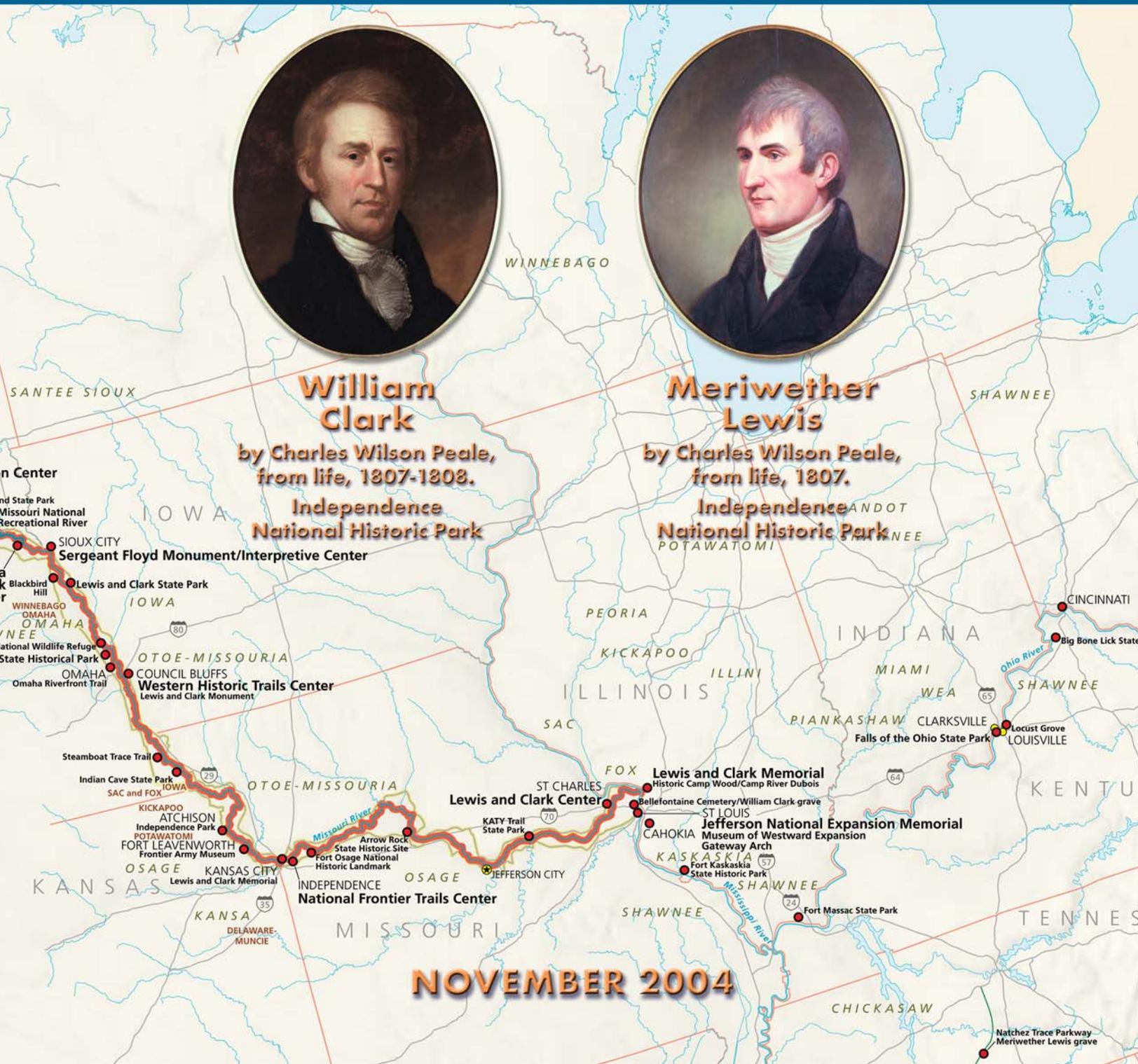




U.S. DEPARTMENT OF THE INTERIOR Annual Report on Performance and Accountability

Journey Toward Management Excellence

HIGHLIGHTS FOR FISCAL YEAR 2004



**William
Clark**

by Charles Wilson Peale,
from life, 1807-1808.
**Independence
National Historic Park**



**Meriwether
Lewis**

by Charles Wilson Peale,
from life, 1807.
**Independence
National Historic Park**

NOVEMBER 2004



Pictured (clockwise, from left):

Elkskin bound field journal used by William Clark. Entry of 30 Sep 1805. William Clark Papers. Missouri Historical Society Archives.

Draught of the Falls and Portage of the Missouri River. Entry of ca. 2 July 1805. Voorhis #1. William Clark Papers. Clark Family Collection. Missouri Historical Society Archives.

Lewis and Clark compass negative #74-3510 (black and white). National Museum of American History. Smithsonian Institution. Behring Center.



ATLANTIC OCEAN



On the Covers:

Map of the historic Lewis and Clark Trail as it appears today.

Lewis and Clark National Historic Trail (Park Map). Nov 2002. Harpers Ferry Center. National Park Service.

Back Cover:

Lewis and Clark at Three Forks (black and white photo). Harpers Ferry Center. National Park Service.

Lewis' drawing of an Indian canoe - Lewis and Clark Codex J:53 (canoe). American Philosophical Society.



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An electronic version of this report is available on the Internet at www.doi.gov/pfm/par04_highlights. The full version of the FY 2004 Performance and Accountability Report is available at www.doi.gov/pfm/par2004.

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Message from the Secretary



This is the second year of our four-year commemoration of the Lewis and Clark Journey—a journey that began in 1803 when President Thomas Jefferson instructed the two intrepid explorers to search out native cultures and natural features of the West. Much of the legacy of that great expedition was passed on to the Department of the Interior, and the continuation of that heritage is manifested in our mission. We remain the Nation’s chief protector of unique natural, cultural, and historic resources. We offer millions of people access to exceptional recreational opportunities. We have overseen the mapping and surveying of our lands. The data collected are used to balance the use of critical resources in every facet of our domestic economy while we continue to protect our environment. We honor special trust commitments to American Indians and Alaska Natives, and provide

guidance and assistance to affiliated Island Communities.

Throughout their courageous journey, Lewis and Clark used tools—sextants, octants, compasses, chronographs and telescopes—to guide them across an unexplored country and carry out President Jefferson’s instructions. They carefully recorded their journey, discoveries, and map data—documenting their performance in fulfilling their mission. Today, at Interior we use very different tools to fulfill our mission; but, just like Lewis and Clark, we too document our performance. The publication of our Annual Performance and Accountability Report marks an opportunity to tell those we serve how well we have discharged our responsibilities to the American people, and how well we have embraced our Lewis and Clark legacy. In the course of compiling this report, we reviewed our successes and shortcomings over the past year and gauged our performance against the targets set in our new FY 2003 - 2008 Strategic Plan. The results we have documented will help us steer our course into the future.

Lewis and Clark’s expedition yielded information that fired the imagination of Americans and marked the beginning of even more discovery and exploration through westward expansion. Like Lewis and Clark, we are on a journey that shapes the future of our country. We look forward to honoring our commitment to stewardship of our natural, cultural, recreational, and heritage resources for the benefit of Americans today and for generations to come.

A handwritten signature in black ink that reads "Gale A. Norton". The signature is written in a cursive, flowing style.

Gale A. Norton
Secretary of the Interior

Message from the Chief Financial Officer



Two hundred years ago, Lewis and Clark began a journey of discovery of new parts of a country, laying the foundation for the future of our Nation. Like Lewis and Clark, the Department of the Interior has been on a journey of discovery regarding new management practices that help us better accomplish our mission and serve the Nation. That journey focuses on excellence—excellence defined by results. Our journey is self-propelled as each of us shares this aspiration for excellence. It is also driven by growing demands for greater transparency, accountability, effectiveness, and efficiency.

For the eighth consecutive year, Interior received an unqualified (“clean”) opinion on its 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 2004. For example, we received the prestigious Association of Government Accountants’ Certificate of Excellence in Accountability Reporting. This marks the third year in a row that the Department has been recognized for quality reporting.

We initiated an Activity-Based Costing/Performance Management (ABC/PM) system throughout the Department. Interior’s ABC/PM system includes 326 crosscutting work activities, linked to our Government Performance and Results Act Strategic Plan, 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 they need to allocate resources and monitor and evaluate performance effectively.

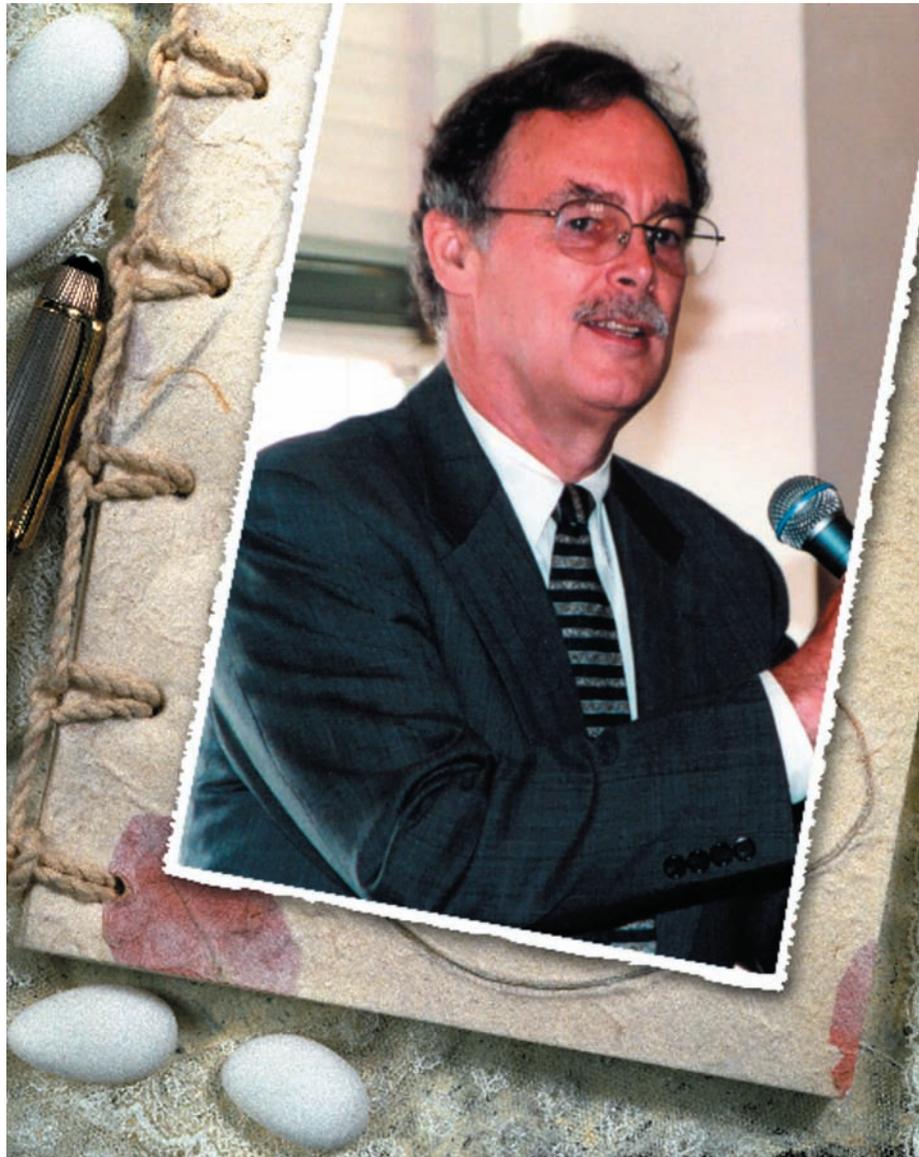
We also achieved cost savings and increased security through better cross-departmental information technology management. Interior tested the industry-recognized top 20 categories of external vulnerabilities on an on-going basis and, in just 15 months, reduced its vulnerabilities from 957 per month to 0 in April 2004. System certifications soared from 21% in March 2004 to 98% by September 2004.

Sustaining our efforts toward management excellence requires the ongoing commitment and creativity of Interior’s dedicated employees. In the upcoming year, mission, metrics, and management will continue to lie at the center of achieving results. We plan to better focus our “mission” by identifying clear goals and performance measures and aligning our workforce to better focus on those goals.

A handwritten signature in black ink, appearing to read 'P. Lynn Scarlett'.

P. Lynn Scarlett
Chief Financial Officer

*In memory of
R. Schuyler Leshner
1944 - 2004*



On August 23, 2004, Sky Leshner, the Department of the Interior's Deputy Chief Financial Officer and Director of the Office of Financial Management since 1995, passed away after a long battle with cancer. He began his Federal Government career in 1991 as Chief of the Federal Financial Systems Branch, Office of Federal Financial Management, at the Office of Management and Budget (OMB). Sky was an outstanding executive for the Federal Government and an active supporter of the Association of Government Accountants (AGA). He served as vice chairman of AGA's Certificate of Excellence in Accountability Reporting Board and was one of the architects of the Best Practices program, which was featured for many years at the AGA Professional Development Conference and Exposition. At Interior, Sky's exceptional leadership resulted in eight consecutive years of clean audit opinions for the consolidated financial statements included in the Department's Annual Performance and Accountability Report.

Sky's achievements at OMB and Interior were recognized in a Presidential Senior Executive Service (SES) Meritorious Rank Award conferred in 1997 and a Presidential SES Distinguished Rank Award conferred in 2001. In June 2004, Sky received the 2004 Frank Greathouse Distinguished Leadership Award, which is conferred upon individuals in government service who have provided sustained, outstanding leadership in financial management over a period of years, resulting in notable contributions to the profession.



Introduction

This report highlights key elements of the Department of the Interior's FY 2004 Performance and Accountability Report (PAR), published in November 2004. The full report, with more than 360 pages of financial and organizational performance data, can be found on the enclosed CD (see the inside back cover of this report). Interior's full PAR is also available on-line at <http://www.doi.gov/pfm/par2004>.

As we continue to celebrate the bicentennial of the journey of Meriwether Lewis and William Clark, the Department of the Interior reflects with pride on the accomplishments and improvements we made during FY 2004. Just as Lewis and Clark were on a journey of discovery of new parts of the country, so too has the Department of the Interior been on a journey of discovery regarding new management practices that help us better accomplish our mission and serve the Nation.

We have accomplished much during Interior's FY 2004 journey of discovery. But we also can improve and accomplish even more. Our sustained success demands diligent performance improvement and a steady stream of innovation. We look forward to that work, to serving the American public, and continuing our journey toward excellence.



Part I

Getting Started on Our Journey

Leaving Camp Dubois, Monday, May 14, 1804

“I Set out at 4 oClock P. M. in the presence of many of the Neighbouring inhabitants, and proceeded on under a jentle brease up the Missouriie.”

- William Clark

Focusing on the Horizon

May 15, 1804

“... Persons accustomed to the navigation of the Missouri and the Mississippi also below the mouth of this river, uniformly take the precaution to load their vessels heavyest in the bow when they ascend the stream in order to avoid the danger incedent to runing foul of the concealed timber which lyes in great quantittes in the beds of these rivers.”

- Meriwether Lewis

Fiscal year 2004 was our first year under the Department’s 2003-2008 Strategic Plan. That plan for the first time presents the Department as one entity, with a single over-arching plan encompassing cross-cutting programs and multi-bureau and multi-agency goals and objectives. It focuses on results, measuring outcomes, not outputs, and emphasizes accountability. The results it measures will become the baseline and then the coordinates by which we steer our course into the future, preparing for and meeting challenges that face us.

Department of the Interior MISSION AREAS & OUTCOME GOALS

PARTNERSHIPS

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 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

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

SCIENCE

MANAGEMENT

Interior's mission has been organized into four areas of responsibility—resource protection, resource use, recreation, and serving communities. Each area has its own strategic goal, supported by several related end-outcome goals (i.e., the desired consequences of our actions). Those end-outcome goals, in turn, guide 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 broad range of quantitative performance measures that cascade to the bureau, program, and individual employee. With this approach, we have successfully begun linking organizational performance to individual performance.

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*

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.

Taking Stock of Our Assets

Sunday, May the 13th, 1804

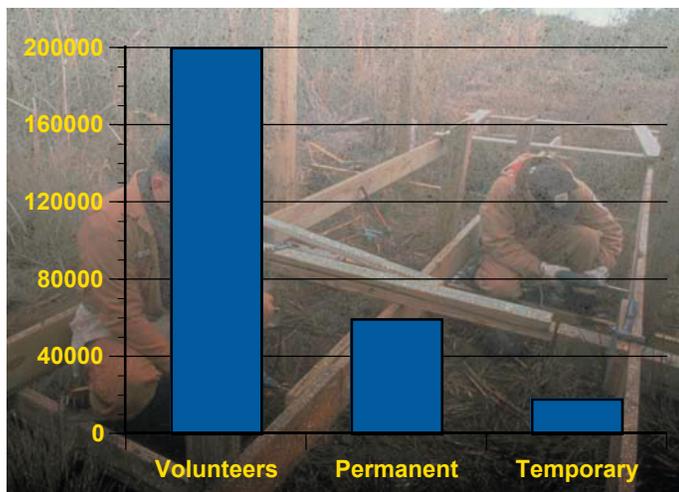
“... all in health and readiness to set out. Boats and everything Complete, with the necessary stores of provisions & such articles of merchandize as we thought ourselves authorised to procure.”

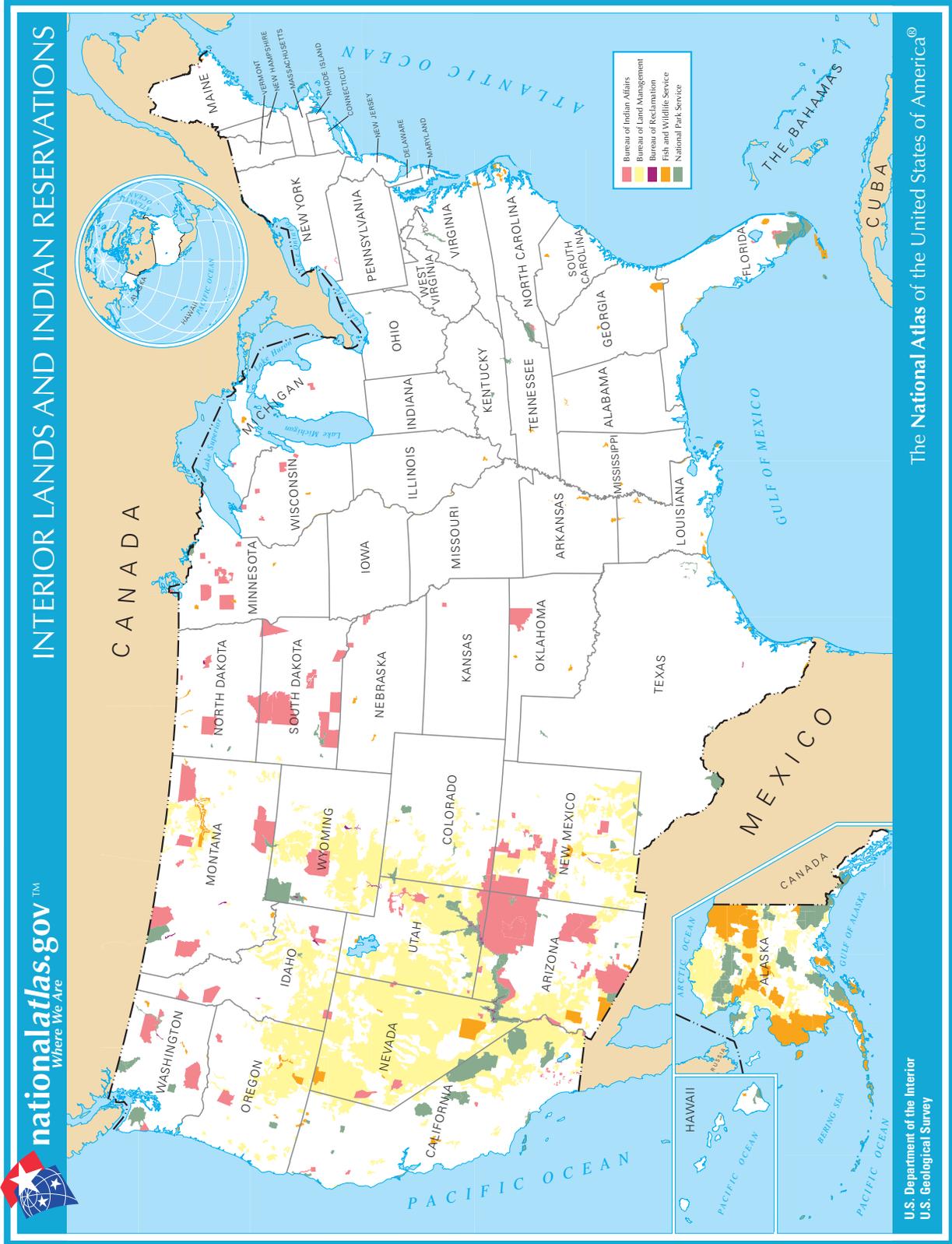
- William Clark

The Department of the Interior is the Nation’s principal Federal conservation agency. We manage many of the Nation’s special natural, cultural, and historic places, conserving lands and waters, protecting cultural legacies, and keeping alive the Nation’s history. We manage parks, refuges, and recreation areas for public enjoyment. We manage and provide access to many of the Nation’s natural resources, enhance scientific understanding, and fulfill America’s trust and other responsibilities to native people. We provide hydropower to the western States. We deliver water to over 31 million citizens and manage over 2,800 dams and reservoirs throughout the Department. Our stewardship responsibilities extend from Mount Rushmore to the Everglades and encompass petroglyphs, pioneer trails, and historic museum pieces ranging from airplanes to clothing.

The Department operates at 2,400 locations across the United States, Puerto Rico, and U.S. territories, with approximately 60,000 permanent employees, nearly 18,000 temporary employees, and over 200,000 volunteers.

Interior’s Workforce (Head Count)





Note - Land areas less than 23,000 acres do not show on the map due to the map scale.



Your Department of the Interior By the Numbers

The Department of the Interior was created in 1849, just 43 years after the Lewis and Clark expedition. Since that time, the Department has become steward for:

Land

- 504 million acres of surface land, including 55.7 million acres that belong to American Indians and Alaska Natives
- 700 million acres of mineral estate underlying Federal and other land managed by Interior through leasing

Water

- 1.76 billion acres of the Outer Continental Shelf
- 348 reservoirs
- 2,500 dams
- 58 Hydroelectric Power Plants

Recreation Opportunities Through:

- 388 units in the National Park System
- 544 units in the National Wildlife Refuge System *
- 291 DOI managed Wilderness Areas
- 88 National Monuments
- 45 National Natural Landmarks
- 441 miles of BLM National Recreation Trails

Wildlife

- 86 National Fish Hatcheries
- 206 Wild Horse and Burro Herd Management Areas
- 1,264 U.S. Endangered Species

* As of October 30, 2004, an additional refuge had been added to the system, bringing the total to 545.

Major Management Challenges

August 23, 1804

“... The Wind blew hard [west] and raised the Sands off the bar in Such Clouds that we Could Scercely [see] this Sand being fine and verry light Stuck to everry thing it touched, and in the Plain for a half a mile the distance I was out, every Spire of Grass was covered with the Sand or Durt.”

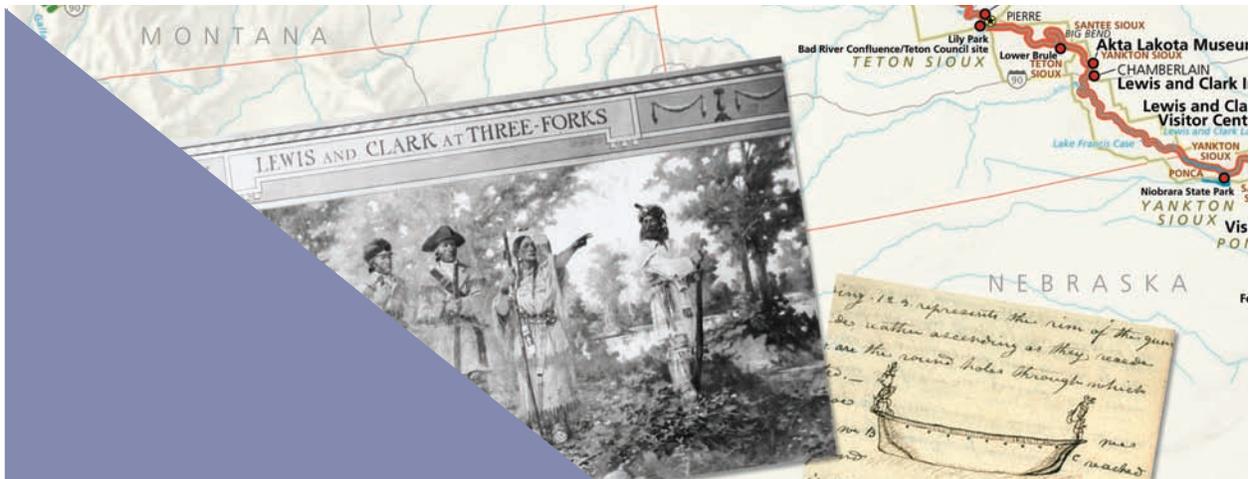
- William Clark

On our journey, we have encountered challenges. Aside from programmatic and mission challenges (see Part IV: A Never-Ending Journey—Looking Forward), the Inspector General and the Government Accountability Office have identified management and performance challenges facing the Department.



At the Department of the Interior, we recognize that our journey toward management excellence is a long and winding trail, with challenges and opportunities for improvement.

Summary of Major Management Challenges Facing Interior	
Management Challenge	Description
<i>Financial Management</i>	Although the Department has made some progress, internal control weaknesses continue to hinder our management systems. Interior has several initiatives underway aimed at improving financial management, including: the Financial and Business Management System (FBMS), Performance and Budget Integration, and Activity Based Costing/Performance Management (ABC/PM). While these initiatives should upgrade financial management in the future, they are placing increased demands on already stretched financial resources.
<i>Information Technology</i>	The Department has made information technology (IT) security maintenance a high priority for all bureaus. Interior has significantly improved its information security program, as demonstrated by the increase in the percentage of systems that were certified and accredited from 6 percent in 2003 to more than 98 percent in 2004. To foster this effort, Interior has invested more than \$100 million in its security program over the past 3 years. Based on these efforts, the OIG and the Department have concluded that DOI's information security program generally meets the requirements of the Federal Information Security Management Act (FISMA). DOI will continue to make improvements to further strengthen IT security and ensure consistent implementation by all bureaus and offices.
<i>Health, Safety, and Emergency Management</i>	Interior has a responsibility to protect the millions of visitors to its recreation sites and public lands. Likewise, it must protect its facilities and property from both internal and external threats. Interior continues to be challenged in updating its mission and priorities to reflect its new security responsibilities and commitment.
<i>Maintenance of Facilities</i>	Interior needs to more aggressively address its deferred maintenance backlog. DOI has embarked on a comprehensive approach to maintenance management which includes implementation of a comprehensive maintenance management system to effectively plan, prioritize, conduct, and track the condition of maintenance of facilities. It has adopted a computer-based facilities maintenance management system, which it tested in FY 2002, and has been assessing the condition of facilities. It has developed a five-year maintenance plan, and established goals to reduce the deferred maintenance backlog. However, maintenance remains a material weakness and an enormous challenge to be managed.
<i>Responsibility to Indian and Insular Affairs</i>	Interior needs to address persistent management problems in programs for Indians and island communities. Despite DOI's efforts, inadequate information systems and controls prevent it from completely ensuring that trust and program funds are properly managed. Interior managers are taking steps to improve, including replacing information technology legacy systems and implementing enhanced management controls to ensure proper accounting of trust funds.
<i>Resource Protection and Restoration</i>	DOI resource managers face the challenge of balancing the competing interests for use of the Nation's natural resources. Interior has made progress in this area, particularly toward restoring significant national ecosystems to health by: (1) addressing the growing wildland fire threat to communities and resources caused by excessive buildup of fuels in forested ecosystems; (2) restoring the South Florida ecosystem, including the Everglades; and (3) controlling and eradicating invasive non-native species.
<i>Revenue Collection</i>	The highest revenue collector in DOI is the Minerals Management Service (MMS). The amount of collections and the significant potential for underpayments makes revenue collections a continued management challenge for the Department. MMS has implemented a comprehensive system and other program improvements to address concerns with its entire Minerals Revenue Management Program.
<i>Procurement, Contracts, and Grants</i>	Interior spends substantial resources each year in contracting for goods and services, and in providing Federal assistance to States and American Indian organizations. Managing procurement activities continues to be a challenge requiring constant attention. Interior has developed and implemented several comprehensive plans to continue to address deficiencies in specific areas.



Part II Encounters on the Trail

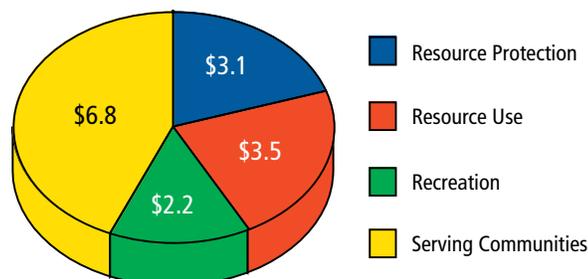
July 14, 1804

“Some hard Showers of rain this morning prevented our Setting out untill 7 oClock, at half past Seven, the atmispr. became Sudenly darkened by a black and dismal looking Cloud . . . the Storm . . . would have thrown (the boat) up on the Sand Island and dashed to pieces in an instant, had not the party leeped out on the Leward Side and kept her off with the assistance of the ancker & Cable, until the Storm was over . . . (The tarpaulins kept waves from inundated the lockers, but a lot of water washed into the boat) . . . In this Situation we Continued about 40 Minits. when the Storm Sudenly Seased and the river become Instancetaneously as Smoth as Glass . . .”

- William Clark

Fiscal year 2004 was marked by significant accomplishments of the Department’s nearly 80,000 full-time and seasonal employees who support our four areas of mission responsibility: resource protection, resource use, recreation, and serving communities.

FY 2004 Interior Budget
(\$ in billions)



Selected FY 2004 Accomplishments

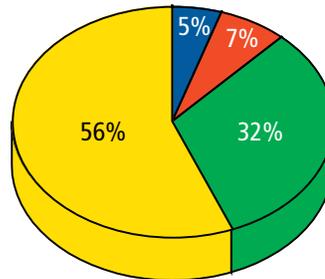
- We welcomed 464 million visits from U.S. citizens and international visitors to our parks, refuges, hatcheries, and public lands, and celebrated the 100th anniversary of the National Wildlife Refuge System. Buoyed by the early success of our Take Pride in America partnership, volunteer efforts at our refuges, parks, recreation areas, and cultural and historic sites continued to grow, with some 200,000 men and women contributing about 8.9 million hours of their time.
- We advanced the President's Energy Agenda, balancing our resource protection and recreation mandates with our economy's need for energy, minerals, water, forage, and forest resources. Interior facilities and lands provide 30% of the Nation's energy, including 50% of geothermal power, almost 35% of domestic oil, about 35% of natural gas, 43% of domestic coal, 17% of hydropower, and 12% of America's wind power in an environmentally sensitive manner.
- We have expanded the President's commitment to conservation through partnership, civic involvement, and economic incentives. A cornerstone of this effort is our cooperative conservation grant programs. These grants support local partnerships that conserve open spaces, involving citizens and communities in activities aimed at protecting and restoring habitats, wildlife, and plants.
- We launched our Water 2025 initiative, a collaborative long-range discussion with Federal, State, Tribal, and community organizations about how to meet water needs during possible long-term drought conditions through new technologies and new partnerships.
- We expanded the outreach of our Healthy Forests Initiative; together with the U.S. Forest Service we have reduced hazardous fuels on over 11 million acres between FY 2001 and FY 2004. During that same period, we provided assistance to over 6,000 rural and volunteer fire departments. In FY 2004, we rehabilitated 573,475 acres of burned Interior lands.
- We created new jobs and improved educational opportunities on America's Indian reservations and made significant steps forward in our efforts to resolve the complicated Indian Trust issues, although much remains to be done.



Interior's responsibilities to American Indians and Alaska Natives range from protecting their lands and natural resources to creating the infrastructure and educational opportunities that build strong communities, such as providing services to 48,000 Indian students in elementary and secondary schools.

FY 2004 was also marked by noteworthy management advances. We are continuing implementation of our Strategic Human Capital Management Plan and automating employee recruitment processes, saving time and money. Data obtained from our new Activity-Based Costing and Performance System will help us realign and restructure our workforce to reduce redundancy, track and analyze our mission performance, and provide the best value for services offered. We have also begun implementing the Financial and Business Management System, which will give us improved management information and standardize our business processes.

Interior Revenue Distribution



Participants in the Make a Difference Day in Washington, D.C. The event was one of thousands of projects taking place across America, involving more than 3 million volunteers.



As part of the President's Healthy Forests Initiative, forest managers are looking to reduced fuels techniques to mitigate damage to forests caused by fires. Here are photos showing a stand of trees that was thinned, before (left photo) and after a fire (right photo).

Team Tamarisk: Fighting a Nasty Weed

An inclusive alliance of cooperating agencies, Tribes, Federal and State organizations, and individuals across the West have banded together to form Team Tamarisk, a group devoted to controlling tamarisk and associated non-native invasive plants. Tamarisk is an especially tenacious,



undesirable invasive shrub that can cause a wide variety of economic, environmental, and public health and safety problems. It annually consumes an extra 2-3 million acre-feet of water out of western rivers in comparison to the consumption of native vegetation, stealing this precious resource from fish, wildlife, farmers, and faucets in western cities. It also burns even when it is green, making it a year-round fire hazard. Team Tamarisk is fighting the tamarisk wars head-on, developing a strategic approach to eliminate this nuisance. At a landmark conference sponsored in March 2004 by the Departments of the Interior and Agriculture, the National Invasive Species Council, the National Association of Counties, and numerous other organizations and agencies, more than 400 individuals came together to develop a set of principles to help guide tamarisk control work. We believe that by working together, we can make progress in addressing this invasive species challenge and win the tamarisk war.

Walk a Mile in My Boots

The FWS and the National Cattlemen's Beef Association (NCBA) have launched a cooperative exchange program between FWS employees and NCBA representatives that provides an opportunity to learn about each others' respective lifestyles and perspectives. Through the "Walk a Mile in My Boots" initiative, ranchers and FWS employees are learning what it is like to be on the "other side of the fence"—often quite literally. Ranchers and FWS employees sign up for an exchange that lasts typically between 2 and 10 days. During that time, ranchers shadow FWS biologists, managers, and educators and attend government meetings while visiting refuges and offices. FWS employees are paired with cattlemen, learning what it is like to run a ranch and participating in a range of activities from mending fences to moving cattle.

Since the program's launch in the summer of 2003, exchanges have taken place in Texas, Idaho, Montana, and Wyoming. Those participating have characterized the program as a "rewarding experience."





Part III

Reflecting Upon Our Accomplishments Along the Way

July 21, 1804
(They reach the Platte River's mouth)

“ . . . This Great river being much more rapid than the Missouri forces its Current against the opposit Shore. The Current of this river comes with great velocity roleing its Sands into the Missouri, filling up its Bead & Compelling it to inroach on the S [North] Shore. we found great dificuelty in passing around the Sand at the Mouth of this River. Capt. Lewis and Myself with 6 men in a perogue went up this Great river Platt about 2 Miles, found the Current verry rapid roleing over Sands, passing through different Channels none of them more than five or Six feet deep, about 900 yards Wide at the Mouth . . . The Indians pass this river in Skin Boats which is flat and will not turn over.”

- William Clark

Program Assessment Rating Tool (PART)

Since FY 2002, the Administration has reviewed programs using a government-wide evaluation called the Program Assessment Rating Tool, or PART. PART is a systematic process by which the Office of Management and Budget (OMB) evaluates program performance against a standard set of criteria. PART results will be used to identify programs that are performing well and to improve underachieving programs through the development and implementation of program-specific recommendations. Over the last three fiscal years, 49 Interior programs have been assessed or reassessed using the PART process. The process has led to proposals for improvements. For example, as a result of reviewing the Bureau of Reclamation's Rural Water Supply Projects,

Interior identified a need for greater program clarity to more effectively and efficiently address rural water requirements.

The Administration has proposed legislative changes to create a more coherent program within Reclamation related to the construction of rural water projects. PART reviews also inspired legislative changes governing abandoned mine land reclamation. The Administration has developed a proposal, presented to both the House and Senate, to accelerate the cleanup of dangerous abandoned coal mines by proposing a process for directing funds to the highest priority areas so that reclamation can occur at a faster rate, thereby removing the risks to those who live, work and recreate in the coalfields as soon as possible. Use of the PART tool to review the effectiveness of the Bureau of Indian Affairs (BIA) Tribal Land Consolidation Program resulted in the establishment of a new Indian Land Consolidation Office in BIA. This office has developed a draft strategic plan for expanding the Indian land consolidation program nationwide.

President’s Management Agenda (PMA)

In FY 2004 Interior continued to improve in areas targeted by the President’s Management Agenda. Our new outcome-oriented strategic plan, linked to Department-wide activity-based costing, helps us more effectively evaluate funding and performance. Interior is the managing partner for two of OMB’s E-government initiatives—Recreation One-Stop and Geospatial One-Stop—and is a government-wide service provider for E-Payroll. Interior has developed a comprehensive Strategic Human Capital Management Plan, aimed at ensuring Interior has the skills it needs to meet future challenges. We are saving millions of dollars a year through competitive sourcing. Our financial management system allowed us to complete our FY 2004 audit in 45 days, meeting the targeted deadline set by OMB.

Interior’s FY 2004 and FY 2003 Scorecards - How OMB Scored Us				
	September 30, 2004		September 30, 2003	
	Status	Progress	Status	Progress
<i>Human Capital</i>	●	●	●	●
<i>Competitive Sourcing</i>	●	●	●	●
<i>Financial Performance</i>	●	●	●	●
<i>E-Government</i>	●	●	●	●
<i>Budget and Performance Integration</i>	●	●	●	●



Interior employees must be prepared for challenges—from wrestling peevish reptiles to securing information technology systems. Our Strategic Human Capital Management Plan will help ensure we have the right people with the right skills in the right places.

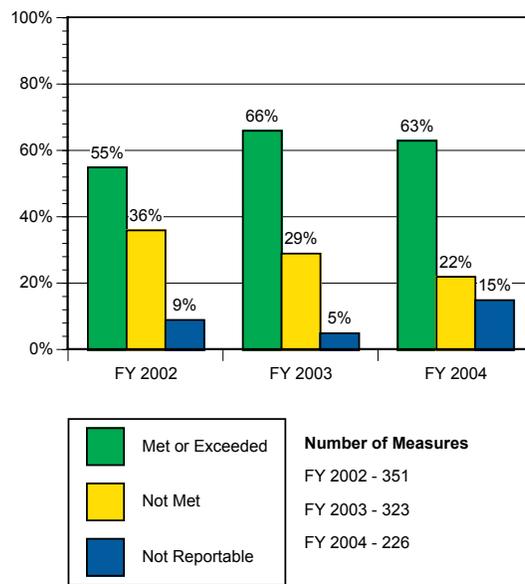
The President’s Management Agenda and Interior’s Future	
By continuing and completing goals related to the PMA areas, we will . . .	
<i>Strategic Human Capital</i>	Know which types of jobs with what sort of skills we need for the future in the most challenging areas so that we can target recruitment efforts and make the most intelligent use of contractors.
<i>Competitive Sourcing</i>	Save money to reinvest in our mission by routinely challenging ourselves to re-examine how we get the job done, and looking for ways to operate more efficiently and make better use of partners’ capabilities.
<i>Financial Performance</i>	Have a modern financial management system that will allow us to enter data once into one system, thereby saving time on administrative chores that can be spent instead on accomplishing our mission, and reduce errors due to duplicative manual data entry.
<i>E-Government</i>	<p>Save millions of dollars through volume Information Technology (IT) purchases and by adopting Department-wide modern systems, freeing up funds to invest in on-the-ground mission delivery.</p> <p>Increasingly use technology to handle routine and repetitive tasks, freeing up staff to do the more challenging work that draws on our expertise and taps our enthusiasm.</p> <p>Have secure IT systems so that our work and service to the public will not be interrupted by security breaches.</p>
<i>Budget and Performance Integration</i>	<p>Have current and easy-to-use financial and performance information available to all employees, so we can more easily learn from each other’s best practices, as well as anticipate and resolve problems.</p> <p>Make better budget decisions based on comparing performance of related programs.</p>

Highlights of Organizational Performance

In FY 2004, 89% of our measures are new due to a new GPRA strategic plan. As a result, 15% of our measures were not reportable because data were insufficient to generate or estimate performance. Performance information for our “no report” measures will be provided in our FY 2005 Performance and Accountability Report (PAR).

Each of Interior’s bureaus and offices has responsibilities for specific performance measures aligned to the mission areas of our GPRA Strategic Plan. Within this section of our report, we have included bar graphs of selected performance results to complement each of our strategic mission areas and our management excellence strategic goal.

Performance Measures Met or Exceeded



Interior’s FY 2004 Performance Measure Scorecard						
GPRA Program Activity	Number of Measures	Exceeded	Met Goal *	Did Not Meet Goal	No Report	Percent Exceeding or Meeting Goal
Mission Goal 1	48	9	16	14	9	52.0%
Mission Goal 2	41	2	27	10	2	70.7%
Mission Goal 3	16	3	6	3	4	56.0%
Mission Goal 4	86	19	40	17	10	68.6%
Management Excellence	35	5	15	7	8	57.0%

* Please note that we characterize performance results falling within plus or minus 5% of the target as “target met.” Some of the bar charts displayed at the end of each mission goal section offer historical data; in these cases, FY 2003 rating averages are represented by inverted gray triangles.

More detailed information is available in the full version of the Department’s FY 2004 PAR (see Part 2. Performance Data and Analysis, pages 105-147). A copy of our full PAR is available on the CD at the back of this publication or online at www.doi.gov/pfm/par2004.



One of the ways Interior managers fulfill our mandate to protect native plant and animal species is by using science to understand, model, and predict how multiple forces affect natural systems.

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

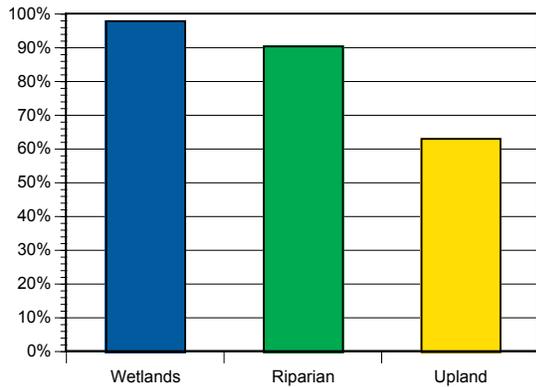
May 01, 1805

“ . . . game is abundant. the country appears much more pleasant and fertile than that we have passed for several days; the hills are lower, the bottoms wider, and better stocked with timber, which consists principally of cottonwood, not however of large size; the under-growth willow on the verge of the river and sandbars, rose bushes, red willow and the broad leafed willow in the bottom lands; the high country on either side of the river is one vast plain, intirely destitute of timber, but is apparently fertile, consisting of a dark rich mellow looking lome . . . the Missouri plover, . . .”

- William Clark

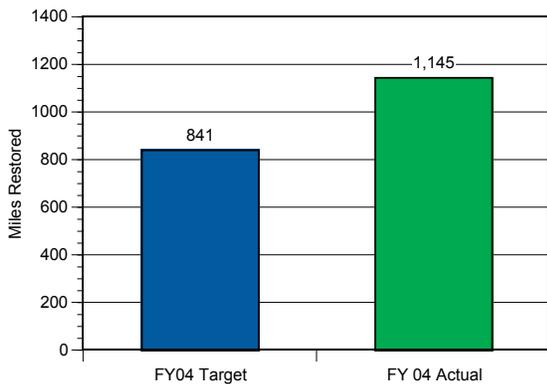
Interior is the custodian of many of America's natural and cultural resources—conserving federally managed lands and waters, protecting fish and wildlife, and preserving public lands for future generations to enjoy. We fulfill our resource protection mandate in several ways. We administer programs on thousands of upland, wetland, and aquatic parcels within our jurisdiction. In FY 2004, our efforts helped us realize land and water restoration and protection goals by restoring wetlands, riparian, and upland areas.

Percent of Targeted Wetlands, Riparian, and Upland Areas Restored in FY 2004

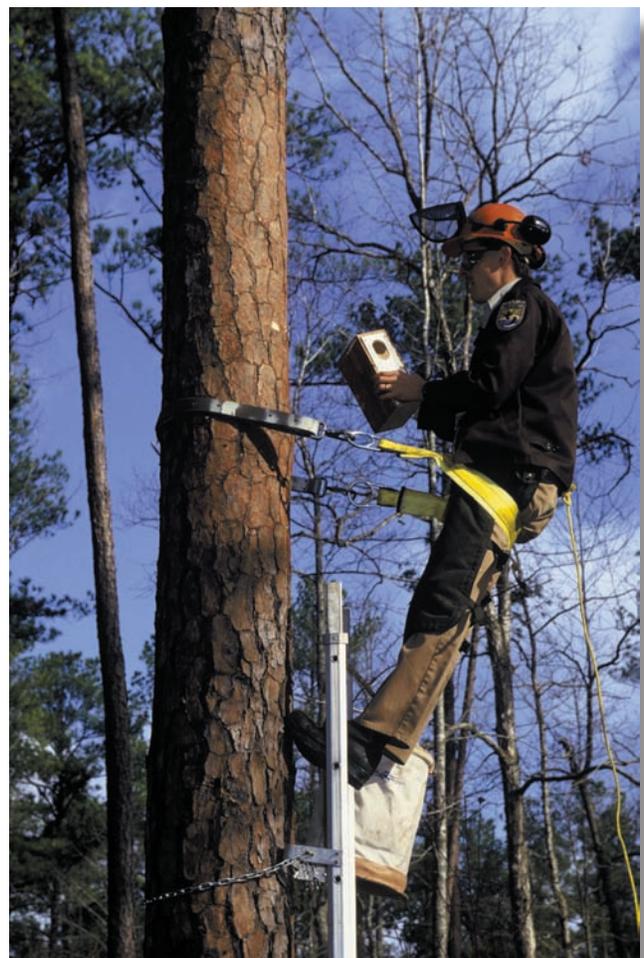
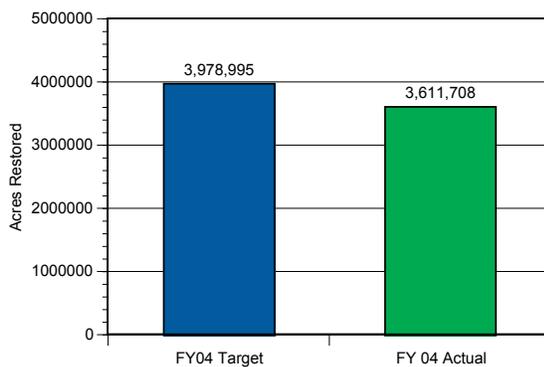


We protect thousands of native plant and animal species, including 1,264 with special status under the Endangered Species Act. We are partnering with private landowners and local communities to control invasive species such as tamarisk in the Southwest, the brown tree snake on Guam, and Asian carp in the Mississippi River Basin. All told, we reduced the acreage of invasive plants infesting our lands by 8.7%, compared to a target reduction of 6.7%. These and many other partnerships have achieved habitat/biological community goals for an estimated 47,022 acres of land through voluntary agreements and have protected habitat on an estimated 8,754,360 acres of landscapes and watersheds.

Restoring Shorelines and Streams to Support Species Conservation



Restoring Land to Support Species Conservation



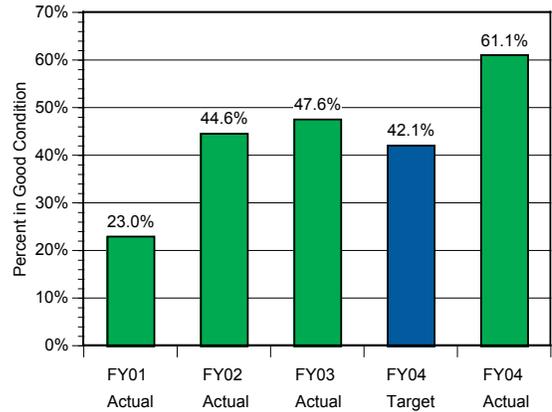
Biologist working on Red Cockaded Woodpecker nest box.

We serve as guardians of the Nation’s cultural heritage, with assets ranging from Native American archeological and cultural sites to national icons such as the Statue of Liberty and the U.S.S. Arizona Memorial. Interior’s historic preservation responsibilities include maintaining and updating inventories of historic and prehistoric districts, structures, buildings, sites, landscapes, and objects on the lands that we own or control.

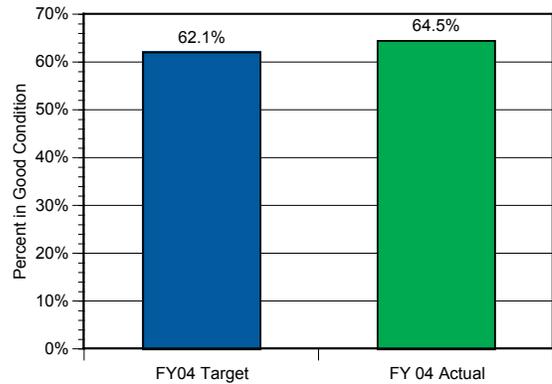


At Interior, efforts are underway within the Bureau of Indian Affairs to establish a baseline against which we can measure progress toward improving the condition of Indian cultural resource assets in our care.

Improving the Condition of Paleontologic Properties

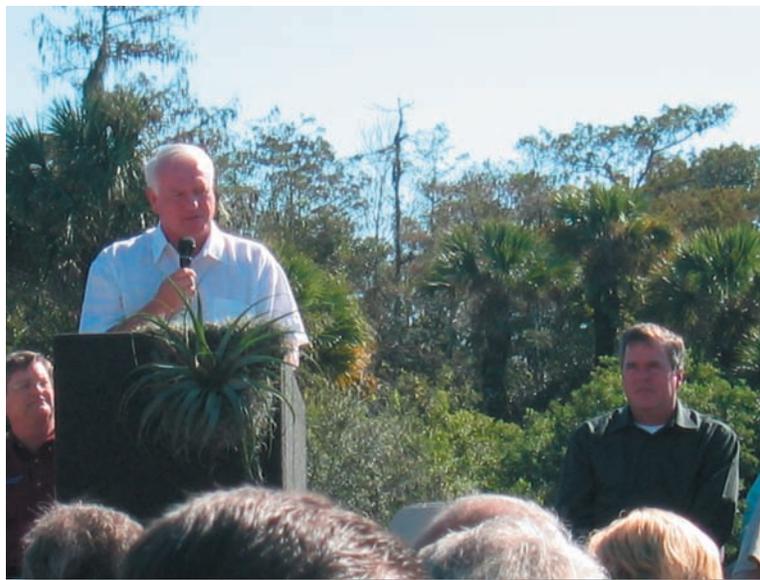


Improving the Condition of Our Cultural Properties



Mission Goal 1: Resource Protection	
Performance Goal (Total Number of Reported Results)	Average Performance Rating
	Target Not Met Below Target On Target Above Target Target Exceeded
Wetland areas - Percent of acres achieving desired conditions where condition is known and as specified in management plans consistent with applicable substantive and procedural requirements of State and Federal water law <i>3 Bureaus/Offices Reporting</i>	
Riparian areas - Percent of stream-miles achieving desired conditions where condition is known and as specified in management plans consistent with applicable substantive and procedural requirements of State and Federal water law <i>3 Bureaus/Offices Reporting</i>	
Upland areas - Percent of acres achieving desired conditions where condition is known and as specified in management plans consistent with applicable substantive and procedural requirements of State and Federal water law <i>1 Bureau/Office Reporting</i>	
Protect and/or restore X number of surface and ground water systems directly managed or influenced by DOI, as specified in management plans and consistent with applicable Federal and State law, by working with State and local resource managers, as appropriate, to meet human and ecological needs <i>2 Bureaus/Offices Reporting</i>	
Percent of reporting Class I DOI lands that meet ambient air quality standards (NAAQS) <i>3 Bureaus/Offices Reporting</i>	
Satisfaction with science information and products <i>1 Bureau/Office Reporting</i>	
Number of stream/shoreline miles achieving watershed and landscape goals through voluntary partnerships <i>1 Bureau/Office Reporting</i>	
Percent of threatened or endangered species listed a decade or more that are stabilized or improved <i>1 Bureau/Office Reporting</i>	
Percent of candidate species where listing is unnecessary as a result of conservation actions or agreements <i>1 Bureau/Office Reporting</i>	
Percent change from baseline in the number of acres infested with invasive plant species <i>3 Bureaus/Offices Reporting</i>	

Mission Goal 1: Resource Protection	
Performance Goal (Total Number of Reported Results)	Average Performance Rating
	Target Not Met Below Target On Target Above Target Target Exceeded
Number of acres restored or enhanced to achieve habitat conditions to support species conservation consistent with management documents, program objectives, and consistent with substantive and procedural requirements of State and Federal water law <i>2 Bureaus/Offices Reporting</i>	
Number of stream/shoreline miles restored or enhanced to achieve habitat conditions to support species conservation consistent with management documents, program objectives, and consistent with substantive and procedural requirements of State and Federal water law <i>2 Bureaus/Offices Reporting</i>	
Number of acres of landscapes and watersheds managed through partnerships and networked lands that achieve habitat protection <i>1 Bureau/Office Reporting</i>	
Number of acres achieving habitat/biological community goals through voluntary agreements <i>1 Bureau/Office Reporting</i>	
Percent of cultural properties on DOI inventory in good condition <i>3 Bureaus/Offices Reporting</i>	
Percent of participating cultural properties owned by others in good condition <i>1 Bureau/Office Reporting</i>	
Percent of Special Management Areas meeting their heritage resource objectives under the authorizing legislation <i>3 Bureaus/Offices Reporting</i>	



Deputy Secretary Steven Griles and Florida Governor Jeb Bush at Everglades Restoration Project groundbreaking.



Reclamation administers more than 600 dams and reservoirs including Glen Canyon Dam in Arizona.

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

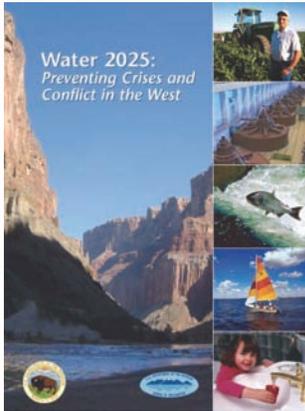
July 28, 1805

“ . . . we called the S.W. fork, that which we meant to ascend, Jefferson’s River in honor of that illustrious personage Thomas Jefferson. [the author of our enterprize.] the Middle fork we called Madison’s River in honor of James Madison, and the S.E. Fork we called Gallitin’s River in honor of Albert Gallitin. . . . the beds of all these streams are formed of smooth pebble and gravel, and their waters perfectly transparent; in short they are three noble streams. . . . this affords one of the best winter pastures on earth for horses or cows, and of course will be much in favour of an establishment should it ever be thought necessary to fix one at this place.”

- Meriwether Lewis

Managing the vast resources of America’s public lands has been a core Interior responsibility since the Department was founded in 1849. Over the past 156 years, that management task has grown more complex as we balance resource access with resource and land protections.

Partnering to Succeed: Water 2025 Initiative



Water supply challenges will continue to confront the West in the coming decades. Crisis management is not an effective way to address these long-term, systemic problems. Recent crises in the Klamath and Middle Rio Grande Basins—where American Indian Tribes, farmers, urban residents, and fish and wildlife have been affected by water shortages—vividly demonstrate the consequences of failing to strategically address the problem of competing demands for a finite water supply. To address these and other concerns, an initiative known as Water 2025 is underway. Its purpose is to help manage scarce water resources and develop partnerships to nourish a healthy environment and sustain a vibrant economy. Through a 50-50 Challenge Grant Program, Water 2025 encourages voluntary water banks and other market-based measures, promotes the use of new

technology for water conservation and efficiency, and removes institutional barriers to increase cooperation and collaboration among Federal, State, Tribal, and private organizations. The goal of these challenge grants is to support realistic, cooperative approaches and tools that have the most likelihood of successfully addressing water challenges in the basins facing the greatest risk.

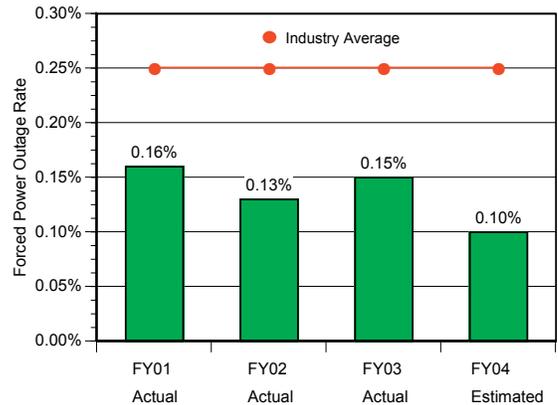
Interior and its partners will continue to use Water 2025 as a basis for public discussion of the realities that face the West so that decisions can be made at the appropriate level in advance of water supply crises. Water 2025 will hopefully serve as a useful tool for finding innovative, workable solutions to water management challenges.

In FY 2004, the U.S. Geological Survey, Interior's principal science agency, helped support non-energy mineral resource use decisions by providing information covering 2,401,329 average square miles of the United States. This information includes geologic maps and digital data sets, mineral locality information, and a web-based geochemical database. The geochemical database alone includes data for approximately 71% of the land area of the United States, including sites in all 50 States. USGS also conducted five oil and gas resource assessments (against a goal of 5) on targeted basins to support management decisions.

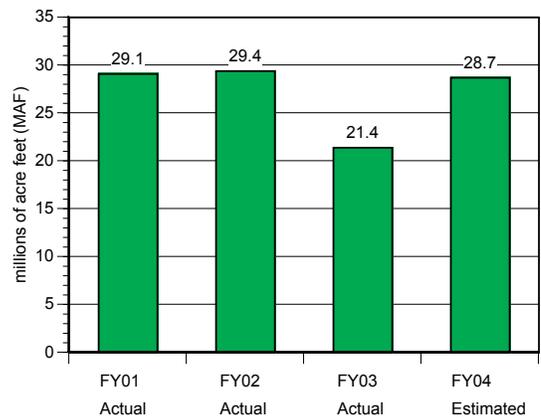
Lands and water managed by Interior produce resources critical to the Nation's economic health. In FY 2004, for example, Interior's Bureau of Reclamation is the largest supplier and manager of water in the 17 western States. The bureau continued to provide reliable service to the Nation in FY 2004.

Making responsible resource use decisions demands that we balance the economy's call for energy, minerals, water, forage, and forest resources with our resource protection and recreation mandates. Forest management programs led by BIA and BLM within the Department have the dual benefit of generating timber harvests on public and Indian trust lands, while restoring forest health through the President's Healthy Forests Initiative. In FY 2004, BLM offered 188 million board feet (MMBF) of timber for sale on Interior lands, against a target of 208 MMBF. We increased the volume of timber offered for sale on Indian lands to 579.8 MMBF, exceeding a target within our Serving Communities mission area.

Reclamation's Forced Outage Rates for Power are Better than Industry Average



Delivering Water to a Thirsty West



The public lands produce commodities that are key to the Nation's economy, providing economic stability and growth for local and regional economies. In FY 2004, the Bureau of Land Management offered over 180 million board feet of timber for sale.

Mission Goal 2: Resource Use	
Performance Goal (Total Number of Reported Results)	Average Performance Rating
	Target Not Met Below Target On Target Above Target Target Exceeded
Number of onshore acres available for energy resource exploration/ development consistent with applicable management plans or permitting requirements <i>1 Bureau/Office Reporting</i>	
Average acreage disturbed per permitted energy exploration or development activity <i>1 Bureau/Office Reporting</i>	
Coal – Percent of active sites that are free of off-site impacts <i>1 Bureau/Office Reporting</i>	
Coal - Number of acres where reclamation goals are achieved as evidenced by release from Phase III Performance Bonds <i>1 Bureau/Office Reporting</i>	
Number acres available for non-energy mineral resource exploration and development consistent with applicable management plans <i>1 Bureau/Office Reporting</i>	
Number of acres reclaimed to appropriate land condition and water quality standards <i>1 Bureau/Office Reporting</i>	
Percent of acres with DOI range improvements resulting in sustainable grazing <i>1 Bureau/Office Reporting</i>	
Percent of permitted acres maintained at appropriate land conditions and water and air standards <i>1 Bureau/Office Reporting</i>	
Volume of timber offered for sale <i>1 Bureau/Office Reporting</i>	
Volume of wood products offered consistent with applicable management plans <i>1 Bureau/Office Reporting</i>	
Percent of permitted acres maintained at appropriate land conditions and water quality standards <i>1 Bureau/Office Reporting</i>	
Administrative cost per million board feet of timber offered for sale <i>1 Bureau/Office Reporting</i>	

Mission Goal 2: Resource Use	
Performance Goal (Total Number of Reported Results)	Average Performance Rating
	Target Not Met Below Target On Target Above Target Target Exceeded
Acre-feet of water delivered consistent with applicable substantive and procedural requirements of Federal and State water law <i>1 Bureau/Office Reporting</i>	
Amount of acre-feet of restricted capacity <i>1 Bureau/Office Reporting</i>	
Percent of water facilities that do not receive Federal or State notices of violation under environmental requirements as defined by Federal and State law <i>1 Bureau/Office Reporting</i>	
Water infrastructure is in fair to good condition as measured by the Facilities Reliability Rating <i>1 Bureau/Office Reporting</i>	
Potential acre-feet made available through completion of projects <i>1 Bureau/Office Reporting</i>	
Percentile of lowest cost hydropower producers, comparing cost per megawatt of installed capacity <i>1 Bureau/Office Reporting</i>	
Percent of time in forced outage equal to or better (lower) than the industry average <i>1 Bureau/Office Reporting</i>	
Percent of power facilities that do not receive notice of violations under environmental requirements as defined by Federal and State law <i>1 Bureau/Office Reporting</i>	
Percent of time that Bureau of Reclamation hydroelectric generating units are available to the interconnected Western Electrical System during daily peak summer demand periods <i>1 Bureau/Office Reporting</i>	



The Department's recreation responsibility began with Yellowstone, set aside in 1872 to serve as a "pleasuring ground for the benefit and enjoyment of the people."

Mission Area 3: Recreation - Provide Recreation Opportunities for America

July 4, 1806

"This being the day of the declaration of Independence of the United States and a Day commonly Scelebrated by my Country I had every disposition to Selebrate this day and therefore halted early and partook of a Sumptious Dinner of a fat Saddle of Venison and Mush of Cows [roots]."

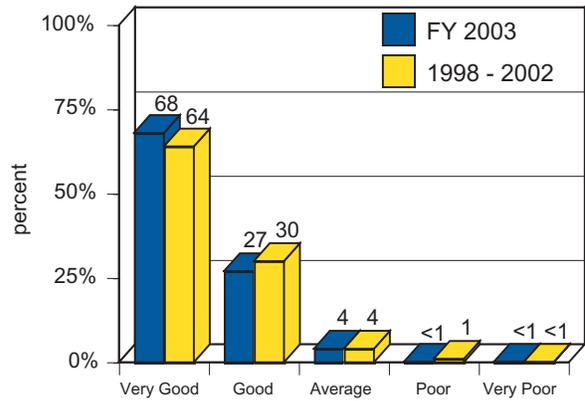
- William Clark

Interior's recreation destinations are among the Nation's most popular. In FY 2004, the 388-unit National Park System reported 268 million visits. Thirty-nine million people visited the 544-unit, 96-million-acre National Wildlife Refuge System, which recently celebrated its 100th anniversary. An additional 66 million people visited the 262 million acres of public lands managed by BLM, while Reclamation logged 90 million visits to 308 sites. There are also significant recreational opportunities on lands administered by BIA as well as on Tribal lands.

In FY 2004, Interior generated \$147 million in revenues through the Recreational Fee Demonstration Program. This program has enabled us to invest funds to further reduce our maintenance backlog, enhance resource protection activities, and defray the cost of future fee collections at recreational areas managed by FWS, NPS, and BLM.

In addition, \$25 million in revenue, against a target of \$39.1 million, was collected from concessions located on National Park System lands, 94.5% of which are operated under performance-based contracts. An estimated 82.4% of those responding to a survey in FY 2004 reported they were satisfied with the value received for the fee they paid to use recreational sites, meeting our target.

Visitor Satisfaction with Park Services



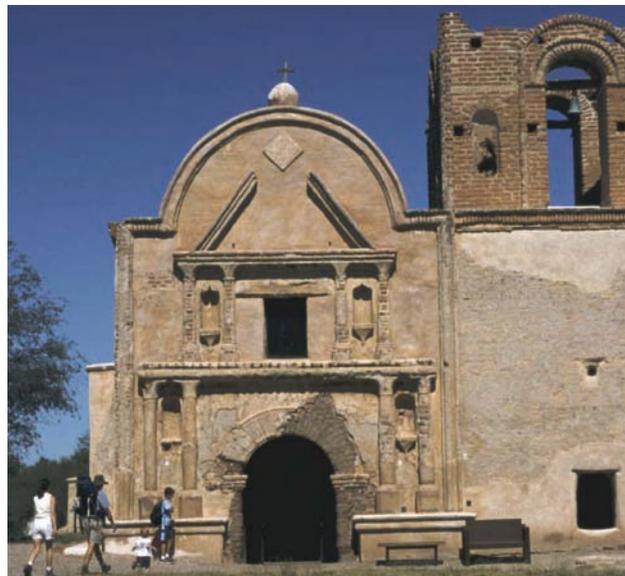
We assess our success with our recreation mission by measuring visitor satisfaction, ease of access, visitor learning opportunities, and the quality of our facilities. In FY 2004, 132 million visitors, against a target of 125.4 million visitors, participated in interpretive and educational programs designed to enrich their visit. Interior ensured that 7.8%, against a target of 9.7%, of its facilities were universally accessible (including access by the disabled) in relation to the total number of recreation areas it manages.

Wheelin' Sportsmen

Interior's FWS and the National Wild Turkey Federation's Wheelin' Sportsmen program have partnered under a Memorandum of Understanding to create outdoor opportunities for the disabled. Wheelin' Sportsmen represents a national outreach effort to help persons with disabilities enjoy outdoor recreation, including hunting, fishing, and bird-watching. The FWS has long been interested in expanding opportunities for the disabled. Through the partnership, special events are being held at National Wildlife Refuges for the disabled and mobility-impaired to encourage enjoyment of public lands.



Mission Goal 3: Recreation	
Performance Goal (Total Number of Reported Results)	Average Performance Rating
	Target Not Met Below Target On Target Above Target Target Exceeded
Satisfaction of meeting public demand for recreation as measured by a general public survey <i>2 Bureaus/Offices Reporting</i>	
Satisfaction with quality of experience <i>3 Bureaus/Offices Reporting</i>	
Percent of universally accessible facilities in relation to the total number of recreation areas <i>3 Bureaus/Offices Reporting</i>	
Number of visitors served by facilitated programs <i>3 Bureaus/Offices Reporting</i>	
Customer satisfaction with value for fee paid <i>3 Bureaus/Offices Reporting</i>	
Percent of concession activities with performance-based contracts <i>3 Bureaus/Offices Reporting</i>	
Revenue collected from concessions <i>1 Bureau/Office Reporting</i>	



Visitors at Tumacacori National Historical Park enter the historic Spanish Catholic mission building that remains near the site first visited by Jesuit Father Eusebio Kino in 1691.



The National Fire Plan (NFP) was developed to address severe wildland fires and their impacts to communities while ensuring sufficient firefighting capacity for the future. The NFP addresses five key points: firefighting, rehabilitation, hazardous fuels reduction, community assistance, and accountability.

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

May 30, 1805

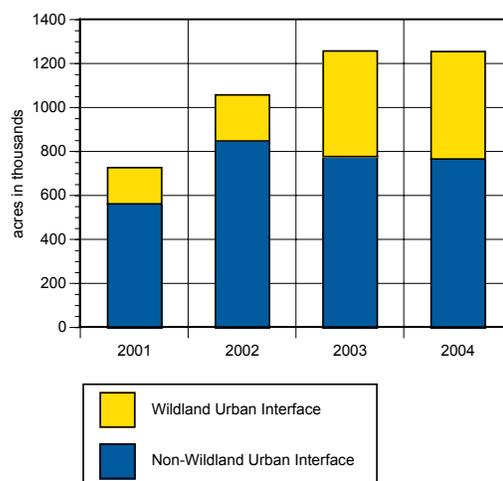
“ . . . many circumstances indicate our near approach to a country whos climate differs considerably from that in which we have been for many months. the air of the open country is asstonishingly dry as well as pure. I found by several experiments that a table spoon full of water exposed to the air in a saucer would evaporate in 36 hours when the mercury did not stand higher than the temperate point at the greatest heat of the day; my inkstand so frequently becoming dry put me on this experiment. I also observed the well seasoned case of my sextant shrunk considerably and the joints opened.”

- Meriwether Lewis

Interior’s responsibility to serve communities continues to grow larger and more complex, extending well beyond the lands and resources we manage. We are responsible for protecting lives, resources, and property; providing scientific information for better decision-making; and fulfilling the Nation’s trust or other special responsibilities to American Indians, Native Alaskans, and residents of island communities. In FY 2004, we discharged these responsibilities by:

- Creating 1,719 jobs for American Indians and Alaska Natives using capital provided by Interior loans, against a target of 1,300 jobs, and at a cost of \$1,799 per job, against a target of \$4,400.

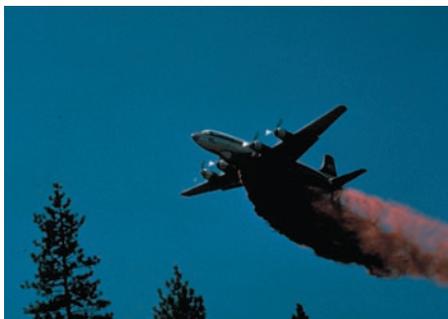
- Increasing the attendance rate of children in grades 1-12 to 87.18%, against a target of 92%.
- Ensuring that 48% of American Indian and Alaska Native children were able to read independently by the 3rd grade, against a target of 52%.
- Achieving parity between the Tribal community and U.S. rural area national average on high school graduation at 80%, exceeding our target of 78%.

Hazardous Fuels Treatment: National Fire Plan

We help protect communities from wildland fires; safeguard visitors on our lands from illegal activities; and, provide scientific information to reduce risks from earthquakes, landslides, and volcanic eruptions. For example, we had a 97% success rate in containing unwanted wildfires on initial attack during the 2003 fire season. During the 2004 fire season, our success rate was 97%, exceeding our target of 95%.

Partnering to Succeed: Improving Wildland Fire Management

Partnerships like the Wildland Fire Leadership Council leverage scarce resources and focus unique expertise and technology available through partner agencies to solve problems of mutual concern. The Wildland Fire Leadership Council, comprising representatives from Interior, the Department of Agriculture, Tribal forestry, and State agencies, works closely with community-based fire-fighting units to improve wildland fire management and reduce hazardous fuels on forests and rangelands. In FY 2004, the Council worked with communities to develop common performance measures, common cost accounting protocols, and an effective hazardous fuels reduction program. Since 2001, Interior and the U.S. Forest Service have removed hazardous fuels from over 11 million acres.



Federal agencies have provided assistance to 7,731 rural and volunteer fire departments through grants, training, supplies, equipment, and public education support. These agencies have also sponsored 14 national and 500 community Firewise workshops to increase awareness about wildland fire prevention and management.

Scientists and Mount St. Helens: Monitoring a Restless Earth

In the fall of 2004, USGS scientists monitored the eruption of Mount St. Helens in Washington State. Seismic unrest at the volcano (whose American Indian name means “smoking mountain”) began on September 23. Activity ramped up quickly, and the first steam and ash explosion occurred on October 1. USGS scientists quickly expanded monitoring networks and issued appropriate warnings of the potential dangers of an eruption to the U.S. Forest Service, State emergency management officials, the Federal Aviation Administration, the Washington Volcanic Ash Advisory Center, and nearby residents. They provided the continuous updates and information needed to protect people and aircraft from hazardous situations, as the volcano produced periodic steam and ash explosions that sent ash as high as 10,000 feet, accompanied by persistent seismic unrest. Mount St. Helens is one of several potentially active volcanic peaks in the Pacific Northwest Cascade Range. Its 1980 eruptions marked the reawakening of a relatively young (40,000 years) volcano that had been dormant since 1857. One major hazard posed by eruptions at Mount St. Helens is that ash clouds could affect air traffic and operations at nearby airports in Portland and Seattle.



We provide scientific assessments and information on the quality and quantity of our Nation’s water resources; collect, process, integrate, archive, and provide access to geospatial and natural resource data; and, conduct multi-purpose natural science research to promote understanding of earth processes, which are vital to resource use as well as resource protection. In FY 2004, Interior’s principal science bureau, the USGS, expanded its information base by providing temporal and spatial monitoring, research, and assessment/data coverage to meet land use planning and monitoring requirements for an estimated 54.66% of the surface area of the United States, against a target of 45.91%. It improved access to this information, providing 90% of decision-makers with science data needed to make informed decisions, meeting our target. Ninety-three percent reported that these data helped them achieve their management goals.

Mission Goal 4: Serving Communities					
Performance Goal (Total Number of Reported Results)	Average Performance Rating				
	Target Not Met	Below Target	On Target	Above Target	Target Exceeded
Visitor lives lost due to illegal activities on DOI lands and in DOI facilities (incidents per 100,000 visitor/resident days) <i>1 Bureau/Office Reporting</i>					
Visitor serious injuries due to illegal activities on DOI lands and in DOI facilities (incidents per 100,000 visitor/resident days) <i>1 Bureau/Office Reporting</i>					
Percent of communities using DOI science on hazard mitigation, preparedness and avoidance for each hazard management activity <i>1 Bureau/Office Reporting</i>					
Met need for information to help achieve goal of reduced risk <i>1 Bureau/Office Reporting</i>					
Number of people with reduced exposure potential to safety risks from abandoned mine lands <i>1 Bureau/Office Reporting</i>					
Reduced number of serious injuries among workers in DOI permitted or contracted activities <i>1 Bureau/Office Reporting</i>					
Percent of unplanned and unwanted wildland fires controlled during initial attack <i>1 Bureau/Office Reporting</i>					
Percent of sampled stakeholders reporting adequacy of science base to inform decision-making for each hazard management activity <i>1 Bureau/Office Reporting</i>					
Average number of months that active non-probate cases are before the Office of Hearings and Appeals <i>1 Bureau/Office Reporting</i>					
Average number of months that active non-probate cases in the oldest quartile are before the Office of Hearings and Appeals <i>1 Bureau/Office Reporting</i>					
Soundness of methodology, accuracy, and reliability of science (program evaluation, peer review) <i>1 Bureau/Office Reporting</i>					
Improved stakeholder access to needed science information <i>1 Bureau/Office Reporting</i>					
Stakeholders reporting that information helped achieve goal <i>1 Bureau/Office Reporting</i>					

Mission Goal 4: Serving Communities					
Performance Goal (Total Number of Reported Results)	Average Performance Rating				
	Target Not Met	Below Target	On Target	Above Target	Target Exceeded
Percent accuracy of financial account information provided to Trust beneficiaries <i>1 Bureau/Office Reporting</i>					
Percent of land-based Individual Indian Money transactions, as identified in the January 6, 2003, Plan for Historical Accounting, that will be reconciled <i>1 Bureau/Office Reporting</i>					
Achieve parity between the Tribal community and U.S. rural area national average on high school graduation <i>1 Bureau/Office Reporting</i>					
Percent of teacher proficiencies in select subject areas <i>1 Bureau/Office Reporting</i>					
Student attendance rate <i>1 Bureau/Office Reporting</i>					
Percent of children able to read independently by the 3rd grade <i>1 Bureau/Office Reporting</i>					
Percent of students achieving high school graduation <i>1 Bureau/Office Reporting</i>					
Ratio of Federal revenue to total revenues in insular areas <i>1 Bureau/Office Reporting</i>					
Ratio of private sector jobs to total employment <i>1 Bureau/Office Reporting</i>					



On September 22, 2004, Interior was awarded the prestigious E-Gov Institute Award for Excellence in Enterprise Architecture. Interior was one of only five other award recipients, competing with 92 other Federal, State and local government entries. The award honored Interior's Enterprise Architecture Program in the category of Federal Civilian Leadership in Government Transformation.

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

May 26, 1804

Detachment Orders.

" . . . The day after tomorrow lyed corn and grece will be issued to the party, the next day Poark and flour, and the day following indian meal and poark; and in conformity to that rotiene provisions will continue to be issued to the party untill further orders. should any of the messes prefer indian meal to flour they may receive it accordingly -- no poarch is to be issued when we have fresh meat on hand . . ."

- Meriwether Lewis

Management improvement is an ongoing, iterative process that is essential if we are to deliver the consistent performance improvement the American public expects. Interior's journey toward management excellence builds upon the Secretary's four key business principles: customer value, accountability, integration, and modernization. An example of our progress toward accountability can be seen in the graph on the following page that shows how we have reduced the number of delinquent travel charge accounts.

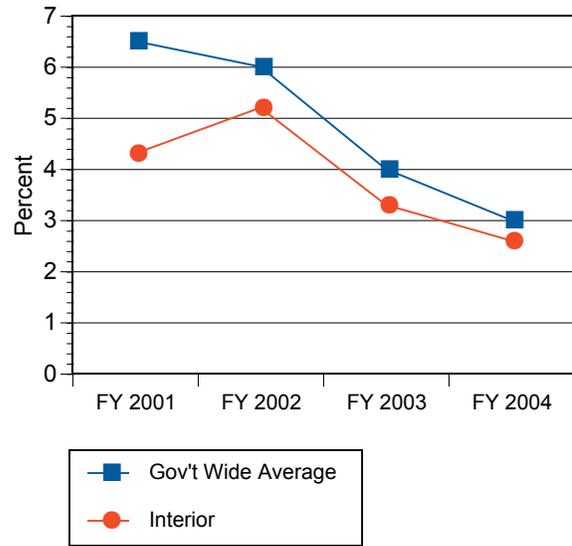
Our management goals guide us toward the effective, efficient accomplishment of Interior's mission. We strive to ensure that all of our activities are customer-centered—designed to add value for citizens, partners, users of public lands,

other Federal agencies, Tribes, States, and local governments. One way that we add customer value to our services is through our volunteer program. In FY 2004, over 200,000 volunteers contributed close to 8.9 million hours valued at about \$153 million by working with NPS, FWS, BLM, USGS, and Reclamation. Some Interior bureaus and offices, however, cannot tap into valuable volunteer resources because they do not have the statutory authority to accept these services. We are hoping

to change this. Rep. Richard Pombo (R-CA) sponsored legislation that passed the House in late 2004 to provide the Office of the Secretary and BIA with the authority to accept volunteer services while also updating the volunteer authorities of the USGS and Reclamation. These new authorities would allow Interior to expand and standardize its highly successful volunteer programs.

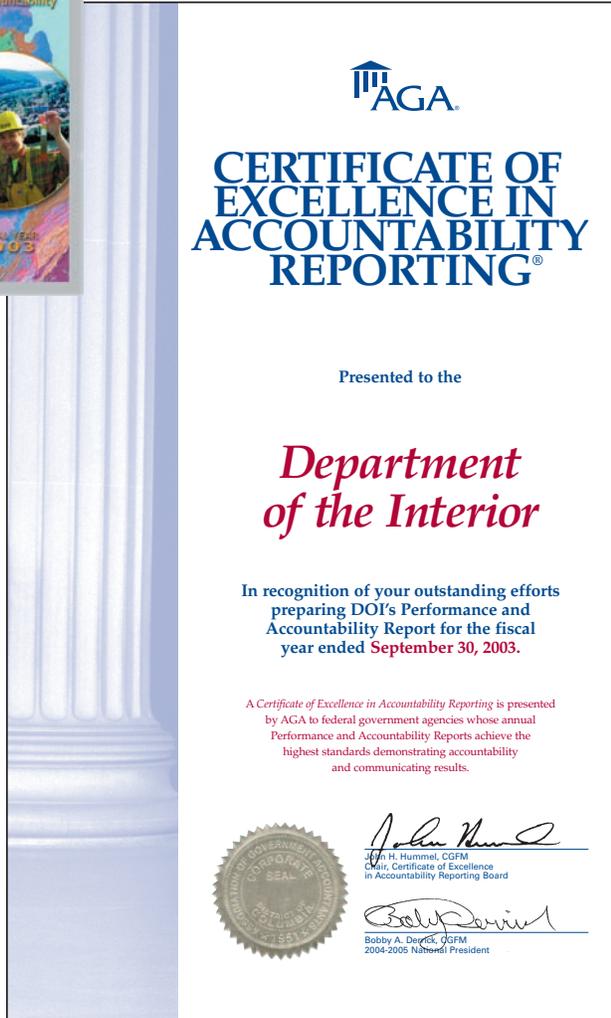
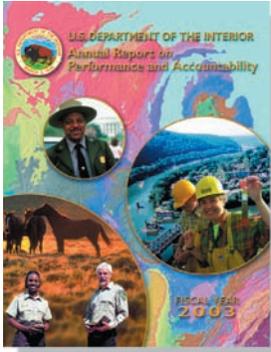
Our focus on results requires an organization of results-oriented, skilled, diverse employees. To create this organization, we apply best practices in competitive sourcing reviews and human capital management.

Travel Card Payment Delinquency



A volunteer shows children how to use fishing equipment.

Strategic Goal: Management Excellence					
Performance Goal (Total Number of Reported Results)	Average Performance Rating				
	Target Not Met	Below Target	On Target	Above Target	Target Exceeded
Obtain unqualified audit for DOI's eight bureaus, the Departmental offices <i>1 Bureau/Office Reporting</i>					
Obtain unqualified audit for DOI's consolidated financial statements <i>1 Bureau/Office Reporting</i>					
Improve the Department/bureau IT Management Process to Reach Level 2 along GAO's ITM framework by FY 2005 <i>1 Bureau/Office Reporting</i>					
Improve the Department/bureau IT Management Process to Reach Level 3 along GAO's ITM framework by FY 2008 <i>1 Bureau/Office Reporting</i>					
Percent of systems that will be certified and accredited by FY 2005, and will maintain accreditation on a 3-year recurring cycle <i>1 Bureau/Office Reporting</i>					
Percent of time that networks are operational for all users <i>1 Bureau/Office Reporting</i>					
Percent of business lines with shared processes, including systems, to eliminate redundancy and/or inefficiency <i>1 Bureau/Office Reporting</i>					
Human Capital Plan Implementation: Strategic Actions – Percent of strategic actions that are completed <i>1 Bureau/Office Reporting</i>					
Human Capital Plan Implementation: Strategic Actions – Percent of strategic actions for which outcome goals have been identified <i>1 Bureau/Office Reporting</i>					
Human Capital Plan Implementation: Strategic Actions – Percent of completed strategic actions that lead to achieving specified outcome goals <i>1 Bureau/Office Reporting</i>					
Diversity: Percent of workforce participation of women over baseline for FY 2003 <i>1 Bureau/Office Reporting</i>					
Diversity: Percent of workforce participation of minorities over baseline for FY 2003 <i>1 Bureau/Office Reporting</i>					
Diversity: Percent of workforce participation of persons with disabilities over baseline for FY 2003 <i>1 Bureau/Office Reporting</i>					
Volunteers: Number of volunteer hours per year supporting DOI mission activities <i>1 Bureau/Office Reporting</i>					
Corrective Actions: Percent of charge card accounts of current employees that are delinquent 60 days or more <i>1 Bureau/Office Reporting</i>					
Cost Management: Percent of bureaus and offices fully implementing accurate, activity-based cost accounting systems in compliance with Departmental guidelines <i>1 Bureau/Office Reporting</i>					



The Department received the prestigious Association of Government Accountants' Certificate of Excellence in Accountability Reporting in FY 2004. This marks the third year in a row that the Department has been recognized for quality reporting.

Financial Performance Highlights

January 18, 1803
Letter from President Thomas Jefferson to the Congress
Seeking the sum of \$2,500 to finance the Lewis and Clark Expedition

“An intelligent officer, with ten or twelve chosen men, fit for the enterprise, and willing to undertake it, taken from our posts, where they may be spared without inconvenience, might explore the whole line, even to the Western Ocean. . . . Their arms and accoutrements, some instruments of observation, and light and cheap presents for the Indians, would be all the apparatus they could carry, and with an expectation of a soldier’s portion of land on their return, would constitute the whole expense. . . . The appropriation of two thousand five hundred dollars, “for the purpose of extending the external commerce of the United States,” while understood and considered by the Executive as giving the legislative sanction, would cover the undertaking from notice, and prevent the obstructions which interested individuals might otherwise previously prepare in its way.”

Sound financial management is a basic building block of good government. Interior has taken steps to ensure that we meet our quarterly financial reporting requirements as well as the accelerated due date for completing our annual financial statement audit. Our financial management improvement efforts will help us fulfill our responsibility to spend wisely while producing results. These efforts will also help us provide the public with more transparent budget and performance information. The quality of our reporting has been recognized by the Association of Government Accountants.

Summary of FY 2003 and FY 2004 Financial Statement Audits											
	Unqualified Opinion on Financial Statements		Material Weakness in Report on Internal Controls		Full Compliance with Laws and Regulations (Non FFMA)		Full Compliance with Laws and Regulations (FFMA)		Full Component Compliance with Laws and Regulations (FFMA)		
	FY 2003	FY 2004	FY 2003	FY 2004	FY 2003	FY 2004	FY 2003	FY 2004	Systems	Accounting	SGL
									FY 2004	FY 2004	FY 2004
Dept	Yes	Yes	Yes	Yes	No (2,3,4)	No (2,3,4)	No	No	No	No	No
FWS	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No	Yes
USGS	Yes (1)	Yes	Yes	No	Yes	Yes	No	No	No	Yes	Yes
BIA	Yes	Yes	Yes	Yes	No (2,3,4)	No (2,4)	No	No	No	No	No
BLM	Yes	Yes	No	Yes	Yes	Yes	No	No	No	No	Yes
MMS	Yes	Yes	No	Yes	Yes	No (2,3)	No	No	No	No	Yes
NPS	Yes	Yes	No	No	No (4)	No (4)	No	No	No	No	Yes
BOR	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	No	Yes
OSM	Yes	Yes	No	No	Yes	Yes	No	Yes	Yes	Yes	Yes
DO	Yes	Yes	Yes	Yes	No (4)	No (3,4)	No	No	No	No	Yes

(1) Balance sheet only
 (2) Debt Collection Improvement Act

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

Clean Audit Opinion

The Department received, for the eighth 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.

Number of Material Weaknesses Reported and Corrected or Downgraded			
Period Reported	Reported	Corrected or Downgraded	Pending at Year End
Prior Years	169	152	17
FY 2001	1	1	17
FY 2002	2	8	11
FY 2003	0	1	10
FY 2004	1	7	4
Total	173	169	4

Correcting Material Weaknesses

Prior to FY 2004 and since the inception of the Financial Managers' Financial Integrity Act (FMFIA) in 1982, Interior had identified and reported 172 material weaknesses and 65 accounting system non-conformances. Interior has corrected 162 of these material weaknesses (94%) and 64 of these accounting system non-conformances (98%). During FY 2004, one new material weakness was identified, while seven material weaknesses were corrected or downgraded. All accounting system non-conformances identified through FY 2000 were previously corrected. The remaining accounting system non-conformance for financial management system security controls was downgraded as a result of significant progress achieved during FY 2004.

Number of Material Non-Conformances Reported and Corrected or Downgraded			
Period Reported	Reported	Corrected or Downgraded	Pending at Year End
Prior Years	64	64	0
FY 2001	1	0	1
FY 2002	0	0	1
FY 2003	0	0	1
FY 2004	0	1	0
Total	65	65	0

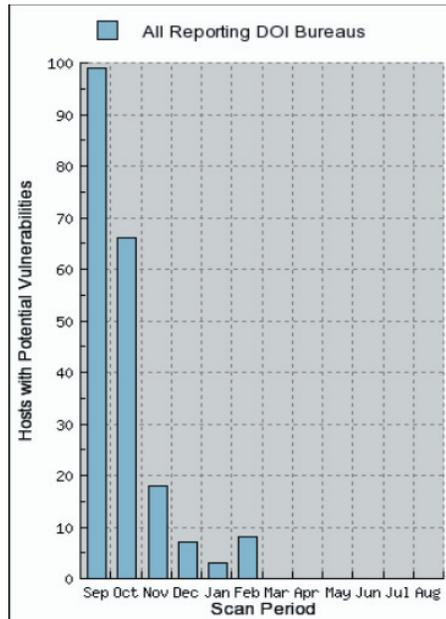
As shown in the tables on the previous page, we have made tremendous progress in correcting material weaknesses and accounting system non-conformance. The tables show the number of new material weaknesses and accounting system non-conformances reported and corrected by fiscal year and the number pending at year-end. Interior will carry forward four material weaknesses to FY 2005, the lowest total of pending material weaknesses since the inception of the FMFIA.

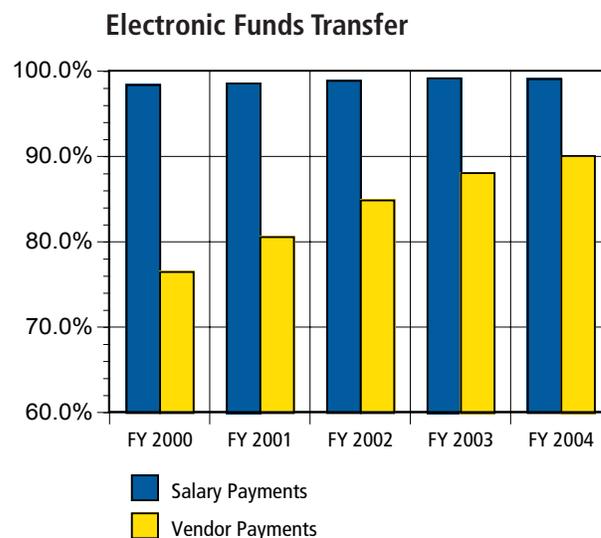
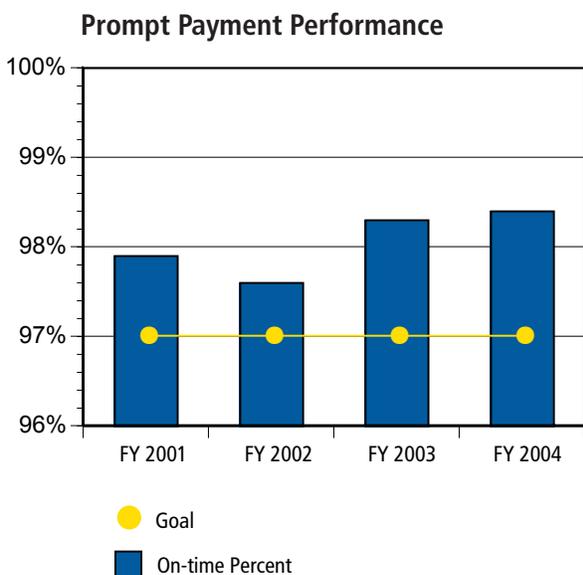
Compliance with Information Security Management Act (FISMA)

The Interior IT Security Program has taken a comprehensive approach to meeting FISMA requirements. Specific milestones achieved in FY 2004 include:

- **Assess Risk / Commensurate Controls / System Specific Plans (Certification & Accreditation or C&A).** C&A process guides finalized, 258 security staff trained in C&A procedures, Department-wide Blanket Purchase Agreement (BPA) with 10 qualified vendors established for C&A implementation, \$12 million in funding distributed to bureaus to provide for C&A activities, which resulted in 98% of systems completing certification and accreditation by September 2004. This includes all operational financial systems. Twenty-one percent of these C&A packages were quality assured by an independent contractor and all procedures are in strict compliance with NIST guidance.

Count of Perimeter Servers with SANS Top 20 Listed Vulnerability





- Integration with Strategic and Operational Planning.** Interior includes all security program budget costs in appropriate OMB submissions. Furthermore, Enterprise Architecture (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. DOI received the E-Government Institute's Federal Civilian Leadership in Government Transformation Award for the DOI Enterprise Architecture.
- Incident Response.** Completed incident response policy definition within Departmental Manual (DM) 375.19. Continued outsourcing of agency incident response handling to the Department of Homeland Security (DHS) US Computer Emergency Readiness Team (US CERT). 154 DOI technical staff trained in incident response procedures.

Improving Prompt Pay and Electronic Funds Transfer

The Department is continuing to strive to improve performance under the requirements of the Prompt Payment Act and the Debt Collection Improvement Act. The Department's FY 2004 performance resulted in achieving goals for Prompt Pay and payments made by Electronic Funds Transfer.

Financial and Business Management System

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

One of the Department's current financial management system improvement efforts involves the Financial and Business Management System (FBMS). The FBMS 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.

Modernization and Integration of Interior Business Systems: FBMS

Interior's Financial and Business Management System (FBMS) is a major Department-wide initiative that will integrate financial management, acquisition, property management, grants administration, and other subsidiary systems. It



will revamp administrative processes throughout the Department. The FBMS will help us provide complete, accurate, and timely information that employees and managers need to make informed decisions about their programs at all levels of the organization. The integrated system will streamline linkages between critical financial management systems, providing service through a single system instead of the more than 16 systems that Interior currently operates. The FBMS will provide more economic and efficient input and retrieval of data. It will help us to achieve unqualified audit opinions and the best use of taxpayer dollars. Most importantly, it will standardize business practices and business data across the Department.

Interior took a tremendous step toward making its vision of the FBMS a reality when, in January 2004, it awarded a contract to BearingPoint, Inc., as a solution provider for the system. Interior managers have given FBMS the highest priority for new information technology systems.

Overview of Financial Position

The principal financial statements included in the Department's FY 2004 Performance and Accountability Report (PAR) were 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 Bulletin No. 01-09, "Form and Content of Agency Financial Statements."

Condensed versions of the Department's Consolidated Balance Sheet and Statement of Net Cost are shown on the following page. The full version of our statements can be found on the enclosed CD or online at <http://www.doi.gov/pfm/par2004>.

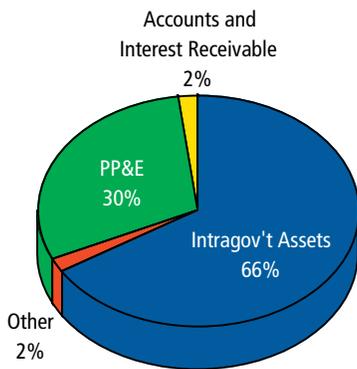
Condensed Balance Sheet
For the Fiscal Years ended September 30, 2004 and 2003
(dollars in thousands)

	2004	2003	% Change
Assets			
Intragovernmental Assets	\$ 37,402,718	\$ 34,698,993	8%
General Property, Plant, and Equipment, Net	17,154,211	16,955,915	1%
Accounts and Interest Receivable, Net	1,347,641	1,226,984	10%
Other	1,041,708	1,084,511	-4%
Total Assets	\$ 56,946,278	\$ 53,966,403	6%
Liabilities			
Intragovernmental Liabilities	\$ 4,738,939	\$ 4,350,627	9%
Accounts Payable	1,024,845	965,509	6%
FECA	664,855	712,250	-7%
Contingent Liabilities	781,453	776,546	1%
Other	2,761,629	1,648,606	68%
Total Liabilities	9,971,721	8,453,538	18%
Net Position			
Unexpended Appropriations	4,080,359	3,929,302	4%
Cumulative Results of Operations	42,894,198	41,583,563	3%
Total Net Position	46,974,557	45,512,865	3%
Total Liabilities and Net Position	\$ 56,946,278	\$ 53,966,403	6%

Condensed Statement of Net Cost
For the Fiscal Years ended September 30, 2004 and 2003
(dollars in thousands)

	2004		2003
Mission			
Resource Protection	\$ 2,435,401	Protect and Preserve the Environment	\$ 3,848,345
Resource Use	2,447,656	Provide Recreation	1,943,686
Recreation	1,901,519	Manage Natural Resources	2,773,058
Serving Communities	6,008,038	Provide Science	1,108,064
Non-Mission			
Reimbursable Activity and Other Costs	266,435	Meet Our Trust Responsibilities	2,304,961
Net Cost of Operations	\$ 13,059,049	Non-Mission	
		Reimbursable Activity and Other Costs	261,280
		Net Cost of Operations	\$ 12,239,394
Total Cost	\$ 17,793,034	Total Cost	\$ 16,101,375
Total Revenue	4,733,985	Total Revenue	3,861,981
Net Cost of Operations	\$ 13,059,049	Net Cost of Operations	\$ 12,239,394

FY 2004 Asset Categories



Assets. In FY 2004, the Department’s assets totaled \$56,946 million. This is an increase of \$2,980 million over the prior year’s assets totaling \$53,966 million. Intragovernmental Assets are primarily the Fund Balance with Treasury and Investments in U.S. Treasury Securities. Intragovernmental Assets and General Property, Plant, and Equipment comprise 96% of total assets. The largest increase to assets relates to increased oil prices and sales volume for royalty revenue that relates to accounts receivable with the public.

The increase in Intragovernmental Assets is primarily due to an increase in the Fund Balance with Treasury from advances with Federal agencies for the Interior Franchise Fund (IFF) and the Working Capital Fund (WCF) and because revenues exceeded transfers out and expenses for the Conservation Funds. A portion of the Fund Balance with Treasury includes Conservation Funds (Land and Water Conservation Fund, Historic Preservation Fund, and Environmental Improvement and Restoration Fund) reported as “restricted” since these conservation funds are not presently available to Interior.

Property, Plant, and Equipment (PP&E) are primarily composed of land, structures, and facilities that 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).

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 437 million acres of the 500 million acres managed by Interior are considered stewardship land. 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 are within the administrative boundaries of the National Park System and the National Wildlife Refuges.

Stewardship Land (Federal Acres)				
	Beginning Acres	Additions	Withdrawals	Ending Acres
BLM	261,950,378	42,563	(144,821)	261,848,120
NPS	78,842,824	241,819	(61,970)	79,022,673
FWS	90,264,000	42,600	-	90,306,600
BOR	5,861,154	-	(136,156)	5,724,998
BIA *	205,205	465	(149)	205,521
Other	12,380	671	(320)	12,731
Total	437,135,941	328,118	(343,416)	437,120,643

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

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 with a slight net decrease due to a BOR land reconciliation effort.

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, investment in education, and the purchase or construction of assets for which State, local or tribal governments and insular areas retain title. The decrease in the investments from FY 2003 to FY 2004 is due primarily to reduced available funding for stewardship investments.

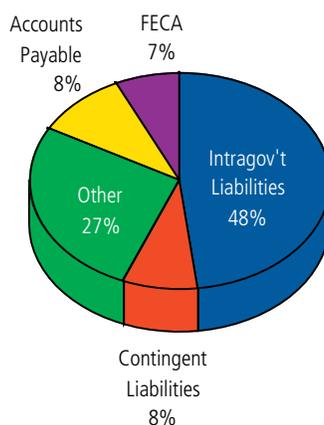
Stewardship Investments (in millions)				
	FY 2004	FY 2003	Change	% Change
Non-Federal Physical Property	\$644	\$641	\$3	1.0%
Research and Development	981	952	29	3.0%
Human Capital	639	631	8	1.3%
Totals	\$2,264	\$2,224	\$40	2.0%

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 Department's FY 2004 PAR.

Liabilities. In FY 2004, the Department's liabilities totaled \$9,972 million. This is an increase of \$1,518 million over the prior year's liabilities, which totaled \$8,454 million. Intragovernmental Liabilities is primarily debt to the U.S. Treasury and advances and deferred revenue. Intragovernmental Liabilities and accounts payable with the Public comprise 58% of the Department's total liabilities. The largest increase to liabilities relates to a change in accounting principle for the U.S. Park Police (USPP) Pension Plan.

In FY 2004, the Interior was directed by the OMB to account for the liability of the USPP Pension Plan. This resulted in a change of accounting principle and the recognition of the USPP Pension Plan liability for future benefits. A liability

FY 2004 Liability Categories



was not previously recognized because the Department does not administer the pension plan. As a result of the change in accounting principle, the Department recorded an adjustment of \$649 million to establish the liability. 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 including Federal Employees Compensation Act (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 FY 2004, disclosed in the Consolidated Balance Sheet and the Consolidated Statement of Changes in Net Position, was \$46,974 million, an increase of about \$1,461 million or 3% from the previous year.

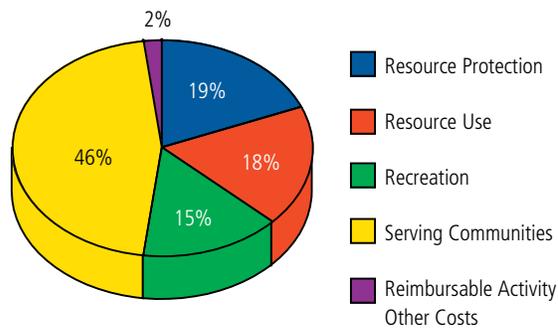
The Net Position of the Department consists of two components:

(1) Unexpended Appropriations of \$4,080 million and (2) Cumulative Results of Operations of \$42,894 million. The growth in Unexpended Appropriations is primarily due to the continued increase in budget authority received to achieve the mission goals of the Department.

Results of Operations. The Department’s net cost of operations for FY 2004 was \$13,059 million. This is an increase of \$820 million from the previous year’s net cost of \$12,239 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 14% of total expenses.

Interior updated its Strategic Plan in FY 2004 and replaced its previous five mission goals with the following four mission goals: Resource Protection, Resource Use, Recreation, and Serving Communities. Serving Communities represents 46% of the Department’s net cost of operations.

FY 2004 Net Cost of Operations



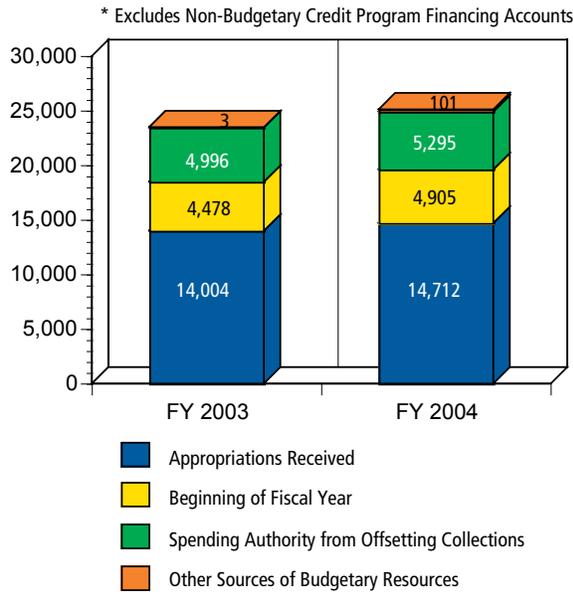
Revenues. During FY 2004, Interior earned approximately \$2,208 million in revenues from the public and approximately \$2,526 million in revenue from other Federal entities for a total of \$4,734 million. This is an increase of about \$872 million from September 30, 2003. The increase in revenue is due to an increase in intragovernmental revenue from the Interior Franchise Fund and the Working Capital Fund, as well as an increase in land sales. In FY 2003, approximately \$1,819 million was earned in revenues from the public and approximately \$2,043 million was earned in revenue from other Federal entities for a total of \$3,862 million.

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 Departmental operations. Revenues collected from other Federal agencies consist of reimbursable activities such as construction, engineering, and other technical services. A majority of the revenue received from Federal agencies is due to the IFF and the National Business Center providing shared administrative services and commonly required products to Federal agencies. 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 which the Federal Government collects as a result of its sovereign powers rather than as a result of providing goods or service for a fee. Donations to the Department are also reported as non-exchange revenues. Non-exchange revenue increased from \$1,159 million in FY 2003 to \$1,202 million for FY 2004.

Revenues earned are either retained by the Department to further Interior's mission or returned to the General Fund of the Treasury. In either case, these revenues offset the taxpayer's investment in the Department. During FY 2004 and FY 2003, the Department returned to the General Fund of the Treasury, \$30 million and \$42 million, respectively.

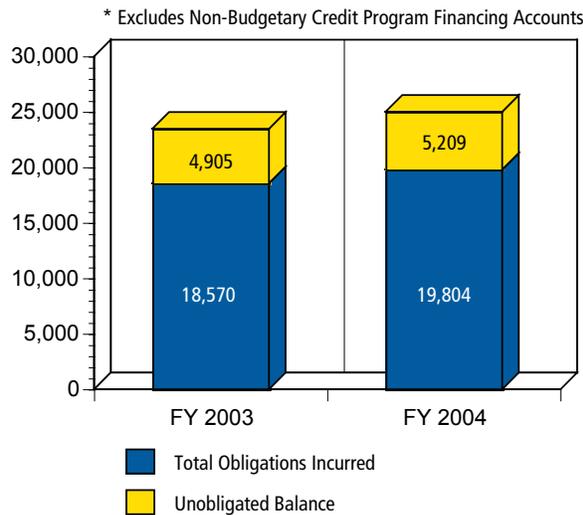
Budgetary Resources * (in millions)



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 budgetary resources. Other sources 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), Reclamation Fund, and the Aquatic Resources Trust Fund. These funds are administered in accordance with applicable laws and regulations.

Obligations of \$19,803 and \$18,570 million were incurred as of September 30, 2004 and 2003 on total budgetary resources of \$25,013 and \$23,475 million, respectively.

Status of Budgetary Resources * (in millions)





Part IV A Never-Ending Journey— Looking Forward

Although Lewis and Clark failed in their journey to find a Northwest Passage, President Jefferson was far from disappointed in his expedition. It did accomplish many of his objectives—establishing peaceful contact with many Native American peoples and providing a wealth of scientific data regarding the flora, fauna, and geography of our country. The Lewis and Clark Expedition is credited with the discovery of 122 animal species previously unknown to science including the grizzly bear, the California condor, the coyote, the black-footed ferret, the black-billed magpie, the black-tailed prairie dog, the pronghorn, and the gray wolf. Among the 178 new plant species Lewis and Clark discovered are several trees including the western red cedar, eastern cottonwood, the mountain hemlock, the white-bark pine, Sitka spruce, and Pacific yew. Their journey was also an inspiration, setting the tone for exploration and scientific discovery of our Nation.

Interior's Future Challenges on the Journey Ahead

As Interior continues its journey of discovery toward mission and management excellence, we face many challenges.

Challenge 1: Increased Demands on Our Facilities and Aging Infrastructure

Interior maintains more than 40,000 buildings, 4,200 bridges and tunnels, 126,000 miles of highways and roads, and 4,500 historic trails. Past Federal investments have not kept pace with challenges that result from increased visitation to public lands or from aging and deteriorating facilities—many of which are historic. Repair and maintenance of these assets has been postponed for years due to budgetary constraints, yet the deterioration of these facilities can adversely impact public health and safety, reduce

Growing Demands for Agency Management and Accountability	
Year	Congressional Legislation
1987	Computer Security Act
1990	Budget Enforcement Act of 1990 (as amended) Chief Financial Officers Act Federal Credit Reform Act
1993	Government Performance and Results Act
1994	Accounting Standardization Act Federal Acquisition Streamlining Act Government Management Reform Act
1995	Paperwork Reduction Act
1996	Administrative Disputes Resolution Act Clinger-Cohen Act Debt Collection Improvement Act Federal Acquisition Reform Act Federal Financial Management Improvement Act
1998	Business Opportunity Development Reform Act Federal Activities Inventory Reform Act Government Paperwork Elimination Act Travel and Transportation Act
1999	Construction Industry Payment Protection Act Federal Financial Assistance Management Improvement Act
2000	Government Information Security Reform Act Reports Consolidation Act of 2000
2002	Federal Information Security Management Act Improper Payments Information Act The E-Government Act

employee morale and productivity, and increase the need for costly major repairs or early replacement of structures and equipment.

Challenge 2: Increased Demand for Energy and Water

The demand for energy keeps growing, along with the demand for non-energy minerals and forest products. Water shortages are already a way of life, particularly in the arid West, and are certain to get worse. Increased demands are further compounded during periods of drought. Interior must continue to find creative new ways to store and deliver water to those we serve to help meet demands, while prudently managing and accounting for millions of dollars appropriated for our water conservation projects.

Challenge 3: Natural and Manmade Hazards

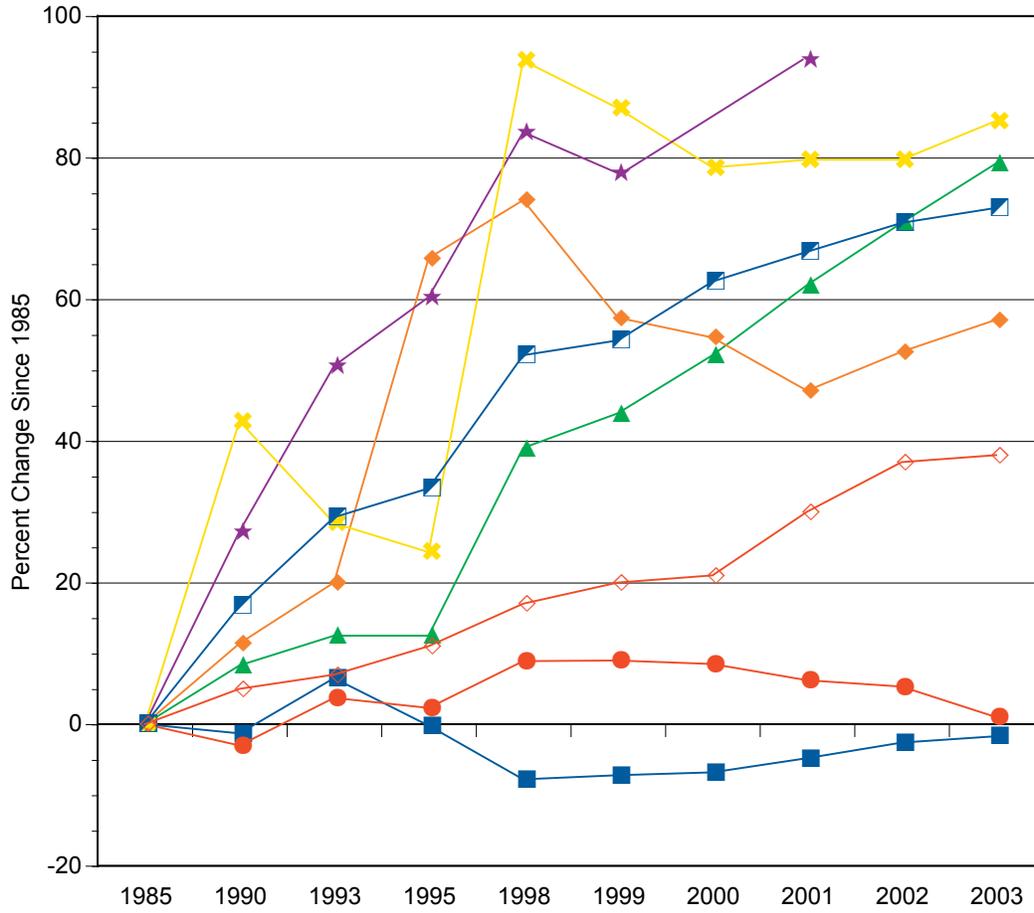
As communities grow along the coasts and in the wildland urban interface in the West, more people are at risk from natural hazards, the perils of coastal storms and other processes, and capricious forces of nature that can cause wildfires of devastating proportion. Global trading patterns and connections bring invasive species into our farms and natural areas, devastating habitat

and exacerbating fire threats. Our increasing responsibility in homeland security, law enforcement, and emergency management to protect people; natural, cultural, and heritage resources; dams; and icons and monuments from intentional criminal acts is significant and demands our continued vigilance. Working with our partners in Federal, State, Tribal, and local law enforcement, security, intelligence, and emergency management is essential in carrying out our responsibilities.

Challenge 4: Increased Demand for Service

The American people continue to demand more from Interior. At the same time, Congress, in recent years, has passed a number of laws to ensure better business management practices, improved efficiency, financial integrity, and mission accountability. Coming up with resources to fund such improvements is especially challenging in light of the public's demands for more on-the-ground services.

Demand for Services (Percent Change Since 1985)





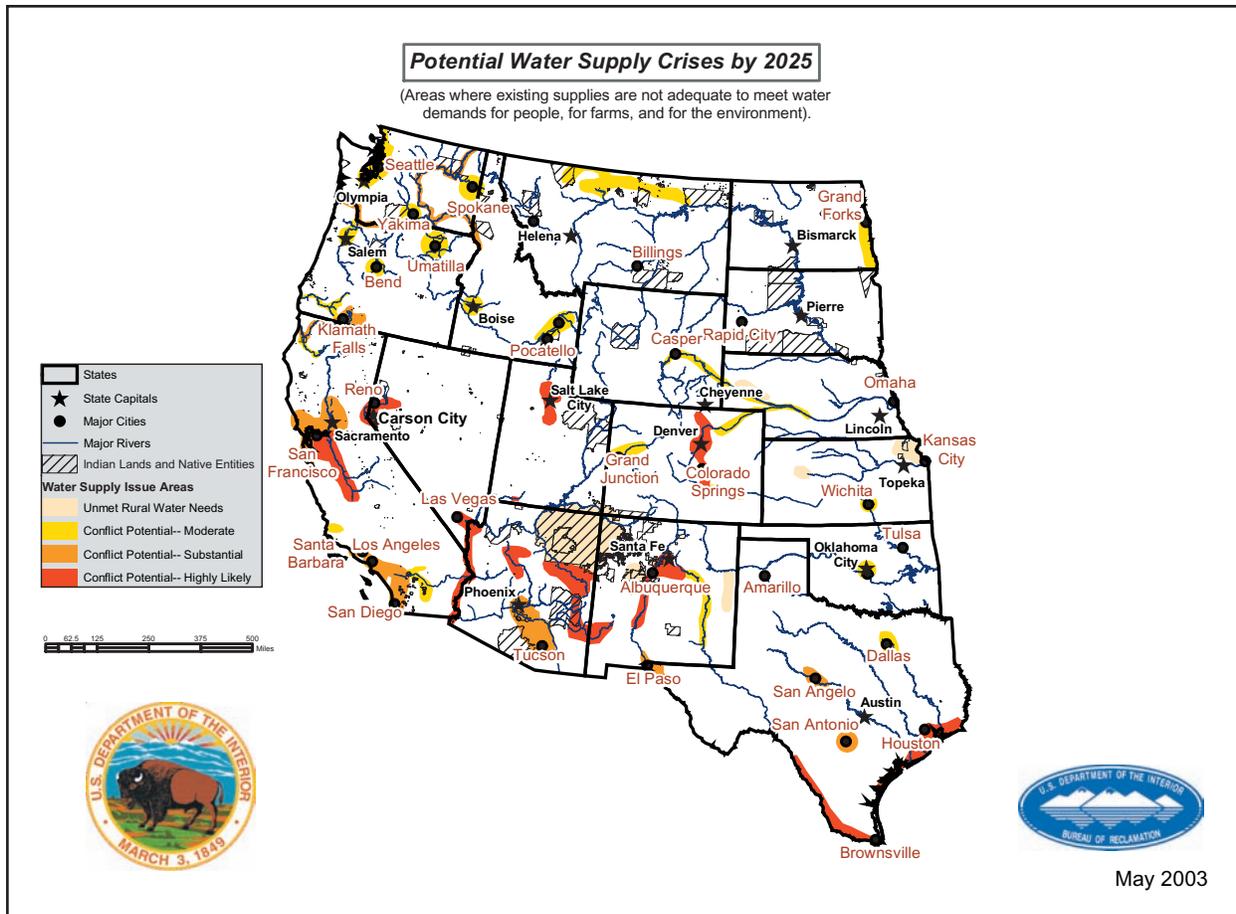
Secretary Gale Norton and Bill Hardman, president of the Southeast Tourism Society, sign a landmark partnership agreement to help promote tourism and enhance the visitor experience on America's public lands. The Memorandum of Understanding establishes the Southeast Tourism Policy Council, a unique public-private partnership that will work on issues that affect the future of travel and tourism in the Southeast.

Interior's Response to Future Challenges

Secretary Norton's vision for effective performance—the 4 C's: Communication, Consultation and Cooperation, all in the service of Conservation—reflect Interior's goal of involving others, including communities, partners, customers, contractors, volunteers, and the interested public, to help us improve our programs, processes, plans, and practices to achieve our mission.

Partnership and Volunteers

Partnerships are critical for Departmental success and will continue to help us meet future challenges. In August 2004, President Bush gave partnership a boost when he signed the Executive Order, Facilitation of Cooperative Conservation. This executive order requires Cabinet agencies to include private landowners, States, Tribes, and local government in Federal decisionmaking related to managing the environment. It specifically requires the Departments of the Interior, Agriculture, Commerce, and Defense and the Environmental Protection Agency to engage in more "cooperative conservation," defined as collaboration related to the "use, enhancement, and enjoyment of natural resources, protection of the environment, or both." Interior is implementing the executive order. In 2004, we continued to strengthen our relationships with our large network of volunteers, as well as creating alliances across intra- and interagency borders to address such critical issues as wildland fire, wetlands restoration, species protection, and homeland security. These enhanced partnerships leverage funding, help us identify strategies that make sense on the ground to the wide variety of



people having an interest in our programs, and create an environment of communication, consultation, and cooperation. Partnerships benefit not only the resources we manage but also the people we serve. For example, the value of in-kind contributions of our volunteer corps in helping us complete programmatic goals was estimated at about \$153 million in 2004. Partnerships such as the High Plains Partnership—a public/private initiative across the 11-State High Plains region—help conserve declining species and habitats on private lands.

Strong Science Conducted with Integrity

Strong science and scholarship will remain the foundation of our work. In FY 2004, we continued to improve the timeliness, accuracy, usability, and accessibility of science available for policymakers and the public. By stressing the connection between the Department's scientists across bureau lines, we strengthened a culture of collegiality, with rigorous internal and external peer review to ensure the highest quality science. A new code of Scientific Conduct will be in place across Interior in FY 2005 to help ensure scientific integrity on the part of Interior scientists.

Improved Business Practices through Technology and Management Tools

Successful management is vital to our success, supporting the four mission areas of Resource Use, Resource Protection, Recreation, and Serving Communities. Only with a steady stream of innovative new processes and programs throughout the Department can

we create the continual improvements in effectiveness and efficiency that the public legitimately demands. The Secretary's key business principles—customer value, accountability, modernization, and integration—serve as our end outcome goals for Management Excellence. Progress measured toward realizing these outcomes, combined with our progress in accomplishing the President's Management Agenda, will continue to help guide the individual and collective management decisions and direction needed to meet the challenges of tomorrow.



Interior's Bureau of Land Management (BLM) and the USDA Forest Service have developed a successful process, known as "Service First," to improve service to the public and streamline administrative costs by co-locating field offices and developing common business practices. To date, the BLM and the Forest Service have co-located facilities in 21 locations in 9 States, and plan to combine an additional 22 offices by the end of 2005.

At the core of our response to our future mission and management challenges is an effort to link our performance with budget data—to make budgeting decisions based on better information about how dollars are used and how programs might be improved to enhance results. The continuing PART evaluations, coupled with our integrated Strategic Plan and our implementation of activity-based cost performance management across Interior, all provide building blocks to link budget and performance. Already some of our bureaus are using ABC/PM to improve their work efforts by integrating ABC/PM data into workforce planning, creating more alignment between staff resources and functions to be performed.

Just three years ago, Interior—like most other Federal agencies—did not close its financial books and complete its annual audit until five months after the fiscal year. Needed improvements identified through audits, therefore, could not be undertaken until long after the problems had occurred. Accelerated annual audits help us tackle financial management and related problems in a timely fashion. While we have corrected or downgraded 21 of 34 material weaknesses at the bureau level from FY 2002, we have more work to do. Our ability to complete our FY 2004 Performance and Accountability Report by November 15, 2004, just 45 days after the close of the fiscal year, signals that we are beginning to be able to operate with current financial

and performance information, enabling us to make better decisions and more efficiently accomplish our mission. In addition, our FY 2005 budget includes a total of approximately \$14 million to fund the implementation of the Financial and Business Management System (FBMS), our major enterprise management initiative that will revamp administrative processes throughout the Department while modernizing and integrating financial management, acquisition, property management, grants administration, and other subsidiary systems.

The President has pledged to bring park facilities and resources into good condition, committing \$4.9 billion over five years for park facility maintenance and construction.

Using data from annual condition assessments to be completed for almost all of its assets, the National Park Service will use its Facility Condition Index for each asset to serve as a starting point for determining the investment required and for establishing performance goals to achieve an acceptable condition over time.

As required by Executive Order 13327 (Federal Real Property Asset Management), Interior prepared its first-ever draft Asset Management Plan. This comprehensive plan, submitted to OMB on September 30, 2004 for review, fulfilled a commitment identified in the real property scorecard. The plan establishes a strategy to manage and oversee Interior-owned and leased assets (including buildings, structures, linear assets, motor vehicle fleet, and office and warehouse space) to maximize their contribution toward accomplishing the Department's diverse missions.

Performance Accountability

The Department's new Strategic Plan represents a major step forward in the long journey toward integrating our processes and programs, reflecting both the changing realities we face and the direction we will take in the years to come. In addition to allowing us to set and measure consistent multi-agency, results-oriented goals, our new performance measurements provide the tools to make Interior more transparently accountable to citizens.



Serving the public well means knowing what we have and managing it well. To that end, Interior has embarked on major efforts to inventory its facilities, assess their condition, and develop asset management systems.

WE'D LIKE TO HEAR FROM YOU

We'd like to hear from you about the FY 2004 Annual Report on Performance and Accountability. Did it present the information in a way that you could use? Where did it succeed and where did it fall short? How can we improve it 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

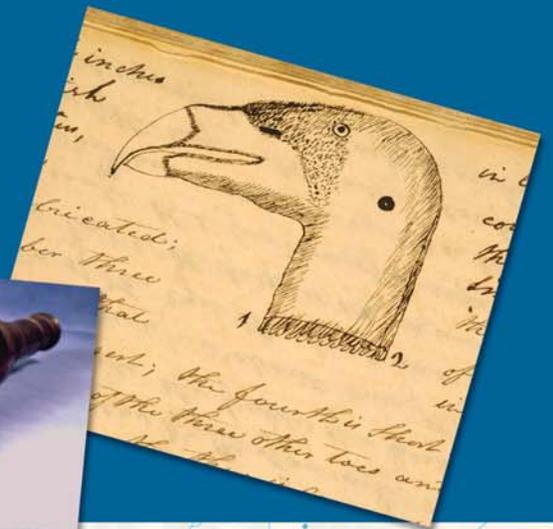
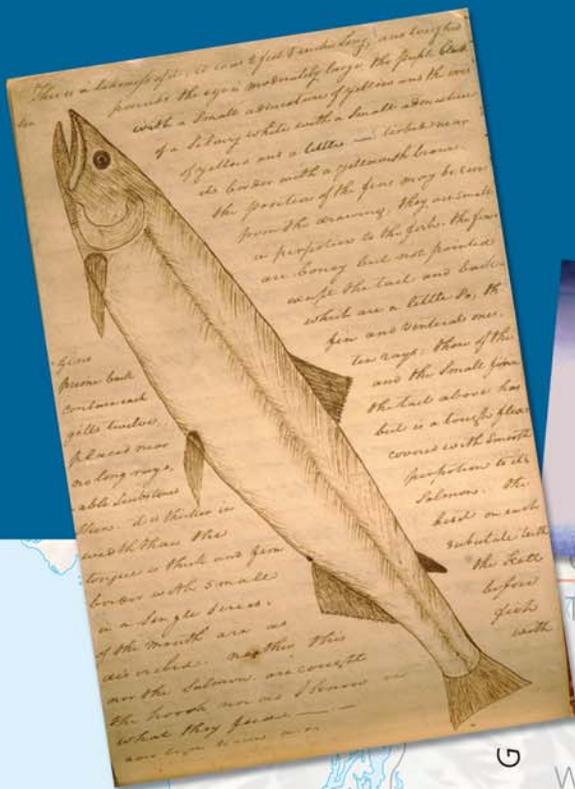
Or, if you prefer, visit www.doi.gov/ppp/feedback.html and submit your comments on-line.

An electronic version of this report and its executive summary (a separate publication) is available at www.doi.gov/pfm/par2004. We encourage you to visit www.doi.gov/about.html where you will find links to the other documents that describe the Department of the Interior's mission and programs and our ongoing journey toward 21st Century Stewardship. These include our new integrated and outcome-oriented Strategic Plan, the Secretary's Citizen-Centered Governance Plan, and our Strategic Plan for Human Capital Management.

We encourage you to read—and respond—to all of them. Let us hear from you about how we can serve you better.

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



Pictured above (left to right):

White Salmon Trout (coho salmon, *Oncorhynchus kisutch*). Entry of 16 Mar 1806. Voorhis #2. Clark Family Collection. William Clark Papers. Missouri Historical Society Archives.

Meriwether Lewis' telescope, made by William Cary, London, after 1790. Acc. #1936.30.4.

Head of a Vulture (California condor, *Gymnogyps californianus*). Entry of 17 Feb 1806. Voorhis #2. Clark Family Collection. William Clark Papers. Missouri Historical Society Archives.

 Lewis and Clark
outbound journey,
1804-1805

 Lewis and Clark
return journey,
1806

 Lewis
return journey
 Clark
return journey

 WEA Historic Indian
group location

 WASCO Present-
Indian t
reservat
location

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