures to estimate performance results when actual results are not available.

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.

P. Deferred Maintenance Estimates

We noted certain significant deficiencies in internal control over Required Supplementary Information discussed in the following paragraphs that, in our judgment, could adversely affect Interior's ability to collect, process, record, and summarize Required Supplementary Information related to deferred maintenance.

Interior has not fully implemented the required accounting standards to estimate the deferred maintenance for its general, heritage, and stewardship assets, using either the condition assessment survey or life cycle costing method. Interior has adopted the condition assessment survey method, which requires Interior to perform periodic inspections of assets at least every five years, to determine their current condition and estimate the cost to correct any deficiencies. However, Interior has not fully established controls over the condition assessments performed to determine deferred maintenance for all assets as follows:

1. ***General Property, Plant, and Equipment and Heritage Assets***

   As reported in the Required Supplementary Stewardship Information (RSSI) section of Interior's *Fiscal Year 2005 Annual Report on Performance and Accountability*, Interior had not completed condition assessments for all property and equipment, such as archeological sites, historic sites, historic and prehistoric structures, landmarks, paleontological sites, national register of historic places, museum collections, and world heritage properties. As a result, Interior had not estimated the related deferred maintenance for these assets. Interior also had not assigned responsibility or fully implemented information systems to account for and report condition assessments and the related deferred maintenance at certain components. Interior also disclosed deferred maintenance ranging from $5 million to $10 million for concession assets that non-federal entities are responsible for maintaining. Furthermore, Interior did not consistently update the condition assessments and related deferred maintenance estimates for certain irrigation systems and power projects and had not performed condition assessments and estimated related deferred maintenance during the past five years, for 4 of the 45 assets that we tested at one component.

2. ***Stewardship Land***

   Interior is required to disclose deferred maintenance information for all categories of property, plant, and equipment, including stewardship land and related improvements in accordance with the accounting standards. Interior incurred costs to improve and maintain stewardship land and related improvements. In addition, Interior identified known instances of land in need of intervention and requested future outlays in various budget requests and reports. However, Interior did not estimate or disclose deferred maintenance of stewardship land and the related improvements. In addition, Interior did not have documented evidence that it completed condition assessments for all stewardship land and related improvements and, therefore, had not demonstrated that there was not any related deferred maintenance for all stewardship land and related improvements.

As a result, the Required Supplementary Stewardship Information disclosure on the condition of major classes of assets and the Required Supplementary Information disclosure on deferred maintenance amounts are not complete or current.

Recommendations

We recommend that Interior implement the following:

1. ***General Property, Plant, and Equipment and Heritage Assets***

   a. Perform condition assessments of all general, property, plant, and equipment; and heritage assets and estimate the related deferred maintenance.

   b. Require supervisors to review and approve condition assessments and deferred maintenance estimates to ensure they are performed consistently and in accordance with Interior's policies.

   c. Assign responsibilities and implement systems to account for and report condition assessments and deferred maintenance at all components.

d. Remove from the deferred maintenance disclosures, the estimates on concession assets that non-federal entities are responsible for maintaining.

e. Update the condition assessment and deferred maintenance estimates at least every five years.

2. Stewardship Land

a. Implement procedures to conduct condition assessments and estimate deferred maintenance related to stewardship land.

b. Disclose deferred maintenance estimates for stewardship land.

Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management partially agreed with our findings. Management indicated that the stewardship land managed by Interior does not have deferred maintenance as defined by the accounting standards.

Auditors' Response to Management's Response

As of September 30, 2005, Interior did not have documented evidence that it had completed condition assessments for all stewardship land and therefore, Interior was unable to demonstrate that there was no deferred maintenance for all of its stewardship land. Furthermore, Interior has reported known instances of land that is in need of intervention and has requested future outlays to correct these conditions in various budget requests and reports. Therefore, we recommend that Interior complete the condition assessments of all its stewardship land and disclose the related deferred maintenance as required by the accounting standards.

Q. Stewardship Reporting

We noted certain significant deficiencies in internal control over RSSI discussed in the following paragraphs that, in our judgment, could adversely affect Interior's ability to collect, process, record, and summarize RSSI.

Interior did not consistently follow its established procedures and controls over recording RSSI. Specifically, we noted the following:

1. Stewardship Property, Plant, and Equipment – Physical Units

Interior did not consistently record stewardship property, plant, and equipment (stewardship asset) transactions accurately or in a timely manner. Interior incorrectly recorded certain transactions and recorded several adjustments in the current year that should have been recorded in prior years, including 96 of the 166 stewardship transactions that we tested at certain components. In addition, Interior reported in the RSSI section of Interior's *Fiscal Year 2005 Annual Report on Performance and Accountability* that Interior identified adjustments in the current year that should have been recorded in the prior year. Interior also did not consistently have a second individual review and approve the stewardship asset transactions in accordance with Interior policies, as Interior did not have evidence of approval for 38 of the 91 stewardship transactions that we tested at certain components. In addition, Interior was not able to provide us adequate supporting documentation for 11 of 76 stewardship transactions that we tested at certain components and did not properly remove concession assets. Furthermore, one Interior

KPMG

component adjusted the number of museum collections as a result of our request for supporting documentation.

2. ***Stewardship Property, Plant, and Equipment – Condition Assessments***

   As reported in the RSSI section of Interior's *Fiscal Year 2005 Annual Report on Performance and Accountability*, Interior had not completed condition assessments for all stewardship and heritage assets, including archeological sites, historic sites, historic and prehistoric structures, landmarks, stewardship land, paleontological sites, national register of historic places, museum collections, and world heritage properties. In addition, Interior components did not consistently follow Interior's five-year periodic assessment policy, as we noted that 4 of the 45 condition assessments that we tested were over five years old at one component and another component had not updated the condition assessments for certain irrigation systems and power projects in the past five years. In addition, Interior did not have documented evidence that it completed condition assessments for all stewardship land and related improvements. Interior also did not consistently consider the use of the land in determining the condition of the land. Furthermore, Interior did not disclose the condition of museum collections in accordance with the accounting standards, as Interior disclosed the condition of the facility housing the collection rather than the condition of the underlying museum collection.

3. ***Stewardship Investments***

   Interior reported obligations rather than expenses incurred for natural resource research and development investments, because Interior did not track actual expenses related to such investments.

As a result, the RSSI disclosures for stewardship assets and investments are not complete, current, or consistently supported.

Recommendations

We recommend that Interior strengthen internal controls over recording Required Supplementary Stewardship Information to:

1. ***Stewardship Property, Plant, and Equipment – Physical Units***

   a. Record and report stewardship property, plant, and equipment transactions at the time the event occurs.
   b. Require supervisors to review and approve stewardship transactions to ensure that they are properly recorded and disclosed.
   c. Maintain source documentation for stewardship transactions.
   d. Identify and remove concession assets.
   e. Perform periodic inventories of stewardship assets.

2. ***Stewardship Property, Plant, and Equipment – Condition Assessments***

   a. Perform and report condition assessments for all stewardship property, plant, and equipment on a periodic basis.
   b. Document condition assessments and maintain the source documentation.

KPMG

c. Require supervisors to review and approve condition assessments to ensure they are performed consistently and in accordance with policies.

d. Consider the use of the land in determining the condition of the land.

e. Assess and disclose the condition of the museum collections rather than the facility housing the collection. Although the condition of the facility may be an important criterion in determining the condition of the museum collection, we recommend that Interior consider other factors, such as whether or not Interior intends to improve the collection, in defining the acceptable condition for museum collections.

3. *Stewardship Investments*

Accumulate and report actual expenses incurred for investments in research and development.

Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management partially agreed with our findings. Management indicated that they believe condition assessments are not required for stewardship land.

Auditors' Response to Management's Response

We believe that Interior is required to report condition assessments for stewardship land in accordance with the accounting standards. For example, paragraph 83 of Statement of Federal Financial Accounting Standard (SFFAS) No. 8, *Supplementary Stewardship Reporting*, indicates "Minimum reporting shall include the following…the condition of the stewardship land, unless it is already reported in a note to the financial statement, in which case a reference to the note will suffice." In addition, paragraph 41 of SFFAS No. 29, *Heritage Assets and Stewardship Land* indicates "Entities should report the condition of the stewardship land (which may be reported with the deferred maintenance information) as required supplementary information." As a result, we recommend that Interior perform condition assessments for all stewardship land and related improvements and disclose those condition assessments.

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 FFMIA, disclosed three instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 01-02, and are described below.

R. Single Audit Act Amendments of 1996

As discussed in the Internal Control over Financial Reporting section of this report, Interior needs to continue improving its processes and controls over monitoring of grantees in accordance with the *Single Audit Act Amendments of 1996,* and the related OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Interior needs to develop and maintain a database to monitor grant proposals and awards. Interior also needs to ensure that grantees submit progress reports, complete single audits, and submit single audit reports in a timely manner. If grantees do not submit single audit reports, Interior should require grantees to submit formal requests for audit report extensions, evaluate the requests, and formally document approval of the requests or consider the need to limit future grant awards. In addition, Interior needs to issue management decisions on findings in a timely manner.

Recommendation

We recommend that in fiscal year 2006, Interior improve its grantee monitoring process to ensure compliance with the reporting requirements of the *Single Audit Act Amendments of 1996* and the related OMB Circular A-133.

Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management partially agreed with our findings. Management indicated that they believe Interior has implemented policies and procedures to comply with *Single Audit Act Amendments of 1996* and the related OMB Circular A-133.

Auditors' Response to Management's Response

Interior did not effectively ensure that grantees submitted progress reports, completed single audits, and submitted single audit reports in a timely manner for Interior programs that administer over $2 billion in annual grant expenditures. For example, as discussed in the Internal Control over Financial Reporting section of the report, we noted that Interior did not have Single Audit Reports for 395 different grants and did not issue corrective action plans for 59 findings. In addition, we noted that one component did not obtain progress reports for 15 of a sample of 32 grants that we selected for testing. As a result, Interior did not comply with the requirements of *Single Audit Act Amendments of 1996* and the related OMB Circular A-133.

S. Debt Collection Improvement Act of 1996

In accordance with the *Debt Collection Improvement Act of 1996*, Interior is required to refer eligible receivables that are delinquent to Treasury for collection or offset. Eligible receivables include those that are not the subject of litigation, related to foreclosure proceedings, or from organizations in bankruptcy. Interior did not have adequate controls to ensure that they identified MMS and BIA receivables for referral to Treasury in a timely manner. Interior had over $79 million of MMS receivables that were over 180 days past due as of September 30, 2005. In addition, Interior reported that it had not referred certain BIA receivables to Treasury and did not consistently charge the proper interest rate.

Recommendation

We recommend that in fiscal year 2006, Interior establish a process to ensure that eligible receivables are referred to Treasury in a timely manner.

Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management disagreed with our findings because Interior has an appeals process and receivables that are the subject of an appeals process are not eligible for referral and because Interior improved its process such that Interior does not believe that there is non-compliance at the Department level.

KPMG

Auditors' Response to Management's Response

We acknowledge that Interior is in the process of improving its debt referral processes; however, we noted the following conditions:

1. MMS receivables represent Interior's largest receivables with the public. Interior did not perform timely follow up procedures over the MMS receivables as MMS had receivables over 180 days delinquent that may be eligible for referral. We tested a sample of 32 MMS receivables and found no evidence that 9 of those receivables had been referred to Treasury or documentation to support that the receivables did not need to be referred to Treasury, within 180 days (i.e., the receivables were not the subject of an appeal).
2. Interior indicated that it did not refer certain BIA receivables in a timely manner and did not charge the correct interest rate for BIA receivables.

As a result, Interior did not comply with the requirements of the *Debt Collection Improvement Act of 1996.*

T. OMB Circular No. A-25, *User Charges*

OMB Circular No. A-25, *User Charges*, establishes policies for Federal entities related to user charges associated with the sale or use of Federal resources within the Federal Government. Specifically, it requires Federal agencies to ensure that charges to other Federal agencies are sufficient to recover the full cost of providing the service, resource, or goods. Interior did not recover the full costs they incurred at BIA because Interior did not charge other Federal agencies for the administration costs associated with the reimbursable agreements. Interior had over 2,000 reimbursable agreements at BIA totaling approximately $310 million in fiscal year 2005. Interior has estimated that the administration costs associated with these reimbursable agreements may be as high as 25% of direct costs or $103 million.

Recommendation

We recommend that in fiscal year 2006, Interior:

1. Implement policies and procedures to ensure compliance with the requirements of OMB Circular No. A-25, *User Charges*.
2. Develop and implement a methodology to identify and track the administration costs.
3. Charge other Federal entities for the administration costs.

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.

The results of our tests of compliance with certain provisions of other laws and regulations, exclusive of those referred to in FFMIA, disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 01-02.

The results of our tests of FFMIA disclosed instances, described below, where Interior's financial management systems did not substantially comply with the Federal accounting standards and the United States Government Standard General Ledger at the transaction level. The results of our tests of FFMIA disclosed no instances in which Interior's financial management systems did not substantially comply with the Federal financial management systems requirements.

U. Federal Financial Management Improvement Act of 1996

1. Federal Accounting Standards

Interior is required to prepare its financial statements in accordance with Federal accounting standards. As discussed in the Internal Control over Financial Reporting section of this report, we identified two material weaknesses that affected Interior's ability to prepare its financial statements and related disclosures in accordance with Federal accounting standards.

Also as discussed in the Internal Control over Required Supplementary Information, including Performance Measures, and Required Supplementary Stewardship Information section of this report, Interior needs to improve controls over reporting deferred maintenance, performance measures, stewardship assets, and stewardship investment disclosures to comply with Federal accounting standards. The Required Supplementary Information disclosures for deferred maintenance are not complete or current because Interior had not estimated deferred maintenance for all assets and did not consistently update deferred maintenance estimates. Additionally, performance measure results may not be accurate as Interior did not properly design controls to collect, process, record, summarize, and report performance measure information. Furthermore, Interior did not disclose the costs incurred to generate intragovernmental revenues by budget functional classification, as required. Interior also did not fully reconcile intragovernmental transactions and balances with its trading partners. Finally, the Required Supplementary Stewardship Information disclosures for stewardship assets and investments are not current, complete, or consistently supported because Interior did not consistently follow its established procedures and controls to accumulate and report the disclosure information and did not disclose all required information. As a result, Interior did not substantially comply with the Federal accounting standard requirements.

2. United States Government Standard General Ledger at the Transaction Level

In accordance with OMB Circular A-127, *Financial Management Systems*, Interior is required to record financial events consistent with the applicable account descriptions and attributes reflected in the SGL at the transaction level. Interior records certain BIA receivables as a total in its subsidiary ledgers rather than recording the individual transactions. As a result, Interior did not substantially comply with the SGL requirements.

Recommendations

We recommend that Interior finance offices perform the following during fiscal year 2006:

1. Federal Accounting Standards

Improve procedures and internal controls to ensure that the financial statements and related disclosures are prepared in accordance with the Federal accounting standards.

2. ***United States Government Standard General Ledger at the Transaction Level***

   Revise the process for recording BIA receivables to ensure that Interior records activity consistent with the SGL at the transaction level.

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.

RESPONSIBILITIES

Management's Responsibilities. The *Government Management Reform Act of 1994* (GMRA), *Accountability of Tax Dollars Act of 2002, and Government Corporation Control Act* 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 Part A of OMB Circular A-136.

Management is responsible for the financial statements, including:

- Preparing the financial statements in conformity with accounting principles generally accepted in the United States of America;
- Preparing the Management's Discussion and Analysis (including the performance measures), Required Supplementary Information, and Required Supplementary Stewardship Information;
- Establishing and maintaining internal controls over financial reporting; and
- Complying with laws, regulations, contracts, and grant agreements, 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. Because of inherent limitations in internal control, misstatements due to error or fraud may nevertheless occur and not be detected.

Auditors' Responsibilities. Our responsibility is to express an opinion on the fiscal year 2005 and 2004 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*, and OMB Bulletin No. 01-02. Those standards and OMB Bulletin No. 01-02 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.

KPMG

We believe that our audits provide a reasonable basis for our opinion.

In planning and performing our fiscal year 2005 audit, we considered Interior's internal control over financial reporting by obtaining an understanding of Interior's internal controls, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine 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. 01-02. 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 provide assurance on Interior's internal control over financial reporting. Consequently, we do not provide an opinion thereon.

As required by OMB Bulletin No. 01-02, in our fiscal year 2005 audit, we considered Interior's internal control over the Required Supplementary Stewardship Information by obtaining an understanding of Interior's internal controls, determining whether these internal controls had been placed in operation, assessing control risk, and performing tests of controls. Our procedures were not designed to provide assurance on internal control over the Required Supplementary Stewardship Information and, accordingly, we do not provide an opinion thereon.

As further required by OMB Bulletin No. 01-02, in our fiscal year 2005 audit, with respect to internal controls related to performance measures determined by management to be key and reported in the Management's Discussion and Analysis and Performance Data and Analysis sections, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions. Our procedures were not designed to provide assurance 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 2005 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 financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 01-02, 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. 01-02 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.

DISTRIBUTION

This report is intended solely for the information and use of Interior's management, the U.S. Department of the Interior Office of Inspector General, OMB, the 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 15, 2005

Exhibit I

U.S. DEPARTMENT OF THE INTERIOR

Summary of the Status of Prior Year Findings

September 30, 2005

Ref	Condition	Status
A	Controls over property, plant, and equipment	This has been partially corrected and is repeated at finding E.
B	Process for year-end closing	This has been corrected.
C	Reconciliation of intragovernmental transactions and balances	This has been partially corrected and is repeated at finding C.
D	Controls over Indian Trust funds	This has not been corrected and is repeated at finding B.
E	Application and general controls over financial management systems	This has not been corrected and is repeated at finding D.
F	Controls over accruals	This has not been corrected and is repeated at finding F.
G	Controls over legal and environmental contingencies	This has been partially corrected and is repeated at finding G.
H	Financial management at the Bureau of Indian Affairs	This has not been corrected and is repeated at finding H.
I	Controls over revenue and other financial sources	This has not been corrected and is repeated at finding I.
J	Controls over grants	This has not been corrected and is repeated at finding J.
K	Controls over payments in lieu of taxes	This has been corrected.
L	Controls over budgetary transactions	This has been corrected.
M	Controls over charge cards	This has not been corrected and is repeated at finding L.
N	Controls over benefit programs	This has not been corrected and is repeated at finding N.

Exhibit I

U.S. DEPARTMENT OF THE INTERIOR

Summary of the Status of Prior Year Findings

September 30, 2005

Ref	Condition	Status
A	Controls over property, plant, and equipment	This has been partially corrected and is repeated at finding E.
B	Process for year-end closing	This has been corrected.
C	Reconciliation of intragovernmental transactions and balances	This has been partially corrected and is repeated at finding C.
D	Controls over Indian Trust funds	This has not been corrected and is repeated at finding B.
E	Application and general controls over financial management systems	This has not been corrected and is repeated at finding D.
F	Controls over accruals	This has not been corrected and is repeated at finding F.
G	Controls over legal and environmental contingencies	This has been partially corrected and is repeated at finding G.
H	Financial management at the Bureau of Indian Affairs	This has not been corrected and is repeated at finding H.
I	Controls over revenue and other financial sources	This has not been corrected and is repeated at finding I.
J	Controls over grants	This has not been corrected and is repeated at finding J.
K	Controls over payments in lieu of taxes	This has been corrected.
L	Controls over budgetary transactions	This has been corrected.
M	Controls over charge cards	This has not been corrected and is repeated at finding L.
N	Controls over benefit programs	This has not been corrected and is repeated at finding N.

(Continued)

United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240

TAKE PRIDE IN AMERICA

NOV 15 2005

Memorandum

To: Earl E. Devaney
Inspector General

KPMG LLP
2001 M. Street, N.W.
Washington, D.C. 20036

From: P. Lynn Scarlett P Lyn Scarlett
Assistant Secretary - Policy, Management and Budget

Subject: Management Response to Draft Independent Auditors' Report for Fiscal Year 2005 (Assignment No. X-IN-MOA-0011-2005)

The Department has reviewed the draft report and provides its responses to the findings and recommendations. The Department appreciates the recognition noted in several findings and recommendations of the substantial improvement and progress achieved during fiscal 2005, and we are pleased that the result of the audit is an unqualified opinion on the Department Consolidated Financial Statements.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Reportable Conditions that are considered to be Material Weaknesses

A. New accounting policies and procedures

Management concurs. Interior will improve its policies and procedures related to recording selected assets and liabilities in accordance with OMB guidance.

B. Controls over the Indian Trust Funds

Management partially concurs. Management concurs that the recommendations will improve our internal processes, and we will continue to develop and implement additional procedures and internal controls to address the issues noted in the audit. A variety of actions are underway within Interior to improve internal controls for non-Federal Indian Trust Funds, including providing an accounting for non-Federal accounts. Interior contends that, based upon the reconciliations conducted by independent accounting firms, Interior is in a position to draw conclusions with a high degree of confidence that the differences between supporting records and recorded transactions are few in number, small in size, and not widespread or systematic.

Other Reportable Conditions

C. **Reconciliation of intra-governmental transactions and balances**

Management concurs. Interior has implemented procedures to more timely reconcile and address trading partner differences. In addition Interior continues to actively work on improving trading partner coding of transactions.

D. **Application and general controls over financial management systems**

Management partially concurs. While management agrees that continued improvement is beneficial and continues to implement many of the recommendations, management does not concur that the finding rises to the level of a reportable condition. Interior has made substantial progress in improving controls over its systems in fiscal 2005 and believes there are no apparent systemic weaknesses at the Departmental level. Interior will continue its efforts to improve and enhance application and general controls in fiscal 2006 to address the issues noted in the audit report.

E. **Controls over property, plant and equipment**

Management concurs. During fiscal 2005, Interior continued to improve internal controls over property, plant, and equipment to ensure transactions are properly classified and recorded. A significant accomplishment included completing the land and land rights inventory reconciliation. Interior also released web-based training modules on new property policies and continued to aggressively monitor bureau compliance with the new policy guidance.

F. **Controls over accruals**

Management concurs. During fiscal 2005, Interior analyzed and revised a number of accrual calculations processes. Interior will continue to review and improve its controls over accruals.

G. **Controls over environmental contingencies**

Management concurs. In FY 2005, Interior established a departmental workgroup to standardize processes and documentation. In FY 2006, guidance and procedures will be revised to ensure that environmental information is effectively identified, maintained, and reported.

H. **Financial Management at the Bureau of Indian Affairs**

Management concurs. During fiscal 2005 Interior established a performance improvement plan to ensure that appropriate financial and program staffing and other resources were directed at financial management and reporting functions and continued to improve processes and procedures to promote better financial analysis, transaction entries and reconciliations were performed. In FY 2006, Interior will continue to improve financial management at the BIA.

I. **Controls over revenue**

Management concurs. Although Interior performed a detailed analysis of revenue transactions and adjusted the fiscal year 2005 financial statements accordingly, actions are planned to improve internal controls over the revenue process to ensure that the transactions are promptly and properly recorded for timely and reliable financial reporting. Interior is committed to improving its controls over revenue.

J. **Controls over grants**

Management concurs. Interior will continue to work with its financial assistance programs to improve grantee monitoring processes subject to the requirements of the *Single Audit Act Amendments of 1996.*

K. **Segregation of responsibilities over purchases and entries**

Management concurs. Interior will improve policies and procedures for better segregation of conflicting duties and to enhance review and approval responsibilities.

L. **Controls over charge cards**

Management concurs. Interior continues to believe it has a well-managed charge card program, although compliance issues are identified in several bureaus and offices. Interior continued to monitor supervisory reviews and approval, train and otherwise educate cardholders and supervisors on charge card responsibilities, and monitor the use of charge cards. In addition, through quarterly reviews of the personnel/payroll system, Interior continued to identify newly appointed supervisors who will have approving official responsibility.

M. **Controls over obligations**

Management concurs. Interior will implement new procedures for review and approval of purchase orders and revise guidance for the preparation and processing of transactions.

N. **Controls over the U.S. Park Police Pension Plan**

Management concurs. Interior will take action to investigate and resolve differences between the census data and the supporting documentation to ensure that the pension program is properly presented in the financial report.

INTERNAL CONTROL OVER RSI AND RSSI

O. **Performance Measure Reporting**

Management concurs. Interior will take action to improve internal control over reported performance measures including strengthening Interior's capability to collect, process, record, summarize, and report performance measurements in accordance with management's criteria.

P. **Deferred maintenance estimates**

Management partially concurs. Interior concurs that improvements can be made to processes related to management of appropriate cyclical reviews for those assets subject to deferred maintenance reporting, i.e., general property, plant and equipment, and constructed stewardship assets. However, Interior's consistent position has been that stewardship land managed by the Department does not have deferred maintenance as defined by SFFAS No. 6.

Q. **Stewardship reporting**

Management partially concurs. Interior concurs that processes can be improved related to stewardship reporting. However, Interior does not concur that condition assessments are required for stewardship land. While Interior believes that it is following standard practices, we will strive to improve our management of museum collections and other stewardship and heritage assets.

COMPLIANCE AND OTHER MATTERS

R. **Single Audit Act Amendments of 1996**

Management partially concurs. While Interior concurs that some bureaus must continue to take steps to obtain required reports from grantees previously issued grants, the Department and its bureaus have policies and processes in place that comply with the Single Audit Act and OMB Circular A-133. We do not agree that this issue rises to a Departmental level non-compliance issue.

S. **Debt Collection Improvement Act of 1996**

Management does not concur. Interior has an appeals process defined by law that impacts when payments become due for collection, and subsequently eligible for debt referral purposes. The appeals process may vary from bureau to bureau as to the specifics of its process. As Treasury guidance stipulates, amounts that are the subject of an administrative appeal do not become eligible for referral until the appeal is concluded and the amount of the debt is fixed. In FY 2005, Interior continued to improve its process to ensure eligible receivables were referred to the U.S. Department of the Treasury in a timely manner. Interior does not believe there is a noncompliance at the Departmental level.

T. OMB Circular No. A-25, *User Charges*

Management concurs. Interior will implement policies and procedures that comply with OMB Circular No. A-25; develop and implement a methodology to track administration costs; and, charge other Federal entities for the administration costs.

U. Federal Financial Management Improvement Act (FFMIA) of 1996

Management concurs. Interior will continue its improve its controls over the FFMIA components related to Federal accounting standards and the U.S. Standard General Ledger at the transaction level. This will include improved monthly financial statement reporting, monitoring or performance metrics, and periodic reviews of financial performance with senior Department and bureau management.

We appreciate the value of the audit process and look forward to working with you to continue our marked improvement of financial management in the Department of the Interior.

United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

OCT 20 2005

Memorandum

To: 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 submit the attached summaries of issues we have determined to be the most significant management and performance challenges facing the Department of the Interior (Department or DOI), to be included in the Department's Performance and Accountability Report for fiscal year 2005. The challenges listed reflect what the Office of Inspector General (OIG) 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

We view these issues as DOI's top challenges because they are important to the Department's mission, involve large expenditures, require significant management improvements, or involve significant fiduciary relationships.

The Department conducts a variety of activities that cut across bureau and program lines. In our opinion, by developing strategies to identify and correct deficiencies, especially in cross-cutting activities, the Department can enhance and improve its overall operational effectiveness and efficiency.

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. Although the Department has made some progress, internal control weaknesses continue to hinder DOI financial management systems. Even though the Department received an unqualified opinion in FY 2004 auditors assigned to conduct the financial statement audit concluded that the Department's financial management systems are not in compliance with the Federal Financial Management Improvement Act.

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 the FBMS continues to be a major management challenge in DOI. 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 planned to have the system to be fully implemented by the end of fiscal year 2008. DOI completed the first phase of the project in April 2005 with the launch of the Financial Assistance functionality for grant and cooperative agreement programs at Minerals Management Service (MMS), Office of Surface Mining Reclamation and Enforcement (OSM), and selected programs at the Fish and Wildlife Service (FWS). On September 29, 2005, DOI removed BearingPoint, their contractor from the project. While the vision and goals of the project remain the same, DOI is currently revising their implementation timelines and their training schedules.

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 DOI makes budget and performance integration particularly difficult.

DOI's Strategic Plan for Fiscal Years (FY) 2003-2008 made significant changes to DOI's goals and performance measures as part of an effort to aid in budget and performance integration. However, challenges still remain. Of the 18 DOI programs in Budget Year

2006 that received OMB Program Assessment Rating Tool evaluations, 7, or 38 %, had ratings of "Results Not Demonstrated", a decrease from the 46% reported for Budget Year 2004. DOI needs to continue to focus on developing useful performance measures.

2. Information Technology

Since the enactment of Federal Information Security Management Act (FISMA) in 2002, DOI's Information Technology (IT) Security program has seen increased management awareness, involvement, focus, and funding. IT security staffing has also increased and adequate training has been made available to the general workforce. The Department, in FY 2004 and FY 2005, established a body of policy and guidance and invested in various security technologies—at an estimated cost of $100 million—needed to create a control environment which allows testing of the networks, systems, and programs comprising the Department's IT assets. This has allowed our evaluation efforts to evolve from an essentially general controls based auditing approach to one where technical experts conduct valid and real world tests on the security of DOI's networks and computer infrastructure.

In the FY 2005 reporting period we note that DOI has taken several positive steps to improve its overall security by:

- Implementing the DOI-wide Enterprise Services Network to provide a more secure computing and networking environment.
- Enhancing the DOI Vulnerability Scanning Program beyond just the SANS Top 20 list of vulnerabilities.
- Implementing an Active Directory and the use of group policy for enforcing Microsoft based security configurations.
- Significantly improving content and usability of the DOI End User IT Security Training and Awareness program.
- Completing its E-Authentication risk assessments.

However, after a thorough evaluation to assess compliance with the FISMA, we have determined that there are significant weaknesses in the DOI IT security program and compliance with FISMA's requirements. Our audits, evaluations, and technical testing of DOI's systems and IT Security program in Fiscal Year 2005 have revealed significant issues with the implementation of various departmental policies and non-compliance with OMB requirements for Certification and Accreditation. Additionally, problems in DOI's overall Plan of Actions & Milestones program, which is a critical element for managing and prioritizing remediation activities, indicate that DOI's management cannot be assured that IT security risk is properly identified, understood, prioritized, and mitigated. DOI lacks an effective agency-wide strategy to implement and provide oversight for the various policies and procedures issued. Field work continues to demonstrate that bureaus do not always adhere to DOI policy.

3. Health, Safety and Emergency Management

Annually, DOI has over 275 million visits to national parks, 69 million visits to recreational sites provided by the Bureau of Land management (BLM), and 39 million visits to 545 national wildlife refuges. In addition, there are 90 million visitor days of use at 308 Bureau of Reclamation (BOR) recreation sites. DOI must protect these visitors, hundreds of thousands of employees and volunteers, thousands of facilities, and millions of acres of property from both internal and external threats. The physical isolation of some DOI lands and facilities increases their vulnerability to threats and inhibits DOI's response time. DOI continues to be slow to change its mission and priorities to reflect its new security responsibilities and commitment. Specifically, enhancements are needed in DOI's radio communications, DOI's hazardous material program, and security surrounding national icons and BOR dams.

4. Maintenance of Facilities

DOI owns, builds, purchases, and contracts services for assets such as visitor centers, schools, office buildings, roads, bridges, dams, irrigation systems, and reservoirs. These assets include some deteriorating facilities that lack adequate funding for repair and maintenance. According to the January 2003 Government Accountability Office (GAO) report titled, *Major Management Challenges and Program Risks, Department of the Interior*, DOI needs to more aggressively address the deferred maintenance backlog. The report stated that the repair and maintenance on these assets has been postponed for years due to budgetary constraints and that the deterioration of facilities can adversely impact public health and safety, reduce employee morale and productivity, and increase the need for costly major repairs or early replacement of structures and equipment.

This effort is still a challenge for the Department. For example, in the fiscal year 2004 *Annual Report on Performance and Accountability*, the Department reported that exact estimates of deferred maintenance are difficult to determine due to the variety of assets entrusted to the Department. The fiscal year 2004 estimates for DOI's deferred maintenance were between $8.9 billion and $15.3 billion. The lack of concrete data makes it difficult to ascertain if the deferred maintenance backlog has even been reduced. The Department also stated that bureau estimates of deferred maintenance were based on data from a variety of systems, procedures, and data sources therefore the reliability of these sources as a basis for deferred maintenance estimates is variable.

The Bureaus have mostly completed a full and comprehensive inventory and condition assessments for all facilities. With this information a facility condition index has been developed and used to make determinations as to whether facilities should be repaired, replaced or relocated as well as determining priorities. Also, per Executive Order 13327, dated February 4, 2004, an agency Senior Real Property Officer has been established whose focus is to direct and oversee Department wide efforts to meet Interior's asset management goals and objectives.

5. Responsibility to Indians and Insular Areas

DOI needs to address persistent management problems in programs for Indians and island communities. DOI is responsible for administering the Federal government's trust responsibilities to Indian tribes and individual Indians, and it provides more than $750 million annually for basic tribal services, such as social services, tribal courts, and natural resource management. Over the years, GAO and OIG have reported on DOI's poor management of Indian trust funds and programs. Despite DOI's efforts, inadequate accounting and information systems and internal controls, as well as other weaknesses, prevent DOI from ensuring that trust and program funds are properly managed. The single audit is the mechanism to ensure financial compliance with funding agreements; however, during fiscal year 2005, 86 tribes were delinquent in submitting their audit reports. We continue to be concerned about the deplorable conditions at the BIA-operated and funded schools and detention facilities. In addition, DOI has various responsibilities to seven island communities - four U.S. territories and three sovereign island nations. The Insular Area governments have serious long-standing financial and program management deficiencies.

6. Resource Protection and Restoration

DOI resource managers face the challenge of balancing the competing interests for use of the nation's natural resources. DOI manages 507 million acres, or about one-fifth, of the land area of the United States and 700 million acres of subsurface minerals. Federal lands account for 30 to 35 percent of energy produced in the United States. DOI has jurisdiction over an additional 1.76 billion acres of the Outer Continental Shelf. In addition, DOI protects thousands of wetlands, aquatic parcels and native plant and animal species, including more than 1,260 with special status under the Endangered Species Act.

In a 2003 report, GAO identified DOI as having continuing issues related to its ecosystem restoration efforts, specifically in the areas of: 1) wild land fire threats to communities and resources, 2) restoring the South Florida ecosystem, and 3) controlling and eradicating invasive species.

DOI has made progress in addressing the nation's wild land fire threats by increasing funding committed to addressing wildland fire problems, improving data and research on wildland fire problems and developing fire management plans that identify actions for addressing wildland fire threats at the local level. However, a recent GAO report, *Wildland Fire Management, Timely Identification of Long-Term Options and Funding Needs is Critical*, (GAO-05-923T, July 14, 2005) states that despite producing numerous planning and strategy documents, DOI, in conjunction with the Forest Service, has "yet to develop a cohesive strategy that explicitly identifies the long-term options and related funding needed to reduce the excess vegetation that fuels fires in national forests and rangelands".

In addition, DOI has improved its planning for the South Florida ecosystem restoration by refining the strategic plan and developing a land acquisition plan. However, the

Department, through its South Florida Ecosystem Restoration Task Force, has not yet completed action to develop a conflict resolution process and a science plan.

7. Revenue Collections

DOI revenue collected in FY 2004 was approximately $11.4 billion and includes revenue from energy, minerals, grazing, timber, lands sales, and other revenue producing activities. The highest revenue collector in DOI is by far the MMS. For fiscal year 2005, MMS estimated that they will collect over $12 billion in mineral revenues alone, representing a $2.8 billion increase in collections from fiscal year 2004. The revenues are collected from companies with onshore and offshore Federal leases. Since 1982, the MMS Minerals Revenue Management Program has collected and distributed approximately $139 billion to Federal, state, and Indian accounts. The MMS also conducts a comprehensive compliance effort to ensure that royalty payments from lessees are on time and accurate.

Because of the amount of revenues collected by MMS can have a significant potential for underpayments, OIG believes that revenue collections should continue as one of the top management challenges for the Department.

8. Procurement, Contracts and Grants

DOI spends substantial resources each year in contracting for goods and services and in providing Federal assistance to states and Indian organizations. Procurement has historically been an area subject to fraud and waste government-wide, and managing procurement activities is a continuing challenge requiring constant attention.

An OIG report *Framework Needed to Promote Accountability in Interior's Grants Management* (W-IN-MOA-0052-2004, August 2005) reported that Interior's grants management showed deficiencies including the lack of competition, training, reliable data and assurance that federal funds were being spent appropriately. Consequently, the grants program does not ensure that federal dollars are used as intended or promotes fair treatment for both grant applicants and recipients.

A GAO report, *Interagency Contracting, Problems with DOD's and Interior's Orders to Support Military Operations* (GAO-05-201, April 2005) found that to support DOD military operations in Iraq, Interior issued 11 task orders, valued at over $66 million on an existing contract. The report stated that numerous breakdowns occurred in the issuance and administration of the orders for these services. GAO concluded that a lack of effective management controls, especially insufficient management oversight and a lack of adequate training, led to these breakdowns. For these reasons, this challenge remains on the FY 2005 list.

Part 4. Appendices

(Unaudited-See Auditors' Report)

Improper Payments Information Act Reporting Details

Description of the Risk Assessment Process

Interior's supplemental Management Control Guidance for FY 2005 issued November 22, 2004, required managers to conduct risk assessments of all programs (meeting OMB's definition of "program") over $100 million in planned annual outlays to determine if any of these programs were risk-susceptible for making significant improper payments. In FY 2004, the first year under the Improper Payments Information Act, Interior's efforts were considerably more intense, i.e., all programs were reviewed and in addition to risk assessments, Departmental Functional Reviews were conducted by various types of payments. Please refer to the FY 2004 Performance and Accountability Report for additional information on last year's review. As a result of the initial reviews conducted in FY 2004, no programs were determined to be risk-susceptible for making significant improper payments based on the threshold set by OMB. As a result, OMB permitted Interior to review those programs in excess of $100 million for FY 2005.

Recovery Audits

Toward the end of FY 2003, the Department selected PRG Schultz to perform recovery audit services. PRG Schultz started working with the Office of the Secretary and performed a pilot effort to set up its program. By the end of FY 2004, all bureaus of the Department had issued a Task Order engaging PRG Schultz to perform recovery auditing services. In FY 2005, all of the Department's bureaus performed recovery audits. *Table 4-1* summarizes Interior's recovery audit activities since inception.

TABLE 4-1

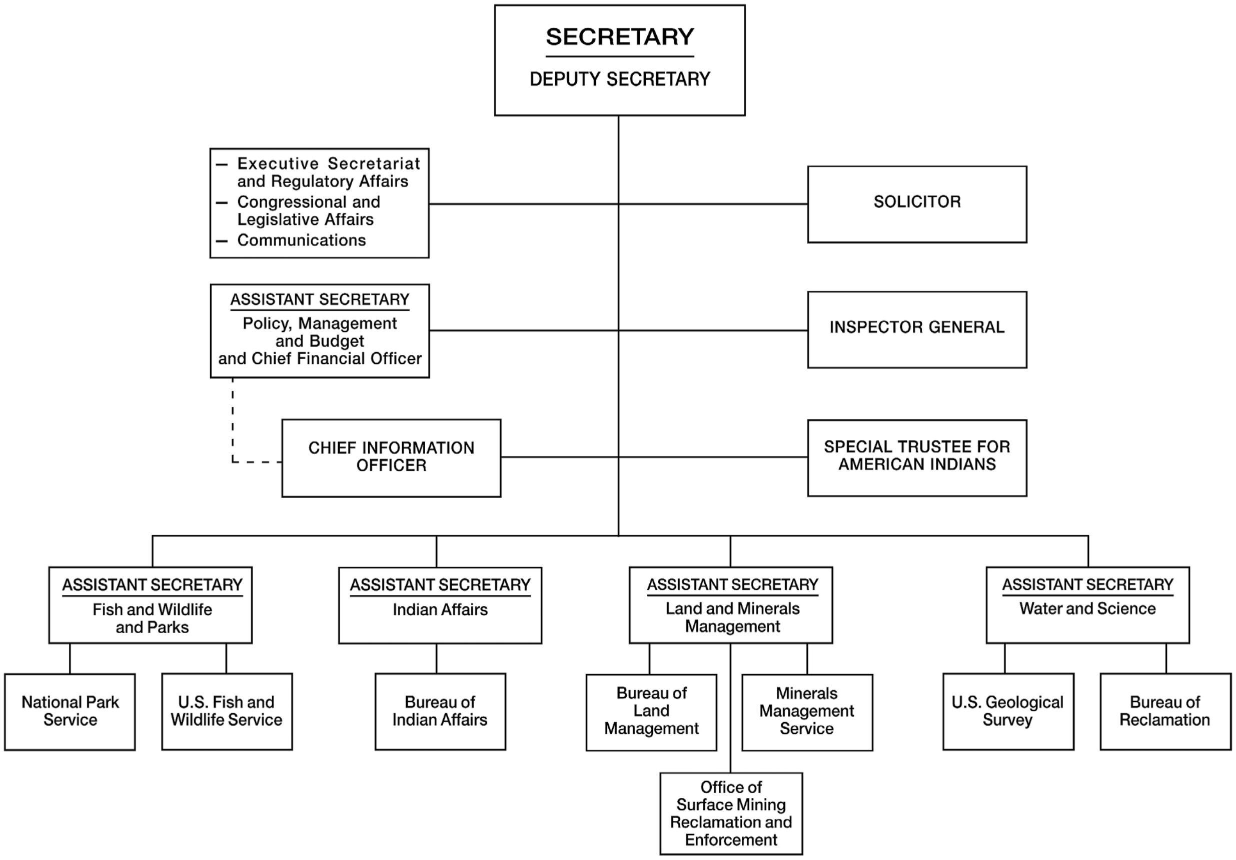
FY 2005 Recovery Audit Activities							
Amount of Payment Errors	Amount Deemed Not Recoverable	Amount Recovered	Amount Pending Resolution	Found by Internal Agency	Found by Recovery Auditor	Agency Costs	Amount Earned by Contractor
$1,548,620	$1,169,309	$195,479	$183,834	Not tracked	$195,479	Not tracked but very minimal	$39,096

Conclusion

The result of the risk assessments performed in FY 2005 reaffirmed that none of the programs reviewed pose a high-risk of making significant improper payments. (A summary of the programs reviewed can be found in the Management Discussion and Analysis portion of this report.) Moreover, PRG Schultz has found that the incidence of improper payments identified through its recovery audit efforts are far less at Interior than experienced through its work in the private sector. Interior's rate of improper payments thus far is 0.0001% and PRG's experience with the private sector is between .05% to .10% of the audit basis. This evidence speaks well for Interior's internal controls over payment processes. Having said that, Interior will continue to use all cost effective means to keep improper payments to a minimum and pursue recovery when an improper payment is identified.

FIGURE 4-1

U.S. Department of the Interior



Glossary of Acronyms

A&B	Administrative and Budget
AAC	Annual Allowable Cut
ABC/M	Activity Based Cost Management
ABC/PM	Activity-Based Costing/Performance Management
ADMS	Accessibility Data Management System
AFMSS	Automated Fluid Mineral Support System
AHERA	Asbestos Hazard Emergency Response Act
ALJ	Administrative Law Judge
AMAR	Administrative Management Assistance Review
AMCR	Alternate Management Control Review
AML	Abandoned Mine Land
AMLIS	Abandoned Mine Land Inventory System
AMP	Asset Management Plan
AMR	Acquisition Management Review
ANCS	Automated National Catalog System
APA	American Planning Association
APD	Applications for Permit to Drill
ARIS	Air Resources Information System
ARTF	Aquatic Resources Trust Fund
ASG	American Samoa Government
ASMIS	Archeological Sites Management Information System
ATO	Authority to Operate
BIA	Bureau of Indian Affairs
BLM	Bureau of Land Management
BOR	Bureau of Reclamation
BPA	Bonneville Power Administration
BPA	Blanket Purchase Agreement
BPTL	Business Process Transformation Lab
C&A	Certification and Accreditation
CAA	Clean Air Act
CERCLA	Comprehensive Environmental Response, Compensation, and Liability Act
CFO	Chief Financial Officer
CIO	Chief Information Officer
CLI	Cultural Landscapes Inventory
CMR	Charles M Russell
COTS	Commercial Off-the-Shelf Software
CPIC	Capital Planning and Investment Control
CRPP	Cultural Resource Preservation Program
CRV	Current Replacement Value
CSRS	Civil Service Retirement System
CUPCA	Central Utah Project Completion Act
CUWCD	Central Utah Water Conservancy District
CWA	Clean Water Act
DAA	Designated Approving Authorities
DART	Deep-Ocean Assessment and Reporting of Tsunami
DCIA	Debt Collection Improvement Act
DEAR	Department Enterprise Architecture Repository
DEIS	Safety of Dams Decision Reports
DEQ	Division of Environmental Qualify
DFR	Departmental Functional Review
DHS	Department of Homeland Security
DOD	Department of Defense
DOE	Department of Energy
DOL	Department of Labor
DOT	Department of Transportation

EA	Enterprise Architecture
ECL	Environmental Cleanup Liability
EFC	Environmental and Facility Compliance
EIA	Energy Information Agency
EIRF	Environmental Improvement and Restoration Fund
EPA	Environmental Protection Agency
ESA	Endangered Species Act
ESN	Enterprise Services Network
ESP	Environmental Studies Program
EVM	Earned Value Management
FACE	Family and Child Education
FAIMS	Federal Assistance Information Management System
FAMS	Facilities Asset Management System
FannieMae	Federal National Mortgage Association
FAR	Federal Acquisition Regulations
FASAB	Federal Accounting Standards Advisory Board
FBMS	Financial and Business Management System
FBU	Funds Put to Better Use
FCI	Facilities Condition Index
FECA	Federal Employees Compensation Act
FEGLI	Federal Employees Group Life Insurance
FERC	Federal Energy Regulatory Commission
FERS	Federal Employees Retirement System
FFMIA	Federal Financial Management Improvement Act
FFS	Federal Financial System
FIRES	Fire Integrated Recruitment and Employment System
FISMA	Federal Information Security Management Act
FMCIP	Financial Management Career Intern Program
FMFIA	Federal Managers' Financial Integrity Act
FMIS	Facilities Management Information System
FMS	Facility Management System
FMSS	Facility Management Software System
FRR	Facilities Reliability Rating
FSM	Federated States of Micronesia
FTE	Full-Time Equivalent
FTM	Fiduciary Trust Model
FWS	Fish and Wildlife Service
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	General Accountability Office
GED	General Equivalency Diploma
GMRA	Government Management Reform Act
GPRA	Government Performance and Results Act
GSA	General Services Administration
HabITS	Habitat Information Tracking System
HPF	Historic Preservation Fund
ICS	Incident Command System
IEA	Interior's Enterprise Architecture
IFF	Interior Franchise Fund
IGET	Intra-Governmental Eliminations Taskforce
IIM	Individual Indian Monies
IMARS	Incident Management, Analysis, and Reporting System
IPIA	Improper Payments Information Act
IRB	Investment Review Board
IRR	Indian Reservation and Roads
IRRBP	Indian Reservation Roads Bridge Program
ISEP	Indian School Equalization Program

IT	Information Technology
JFMIP	Joint Financial Management Improvement Program
JOM	Johnson-O'Malley
LBA	Lease Backlog Applications
LCS	List of Classified Structures
LSA	Litigation Support Accounting
LWCF	Land and Water Conservation Fund
MAF	Million Acre Feet
MBT	Methodology for Business Transformation
MCR	Management Control Review
MIS	Management Information System
MITS	Management Initiatives Tracking System
MMBF	Million Board Feet
MMS	Minerals Management Service
MRE	Meals-Ready-to-Eat
MRM	Minerals Revenue Management
MRMSS	Minerals Revenue Management Support System
NAPA	National Academy of Public Administration
NAS	National Academy of Sciences
NBC	National Business Center
NEP	National Energy Policy
NEPA	National Environmental Policy Act
NFHI	National Fish Habitat Initiative
NFPORS	National Fire Plan Operations and Reporting System
NFR	Notice of Findings and Recommendations
NIFC	National Interagency Fire Center
NIGC	National Indian Gaming Commission
NIST	National Institute of Standards and Technology
NOAA	National Oceanic and Atmospheric Administration
NPS	National Park Service
NRDAR	Natural Resource Damage Assessment and Restoration Fund
NRPP	Natural Resource Preservation Program
NSLRSDA	National Satellite Land Remote Sensing Data Archive
NWI	National Wetlands Inventory
OCIO	Office of the Chief Information Officer
OCS	Outer Continental Shelf
OCSLA	Outer Continental Shelf Lands Act
OFMC	Office of Facility Management and Construction
OHA	Office of Hearings and Appeals
OHTA	Office of Historical Trust Accounting
OIA	Office of Insular Affairs
OIEP	Office of Indian Education Programs
OIG	Office of Inspector General
OMB	Office of Management and Budget
OMM	Onshore Minerals Management
OPA	Oil Pollution Act
OPM	Office of Personnel Management
OSFR	Oil Spill Financial Responsibility
OSHA	Office of Safety and Health Administration
OSLTF	Oil Spill Liability Trust Fund
OSM	Office of Surface Mining
OSR	Oil Spill Research
OST	Office of the Special Trustee for American Indians
OWFC	Office of WIldland Fire Coordination
PAM	Office of Acquisition and Property Management
PAR	Performance and Accountability Report

PART	Program Assessment Rating Tool
PFM	Office of Financial Management
PI/LSI	Possessory Interest or Leasehold Surrender Interest
PLE	Office of Law Enforcement
PMA	President's Management Agenda
PMD	Performance Management Data
PMDS	Performance Management Data System
POA&M	Plan of Actions and Milestones
PP&E	Property, Plant, and Equipment
R&D	Research and Development
RAPP	Refuges Annual Performance Plan
RCRA	Resource Conservation and Recovery Act
REA	Recreation Enhancement Act
RIK	Royalty-in-Kind
RMIS	Recreation Management Information System
RSSI	Required Supplementary Stewardship Information
SACAT	Standard Accounting Classification Advisory Team
SAR	Significant Activity Report
SFBPC	Sport Fishing and Boating Partnership Council
SBR	Statement of Budgetary Resources
SDWA	Safe Drinking Water Act
SES	Senior Executive Service
SFFAS	Statement of Federal Financial Accounting Standards
SFRA	Sport Fish Restoration Account
SGL	Standard General Ledger
SMIS	Safety Management Information System
SNPLMA	Southern Nevada Public Land Management Act
SPR	Strategic Petroleum Reserve
STIGS	Security Technical Implementation Guides
STORET	Storage and Retrieval
TAAMS	Trust Asset and Accounting Management System
TBCC	Trust Beneficiary Call Center
TFAS	Trust Funds Accounting System
TSIS	Timber Sale Information System
TSU	Tribal Colleges and Universities
UMWA CBF	United Mine Workers of America Combined Benefit Fund
USBM	U.S. Bureau of Mines
USCERT	U.S. Computer Emergency Readiness Team
USGS	U.S. Geological Survey
USPAP	Uniform Standards for Professional Appraisal Practices
USPP	U.S. Park Police
V&V	Validation and Verification
VSP	Visitor Services Project
WASC	Western Administrative Service Center
Western	Western Area Power Administration, AKA WAPA
WSU	Weighted Student Units
WUI	Wildland Urban Interface

WE'D LIKE TO HEAR FROM YOU

We'd like to hear from you about the FY 2005 Annual Report on Performance and Accountability. Did it present the information in a way that you could use? What did you like best and least about our report? How can we improve our report in the future?

You can send written comments to:

Department of the Interior
Office of Planning and Performance Management
Mail Stop 5258
1849 C Street N.W.
Washington, D.C. 20240

Or, if you prefer, visit ***www.doi.gov/ppp/feedback.html*** and submit your comments on-line. Let us hear from you about how we can serve you better!

For Copies of this Report

An electronic version of this report and its companion executive summary are available at ***www.doi.gov/pfm/deptrept.html***. We also encourage you to visit www.doi.gov/about.html where you will find links to other documents that describe the Department of the Interior's mission and programs and our ongoing journey toward 21st Century Stewardship, including the Department of the Interior's 2003-2008 Strategic Plan.

To request additional copies of this report, please contact:

Department of the Interior
Office of Financial Management
Mail Stop 5412
1849 C Street, N.W.
Washington, D.C. 20240
(202) 208-6295

U.S. DEPARTMENT OF THE INTERIOR

Office of the Secretary

Bureau of Land Management

Minerals Management Service

Office of Surface Mining Reclamation and Enforcement

U.S. Geological Survey

Bureau of Reclamation

U.S. Fish and Wildlife Service

National Park Service

Bureau of Indian Affairs

Visit us on the web at
www.doi.gov