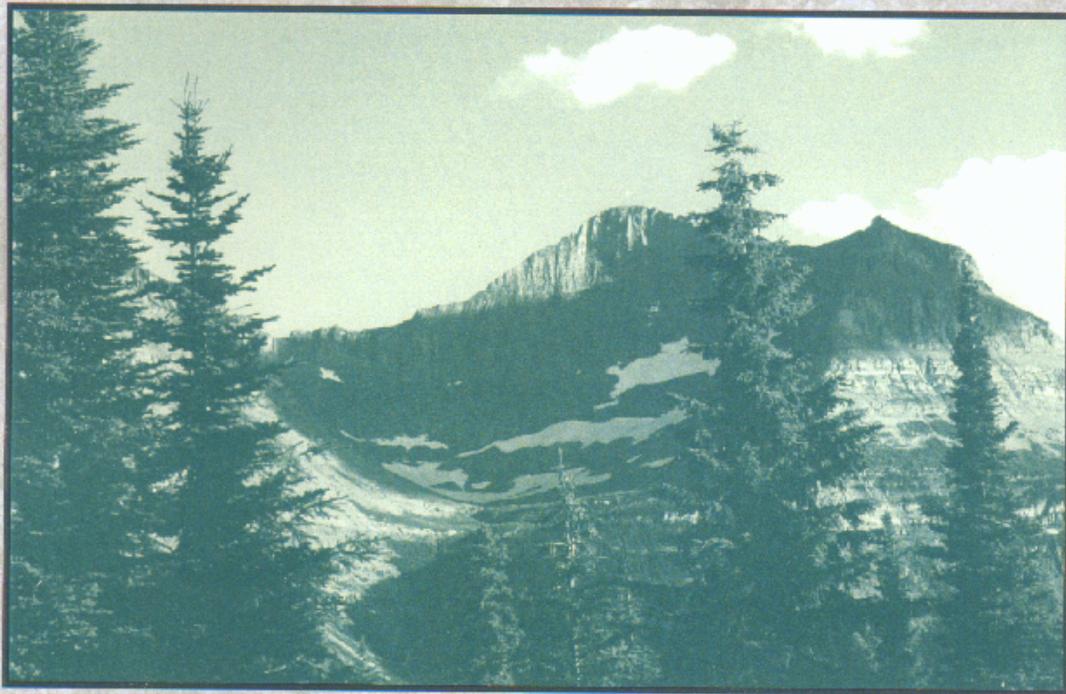


UNITED STATES
DEPARTMENT OF THE INTERIOR

ANNUAL REPORT



DEPARTMENTAL REPORT
ON ACCOUNTABILITY

FISCAL
YEAR
1998

Foreword

The Chief Financial Officers Act of 1990 was enacted to improve the financial management practices of the Federal government, and to ensure the production of reliable and timely financial information for use in managing and evaluating Federal programs. The Government Management Reform Act of 1994 (GMRA) furthered the objectives of the Chief Financial Officers Act by requiring all Federal agencies to prepare and publish annual financial reports, beginning with fiscal year 1996 activities. At the same time, the GMRA authorized the Office of Management and Budget (OMB) to implement a pilot program to streamline and consolidate several statutory financial management and performance reports into a single, annual Accountability Report.

The 1998 Accountability Report is the Department of the Interior's third report under the pilot OMB program. For a second year in a row, Interior is proud to report that its consolidated financial statements have received an unqualified audit opinion. The 1998 unqualified audit opinion is a tribute to the collaborative efforts of Interior's program and financial staffs in managing and reporting on the Department's financial resources.

The 1998 Accountability Report has been revised to include a detailed discussion of Interior's five strategic goals. These goals unify the diverse missions of the Department and provide the strategic direction for managing and investing taxpayer resources to protect and preserve our natural and cultural heritage for future generations.

All comments regarding the content and presentation of this report are welcome. An electronic version of the report is available on Interior's Office of Financial Management World Wide Web site (www.doi.gov/pfm).

Comments may be addressed to:

U.S. Department of the Interior
Office of Financial Management, Room 5412
1849 C Street, N.W.
Washington, D.C. 20240

For additional information about the Department of the Interior, please contact:

U.S. Department of the Interior
Office of Communications, Room 6013
1849 C Street, N.W.
Washington, D.C. 20240

or visit Interior's Internet Web site at www.doi.gov.

About the cover: Glacier National Park, Montana (photo by Deb Carey)

U.S. DEPARTMENT OF THE INTERIOR



Fiscal Year 1998 Accountability Report

April 1999

TABLE OF CONTENTS

Letter from Bruce Babbitt, Secretary of the Interior	ii
Letter from John Berry, Chief Financial Officer	iv
About Interior	1
Management Discussion and Analysis	4
<i>Departmental Goals</i>	4
<i>Partnerships and Collaborative Efforts</i>	16
<i>Departmental Offices</i>	24
<i>Validation of Performance Measures</i>	30
<i>Management Integrity and Accountability</i>	31
<i>Analysis of Financial Activity</i>	39
Inspector General Audit Opinion	45
Audited Consolidated Financial Statements	57
<i>Principal Financial Statements</i>	58
<i>Notes to Principal Financial Statements</i>	64
<i>Supporting Financial Information</i>	91
Stewardship Assets and Investments	101
<i>Stewardship Land</i>	102
<i>Natural Heritage Assets</i>	106
<i>Cultural Heritage Assets</i>	109
<i>Investment in Research and Development</i>	113
<i>Investment in Human Capital</i>	114
<i>Investment in Non-Federal Physical Property</i>	115
Bureau Highlights	117
<i>National Park Service</i>	118
<i>Bureau of Indian Affairs</i>	122
<i>U.S. Fish and Wildlife Service</i>	129
<i>Bureau of Land Management</i>	132
<i>U.S. Geological Survey</i>	138
<i>Bureau of Reclamation</i>	142
<i>Minerals Management Service</i>	146
<i>Office of Surface Mining</i>	150
<i>Departmental Offices</i>	153
Glossary of Acronyms	159

LETTER FROM THE SECRETARY

At the Department of the Interior, we are proud to protect and provide access to our Nation's natural and cultural heritage and to honor our trust responsibilities to Native Americans. I am proud to report on our accomplishments for fiscal year 1998.

Serving the Public

Interior is committed to providing superior service to our customers, partners, and stakeholders. By asking for and listening to the public's opinions and ideas, and taking action to address concerns, we are making substantial improvements in our service to the Nation.

The national parks, refuges, and other Federal lands host more than 300 million visits annually, and those visits should be enjoyable, safe and educational. We continue to seek to improve our understanding of the public we serve so that we can protect the land and share it for the future. We are also working hard to improve visitor experience through partnerships with other Federal agencies, State and local governments, and private sector groups.

Interior has taken great strides in recent years toward becoming a more streamlined organization. Since 1993, we have reduced Interior's staffing level by approximately 14 percent. Despite this workforce reduction, we have continued to provide high quality service to the American public.

Investing in the Future

Interior invests its energy and its resources to protect America's scenic beauty and its cultural heritage. National parks, refuges, and public lands are the heart of the Nation's natural, cultural, and historical legacy. As steward of these unique resources, the Department faces growing demands to rehabilitate an aging infrastructure of public facilities and to protect natural and cultural resources. New investments are needed to ensure visitor safety at Interior facilities, safe working conditions for employees, and safe facilities for students attending Indian schools. In 1998, we presented these growing requirements to Congress; Congress responded by providing over \$850 million for maintenance and construction in fiscal year 1999, an increase of 4.4 percent over 1998.

Restoring Ecosystems: Over the last 5 years the Administration has implemented three large scale watershed restoration efforts using new methods, partnerships, and renewed public participation. In 1998, we continued to make progress in restoring California's Bay-Delta, the largest estuary on the west coast of North America; the Florida Everglades to restore natural water flows; and the forests of the Pacific Northwest to replenish trout, coho, chinook, and sockeye salmon. While we are making progress, these areas demand continued support to protect their vitality for future generations.

Clean Water and Watershed Restoration Initiative: Over the last 25 years, the Clean Water Act has stopped billions of pounds of pollution from flowing into the Nation's rivers, lakes, and streams, and has doubled the number of waterways that are safe for swimming and fishing. Yet despite this significant progress, there is still much to be done to fulfill our national commitment to protect the Nation's waters. Under the Clean Water and Watershed Restoration Initiative, Interior has taken the lead to ensure healthy aquatic systems in our Nation's watersheds. Together with the Department of Agriculture, Environmental Protection Agency, and other Federal agencies, we are developing cooperative partnerships with States and local governments as well as the public.



Historic Preservation: The celebration of the turn of the century is a true commemoration of our democracy, our rich history, and our unequaled diversity. It is an opportunity to showcase the preservation of the icons of American history and culture for ourselves and for the world. Recognizing that the material culture of our Nation is the touchstone of our history, Interior is working to preserve this rich fabric of American heritage, ensuring that the citizens of the 21st Century have the same opportunity that we did to observe and enjoy the archaeological and historic ruins in the Southwest, objects gathered by the Lewis and Clark expedition, and the laboratory of Thomas Edison, among other American treasures.

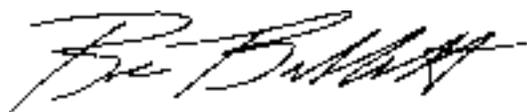
Prudent Outer Continental Shelf Management: The Nation has seen a resurgence of Gulf of Mexico leasing activity with a high level of industry interest, particularly in deep-water regions. There have been record-breaking lease sales over the past few years and a sustained level of exploration and development activity, spurred by dramatic advances in technology and the discovery of extremely prolific reservoirs with wells producing over 20,000 barrels of oil per day. The Department's attention is focused on sustaining these benefits while protecting the marine environment by preventing any conditions or actions that could adversely impact the Gulf environment. This means basing leasing and regulatory decisions on good scientific information and maintaining a vigilant inspection program, both of which are critical to preventing accidents that threaten human life or the environment.

Responding to Native American Needs

A key principle of the Federal-tribal relationship is protecting and encouraging tribal self-governance. To achieve self-determination, Tribes require a long-term Federal commitment and adequate funds to develop self-governance, a strong economic base, and social and educational institutions that enable them to benefit from America's prosperity and to preserve their cultural heritage. In fulfilling the Nation's trust responsibilities to Tribes, Interior is committed to meeting these obligations. During 1998 the Bureau of Indian Affairs provided Tribes with over \$1.1 billion in resources to foster strong and stable tribal governments, enabling them to exercise their authority as sovereign nations.

Interior has trust responsibilities for many tribal and individual Indian assets. Over the last several years, the Department has been working diligently to reform the systems, policies, practices, and procedures by which Tribes and individual Indians receive revenue due them from trust lands. In 1997, the Department began implementing reforms proposed in the Office of Special Trustee's Comprehensive Strategic Plan related to cleaning up data, eliminating trust asset processing backlogs, and revamping trust management systems. In 1998, the Department continued to implement this plan. These reforms are of critical importance—resolving longstanding trust management issues is receiving the highest level of attention from the Department.

As we move forward toward a new century and celebrate the Department's founding 150 years ago, we remain steadfast in protecting our Nation's natural and cultural resources and fulfilling our trust responsibilities to the Tribes. While we have made substantial progress during this Administration, much remains to be done. I am committed to continuing our progress.



Bruce Babbitt

Secretary of the Interior

LETTER FROM THE CHIEF FINANCIAL OFFICER

I am pleased to present the Department of the Interior's fiscal year 1998 Departmental Report on Accountability prepared under a pilot program authorized by the Government Management Reform Act of 1994.

Over the past year, Interior has made significant progress toward my three goals: ensuring accountability to the public in the use of Federal resources, building a diverse Department that is reflective of the strength and creativity of all America's people, and creating a quality workplace that will attract and retain the best and the brightest workforce. Achieving these goals must be our highest priority as we accomplish our mission of stewardship over the Nation's vast public lands and resources, serve the public with care and respect, and provide for economic development with balance and integrity.



Being Accountable to the Public

Planning for Quality Results: Accountability begins with a clear understanding of our mission and a plan to achieve that mission. In 1997, the Department of the Interior published its first strategic plan under the Government Performance and Results Act (GPRA), and in February of 1998 the Department submitted its first annual performance plan to Congress along with the President's budget. That plan includes performance measures for the Department and for individual bureaus within the Department.

We have learned over the past year the importance of a clear focus in the plan. Our strategic plan has been streamlined from its original 10 common themes to 5 broad goals that define the Department's mission: protecting the environment and preserving our Nation's natural and cultural resources; providing recreation for America; managing natural resources for a healthy environment and a strong economy; providing science for a changing world; and meeting our responsibilities for American Indians. We are now measuring our performance in each of these areas.

Addressing Year 2000 Computer Issues: Much has been written about the impending disaster that will befall organizations—both public and private—whose computer systems treat a double zero as signifying the year 1900 rather than 2000. Given our reliance on computers, the failure of systems to operate properly can mean anything from minor inconveniences to major problems. The dimensions of this challenge are enormous and we are well on the way to resolving these issues for the Department. I am pleased to state that as of March 31, 1999, we have corrected and tested 100 percent of our mission critical systems.

Obtaining and Maintaining Unqualified Audit Opinions: Maintaining integrity in financial management activities demands that we maintain unqualified (clean) audit opinions on the Department's consolidated financial statements as well as achieving unqualified audit opinions on all individual bureau financial statements. Following the intent of the Chief Financial Officers Act, all bureaus have been preparing annual financial statements since 1994. As of March 31, 1999, five bureaus had received unqualified audit opinions on their financial statements for fiscal year 1998. The Department began preparing a Departmental Accountability Report beginning in 1996. We are proud that for fiscal year 1998, the Department received its second unqualified audit opinion on the Consolidated Financial Statements published in the Department's Accountability Report.

Investing in Maintenance: The Department is steward to about one sixth of the land mass of the United States and manages an extensive infrastructure—which includes buildings, dams, vehicles, equipment, and aircraft.

This infrastructure must be maintained to ensure safety for those who visit, live, or work in our Nation's parks, refuges, fish hatcheries, and other facilities, as well as for those students who attend Indian schools.

Thanks especially to Chairman Ralph Regula, funding was obtained for fiscal year 1999 to address many of Interior's infrastructure needs and we developed for the first time, a five-year construction and maintenance plan in support of the fiscal year 2000 budget for each bureau. Additionally, a Deferred Maintenance Working Group developed strategy and guidelines for tracking deferred maintenance and for improving the management of maintenance and construction funds; this plan is now being implemented.

Streamlining Administrative Support: Streamlining administrative support is critical for ensuring that program managers are able to focus their efforts on mission goals. Steps are being taken to consolidate three Service Centers into one consolidated operation, the National Business Center. This operation should provide support to the Department, its bureaus and other customers in the most efficient manner possible. The Department is also moving aggressively to consolidate its travel, purchase, and fleet charge card support under a new relationship with NationsBank.

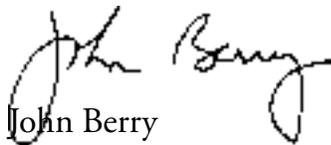
Building a Diverse Department

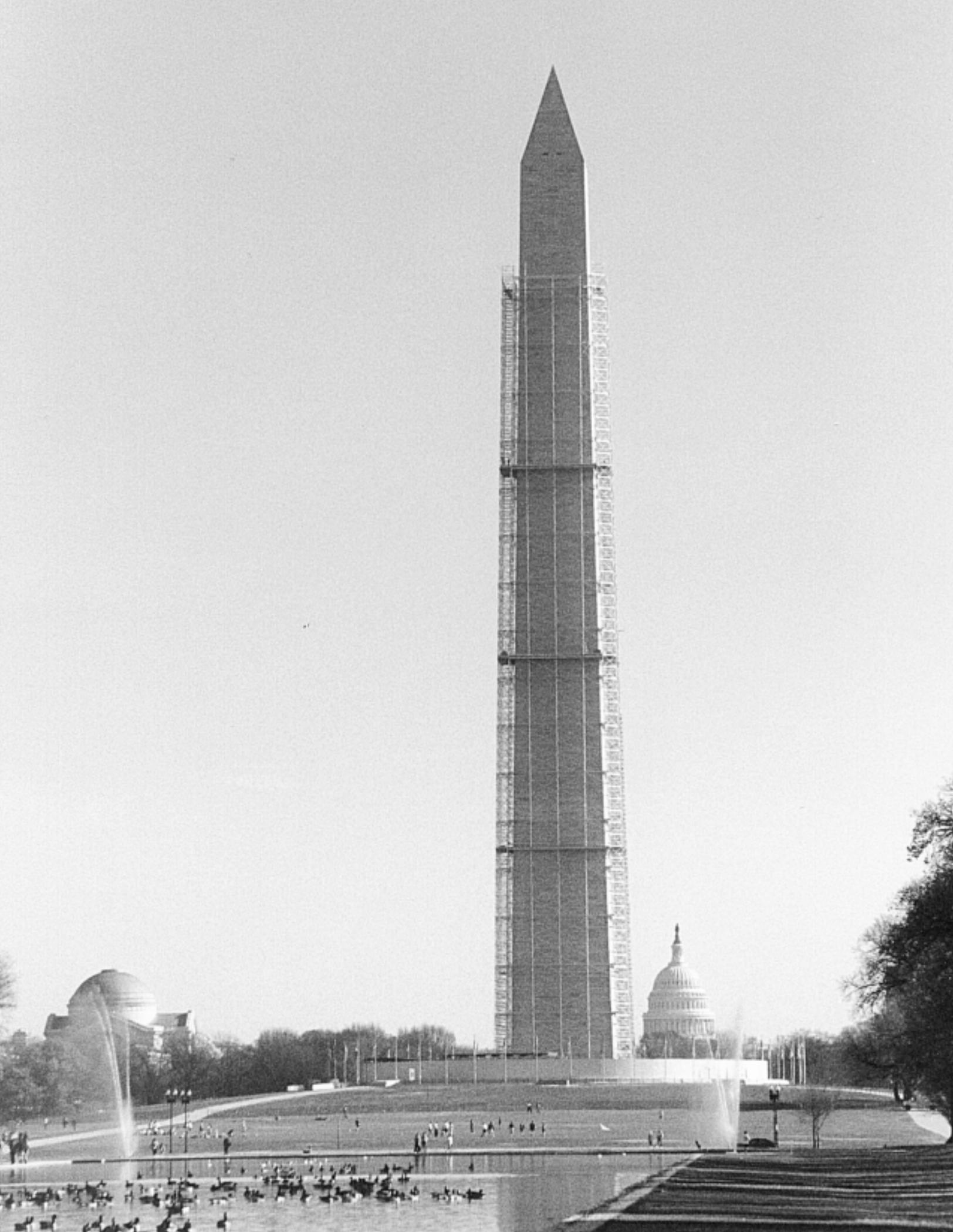
During the past year Interior developed a strategic plan to improve our workforce diversity. The vision of the plan is to establish a Departmental workforce that is reflective of the Nation at all levels and in all occupations; a workplace where the quality of work life is valued; and there is an environment open and accepting of individual differences and where all employees are encouraged to maximize their potential and make a commitment to provide quality service to customers. Inherent in this five-year plan is the understanding that managing for diversity entails a comprehensive process for developing a workplace environment that is productive for all employees. Building a truly diverse Department is essential if we are to meet the demands of our mission into the next century. We will be measuring progress over the years to come.

Creating a Quality Workplace

The quality of the workplace is critical if employees are to perform their tasks and functions effectively and efficiently. During 1998 we created a quality of life task force and established a series of projects to improve the quality of the workplace in Washington D.C. as a leadership example for the Department. We upgraded our family care center for employees to bring children or elders to work in an enjoyable environment; the Main Interior Building health room was reopened to provide employees with easy access to health care; the rooftop terrace was opened so that employees can enjoy fresh air and the spectacular view of the city during warmer weather; the gym was renovated in cooperation with the Interior Department Recreation Association; and we modernized the employee snack bar and cafeteria. In addition to these improvements, I have asked all bureau and office heads to develop quality of life plans for each office around the country. All employees, regardless of their duty station, are entitled to a friendly, safe, and satisfying work environment.

March 3, 1999, marks the 150th Anniversary of the Department. Throughout the year we will be holding events to recognize our outstanding employees, to educate the public about the services we provide, and to celebrate our service to the Nation. Although I am very proud of the progress and success presented in this report, there is much to be accomplished. The Department will continue to provide sound management of the resources under our stewardship, respond positively to the needs and concerns of the public, and demand quality results in meeting the challenges before us.


John Berry
Chief Financial Officer



ABOUT INTERIOR

The Department of the Interior (Department or Interior) is America's principal conservation agency. The Department serves as steward for approximately 429 million acres of America's public lands and for the natural and cultural resources associated with these lands. These assets are valued for their environmental resources, recreational and scenic opportunities, cultural and historical resources, vast open spaces, and the resource commodities and revenue they provide to the Federal government, states, and counties. Interior also supervises mineral leasing and operations on more than 564 million acres of mineral estate that underlie both Federal and other surface ownerships.

Since Congress created the Department in 1849, Interior's role has evolved from being a general housekeeper for the Federal government to becoming the steward for its natural and cultural resources and the administrator of its trust responsibilities to American Indians and Alaska Natives.

The mission of the Department of the Interior is to protect and provide access to our Nation's natural and cultural heritage and honor our trust responsibilities to Tribes. This mission is achieved through hundreds of programs and activities carried out principally by Interior's eight bureaus. Interior's bureaus have separate but often related missions, programs, and customers. The Departmental offices provide leadership, management, and coordination as well as support services used by all the bureaus to accomplish their work.

As we reflect on the proud history of this Department, we can look ahead to a new era with a new set of challenges and opportunities. Interior's strategic plan, prepared under the Government Performance and Results Act (GPRA), provides a foundation for the Department as it enters the 21st century. This plan provides direction and sets goals for our bureaus, programs, and employees. By establishing goals and measuring performance, we can ensure that all our resources are managed wisely and that the American people receive a good return on the tremendous endowment they have in our federal lands and resources. Fiscal year 1999 will be the first year that performance mea-

Interior's Mission

"To protect and provide access to our Nation's natural and cultural heritage and honor our trust responsibilities to Tribes."

asures are reported under the Government Performance and Results Act.

Most of the public lands under the purview of Interior management were once a part of the 1.8 billion acres of public domain lands acquired by the United States between 1781 and 1867. Land administered by Interior represents about 19 percent of America's land surface and approximately 66 percent of all federally owned land. Each of America's 50 states, the U.S. associated Pacific Insular areas, the Virgin Islands, and Puerto Rico contain lands administered by the Department of the Interior.

Interior-administered lands include the National Wildlife Refuge System, the National Park System, and the vast expanses of public land managed by the Bureau of Land Management (BLM). The Fish and Wildlife Service (Service or FWS) manages lands primarily to conserve and protect fish and wildlife and their habitats. The National Park Service (Park Service or NPS) manages 376 parks to conserve, preserve, protect, and interpret the Nation's natural, cultural, and recreational resources. The Bureau of Land Management is guided by the principles of multiple use and sustained yield in managing its public lands. Congress has defined multiple-use management of the public lands and their various resources used as that which best meets both present and future needs of the American people. The resources and uses embraced by the multiple-use concept include energy and mineral resources; natural, scenic, scientific, and historical values; outdoor recreation; range; timber; and wildlife and fish habitat.

The Department has significant responsibilities related to energy and minerals production and use. The Min-

erals Management Service (MMS) manages the resources on the Outer Continental Shelf (OCS) and collects and distributes mineral revenues generated from Federal and Indian lands to States, Tribes, individual Indian mineral owners (allottees), and the U.S. Treasury. The Office of Surface Mining Reclamation and Enforcement (OSM) is responsible for ensuring that coal mines are operated in a safe and environmentally sound manner and lands are restored to beneficial use following mining, and for mitigating the effects of past mining through the reclamation of abandoned mine lands. The Bureau of Reclamation (Reclamation or BOR) is the largest supplier and manager of water in the West and the Nation's second largest producer of hydroelectric power.

The U.S. Geological Survey (USGS) supplies the scientific information needed to make sound natural resource management decisions and to mitigate the effects of natural hazards such as volcanoes and earthquakes. The USGS is also a primary source of data on the quality and quantity of the Nation's water resources and is the Federal government's principal civilian mapping agency.

The Bureau of Indian Affairs (BIA) carries out the Federal government's trust responsibilities to American Indian and Alaskan Native tribes.

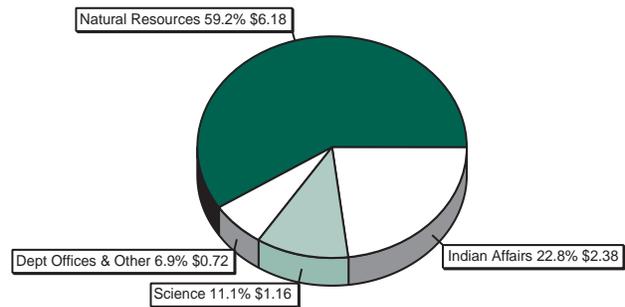
Interior's operations are funded primarily by congressional appropriation of the general funds of the United States government. The Department's 1998 budget authority was approximately \$10.5 billion, of which approximately 77 percent was provided through current appropriations. *Figure 1* shows fiscal year 1998 expenses by category.

The Department employs over 66,000 employees at more than 2,000 sites across the country. *Figure 2* shows Interior employment, measured in full-time equivalent (FTE) personnel, for fiscal years 1994 to 1998.

Figure 3 summarizes the missions and primary responsibilities of Interior's eight bureaus.

Figure 1

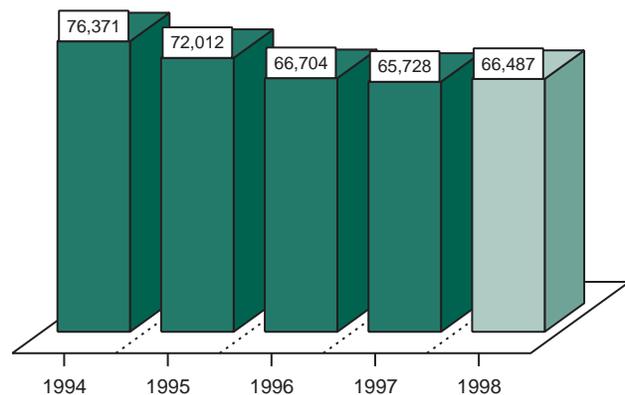
1998 Interior Expenses
(in billions)



Total - \$10.4 billion (does not reflect inter-segment eliminations)

Figure 2

Interior FTE Staffing Levels



The remainder of this 1998 Accountability Report presents financial, performance, and programmatic data to provide a comprehensive picture of how Interior uses its financial resources to achieve its mission. The sections that follow include:

- Management Discussion and Analysis
- Audited Consolidated Financial Statements and Supporting Financial Information
- Stewardship Assets and Investments
- Bureau Highlights



Learning about wetlands (photo by U.S. Fish and Wildlife Service).

Figure 3

U.S. Department of the Interior "To protect and provide access to our Nation's natural and cultural heritage and honor our trust responsibilities to Tribes"			
<p>BUREAU OF INDIAN AFFAIRS <u>Mission:</u> To enhance the quality of life, to promote economic opportunity in balance with meeting the responsibility to protect and improve the trust resources of American Indians, Indian Tribes and Alaska Natives.</p> <ul style="list-style-type: none"> Administers federal Indian policy for more than 550 American Indian and Alaska Native Tribal governments 	<p>NATIONAL PARK SERVICE <u>Mission:</u> To 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.</p> <ul style="list-style-type: none"> Manages 376 parks, encompassing more than 83 million acres 	<p>FISH AND WILDLIFE SERVICE <u>Mission:</u> To conserve, protect and enhance fish and wildlife and their habitats for the continuing benefit of the American people.</p> <ul style="list-style-type: none"> Manages 512 National Wildlife Refuges, encompassing almost 93 million acres 	<p>BUREAU OF LAND MANAGEMENT <u>Mission:</u> To sustain the health, diversity, and productivity of the public lands for the use and enjoyment of present and future generations.</p> <ul style="list-style-type: none"> Manages 264 million acres (1/8 of U.S. land mass) and 300 million additional acres of subsurface mineral estate
<p>BUREAU OF RECLAMATION <u>Mission:</u> To manage, develop, and protect water and related resources in an environmentally and economically sound manner in the interest of the American public.</p> <ul style="list-style-type: none"> Largest supplier of water in the 17 western States 	<p>U.S. GEOLOGICAL SURVEY <u>Mission:</u> To provide the Nation with reliable, impartial scientific information to describe and understand the earth.</p> <ul style="list-style-type: none"> Largest U.S. natural science and mapping agency contributing to public/environmental health and safety 	<p>MINERALS MANAGEMENT SERVICE <u>Mission:</u> To manage the mineral resources on the Outer Continental Shelf in an environmentally sound and safe manner and to timely collect, verify, and distribute mineral revenues from Federal lands and Indian lands.</p> <ul style="list-style-type: none"> Collects over \$4 billion annually from the mineral leasing program 	<p>OFFICE OF SURFACE MINING <u>Mission:</u> To carry out the requirements of the Surface Mining Control and Reclamation Act in cooperation with States and Tribes.</p> <ul style="list-style-type: none"> Regulates coal mining to protect the environment

MANAGEMENT DISCUSSION AND ANALYSIS

Departmental Goals

As steward of America's natural and cultural resources, the Department of Interior has five general goals:

- Goal 1 - Protect the Environment and Preserve Our Nation's Natural and Cultural Resources.
- Goal 2 - Provide Recreation for America.
- Goal 3 - Manage Natural Resources for a Healthy Environment and a Strong Economy.
- Goal 4 - Provide Science for a Changing World.
- Goal 5 - Meet Our Responsibilities to American Indians.

Collectively, these five primary goals unify the diverse missions of the Department. They provide the strategic direction for managing and investing taxpayer resources to protect and preserve our natural and cultural heritage for future generations.

This section of the report discusses the five general Department goals as well as some of the strategies, bureau mission goals, performance goals, and performance measures that support the individual general goals. The listing of bureau goals and measures that follows is a representative sample of the many diverse goals and measures established by the eight Interior bureaus.

General Goal 1 - Protect the Environment and Preserve Our Nation's Natural and Cultural Resources

Because people and the environment are interdependent, the Department of the Interior ensures that our lands, waters, and other resources remain healthy. Resource-dependent communities can only be sustained by lands in a healthy condition. As we have

learned more about the factors that affect the land, Interior has made significant strides in developing and applying sustainable management practices.

The Department is committed to protecting and improving the value of national parks, wildlife refuges, wilderness areas, and our cultural heritage. Federal lands contain exceptional geological formations, rare and vulnerable plant and animal communities, wilderness areas, wild and scenic rivers, and numerous historical, paleontological, and archaeological sites. These resources are scientifically, educationally, and historically important and represent a significant part of our Nation's national and cultural heritage.

Interior is committed to making decisions based on sound scientific and technical understanding. The Department continues to:

- Implement ecosystem-based standards and guidelines for healthy lands, placing particular emphasis on restoring and protecting streams, riparian areas, wetlands, and abandoned mine lands;
- Focus on protecting resources threatened by non-native invasive species;
- Use wildland fire as a management tool;
- Manage fishery resources and aquatic ecosystems, with priority attention to preserving native and wild fish populations;
- Promote recreational fisheries stewardship by fostering partnerships for better aquatic resources conservation;
- Work in partnership with other Federal agencies, States, and the private sector to prevent contamination of quality habitat, clean up contaminated water bodies, and restore fish, wildlife, and their habitat; and

- Work with States, Tribes, and local communities to reclaim abandoned mine sites by abating hazards, reducing and mitigating adverse effects from past mining, and restoring adversely affected lands and waters to beneficial use.

The Department applies the following strategies to achieve the goal of protecting the environment and preserving our Nation's natural and cultural resources:

- Uses a watershed or ecosystem approach to land management.
- Involves partners and stakeholders in our decisionmaking process.
- Restores degraded lands to healthy condition.
- Uses scientific research to support informed decisionmaking.
- Develops comprehensive data sets, including data standards and inventory monitoring, as key components of a science-based approach to management.
- Stabilizes/improves the condition of threatened and endangered species by using multispecies approaches to management.
- Develops habitat conservation plans to protect threatened and endangered species.
- Incorporates natural processes, such as fire and floods, into our overall management approach.
- Addresses the problem of invasive species as a threat to land health.
- Preserves Indian culture by teaching Indian language and history.

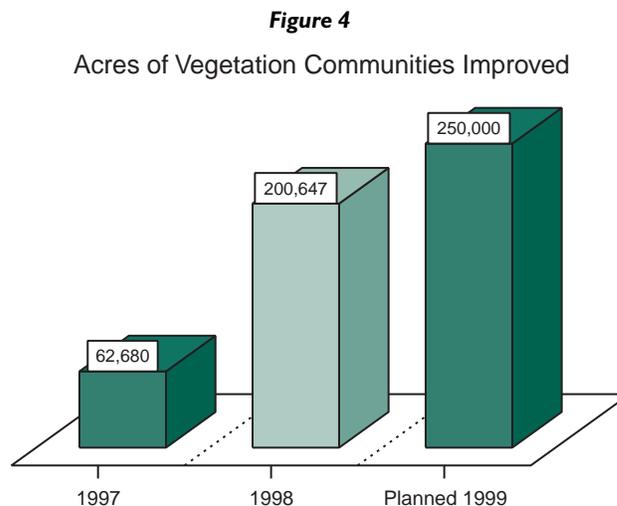
Performance Goals and Measures

In support of these strategies, Interior bureaus have established the following specific bureau mission goals, performance goals, and performance measures:

Bureau of Land Management Mission Goal: Restore and maintain the health of the land.

BLM Performance Goal: By 1999, 250,000 acres of vegetation communities are improved through the use of wildland and prescribed fire and other land treatment tools.

BLM Performance Measure: Acres of vegetation communities improved (Figure 4).



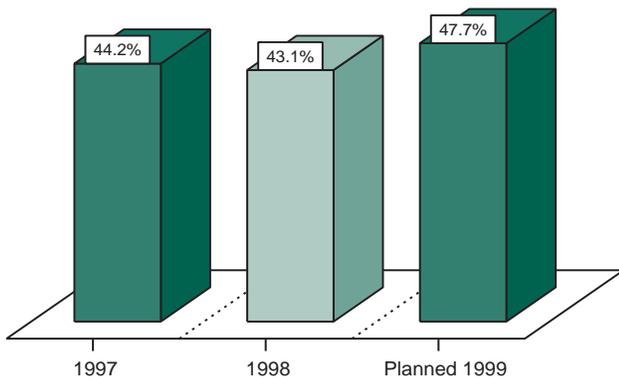
National Park Service Mission Goal: Preserve park resources.

NPS Performance Goal: By 1999, 47.7 percent of the historic structures on the 1998 List of Classified Structures (LCS) are in good condition.

NPS Performance Measure: Percentage of LCS structures in good condition (Figure 5).

Figure 5

Percentage of LCS Structures in Good Condition



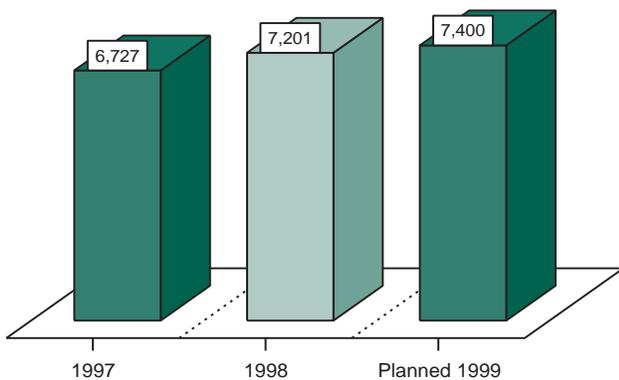
Office of Surface Mining Mission Goal: The Surface Mining Program will repair, reclaim and restore as much land and water as possible that was degraded by past mining, in order to provide America with cleaner and safer land and water and to provide employment and economic opportunities in depressed coal regions.

OSM Performance Goal: By 1999, the Surface Mining Program will reclaim approximately 7,400 acres.

OSM Performance Measure: Number of acres reclaimed (Figure 6).

Figure 6

Number of Acres Reclaimed



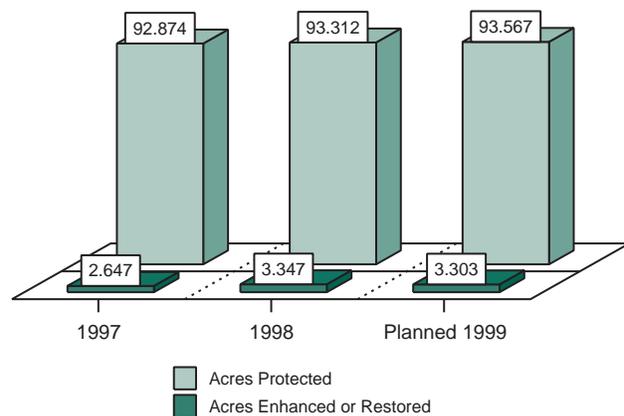
Fish and Wildlife Service Mission Goal: An ecologically diverse network of lands and waters—of various ownerships—is conserved in cooperation with others to provide habitats for migratory birds, imperiled species, interjurisdictional fish, marine mammals, and species of international concern associated with these ecosystems.

FWS Performance Goal: By 1999, meet the identified habitat needs of the Service lands by ensuring that 93,567,296 acres are protected, of which 3,303,341 will be enhanced or restored.

FWS Performance Measure: Acres protected and enhanced/restored (Figure 7).

Figure 7

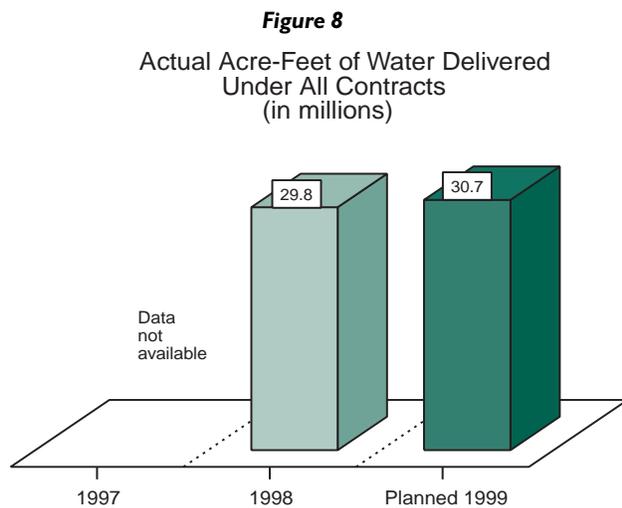
Acres Protected and Acres Enhanced or Restored (in millions)



Bureau of Reclamation Mission Goal: Manage, develop, and protect water and related resources.

BOR Performance Goal: Manage water resources by operating Reclamation facilities to deliver or release the amount of water contracted for, subject to natural water supply and other physical and legal constraints.

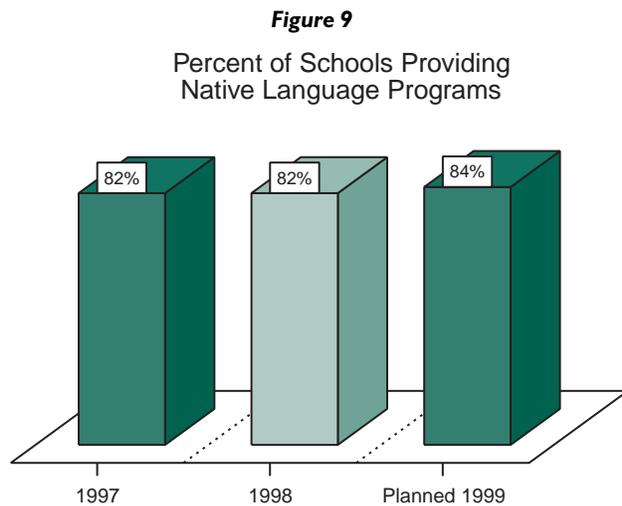
BOR Performance Measure: Actual acre-feet of water delivered under all contracts (Figure 8).



Bureau of Indian Affairs Mission Goal: Provide quality educational opportunities from early childhood throughout life to address Tribal needs for cultural and economic well-being, while also respecting the wide diversity of Tribes and Alaska Native villages as distinct cultural and governmental entities.

BIA Performance Goal: By 1999, increase the percentage of schools providing native language programs to 84 percent.

BIA Performance Measure: Percentage of schools providing native language programs (Figure 9).



General Goal 2 - Provide Recreation for America

The Department of the Interior provides recreation opportunities on Federal lands. It also provides leadership and coordination and serves as a catalyst for recreation efforts by State and local government and the private sector.

Federal lands provide outstanding recreational opportunities, including hunting, fishing, camping, hiking, boating, driving off-highway vehicles, mountain biking, and birding. Interior continues to promote and provide those recreational opportunities consistent with other land uses and with maintaining the health of the land.

Interior-managed lands support tremendous recreational use. In 1998, the National Park System had more than 284 million visits, the Bureau of Land Management (BLM) public lands about 61 million visits, and the National Wildlife Refuge System about 30 million visits. Bureau of Reclamation projects create water-based recreation opportunities for about 80 million visitors annually. The total economic impact of recreation activities on Interior lands exceeds \$28 billion. These recreation activities generate more than 400,000 jobs.

Interior is committed to providing access to public lands and enhancing opportunities for everyone to enjoy the benefits of our Nation's heritage. Adequate funding of the national parks, wildlife refuges, and other public lands will continue to be a high priority. Increased entrance fees at many of the larger "destination" parks and recreation areas may begin to address the funding and infrastructure problems that persist.

The Department employs the following strategies to achieve the goal of providing recreation for America:

- Knows and understands visitor needs and expectations and manages accordingly. Conducts consistent customer surveys throughout the Department to obtain a broad base of visitor information.
- Offers "one-stop shopping" for recreational information and services through the interagency Fed-

eral recreation web site, *recreation.gov*. Offers a single point of contact for campground reservations at Federal sites.

- Redistributes recreational pressure from overcrowded, highly stressed areas to areas with available capacity, including comparable areas managed by State and local governments and private organizations.
- Protects resources for others to enjoy by educating recreational visitors to understand the value of the land and its uses. Promotes user ethics through quality educational experiences that help people understand the value of the land and its resources and their responsibility to protect it.
- Supplements appropriated dollars through increased revenues and cost recovery for services. Continues to implement and expand the Recreation Fee Demonstration Project.
- Expands the use of volunteers. Actively enrolls groups and associations.
- Increases concession revenue. Expands concession opportunities while ensuring that the returns the Federal government receives reflect fair market value.
- Establishes partnerships and collaborative efforts to encourage protection of “areas of national significance” such as national trails, wild and scenic rivers, wilderness areas, and heritage areas that cross jurisdictional lines.
- Helps States, Tribes, territories, and non-profit groups promote recreation. Provides recreation management training and technical assistance, as needed, to States, Tribes, and localities.
- Provides grants to States, Tribes, and localities for recreation acquisition and development.

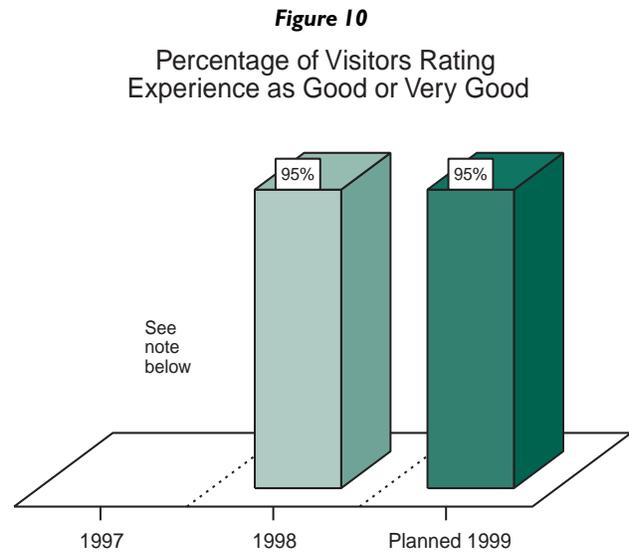
Performance Goals and Measures

In support of these strategies, Interior bureaus have established the following specific bureau mission goals, performance goals, and performance measures:

National Park Service Mission Goal: Provide for visitor enjoyment.

NPS Performance Goal: By 1999, 95 percent of park visitors are satisfied with appropriate park facilities, services, and recreational opportunities.

NPS Performance Measure: Percentage of visitors rating experience as good or very good (Figure 10).



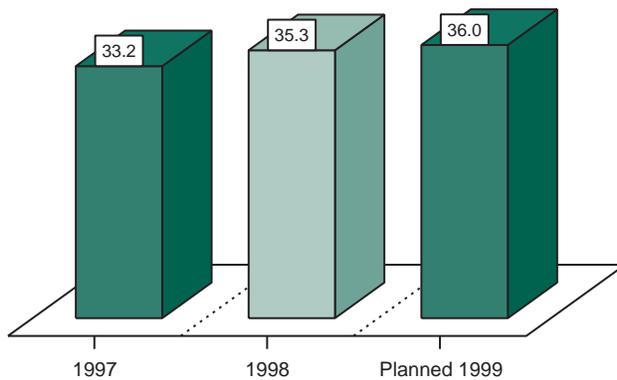
Beginning in 1998, the NPS adopted the Visitor Survey Card as a means for assessing visitor satisfaction at all of its parks. The 1998 results have been adopted as the new baseline. In 1997, a different methodology for assessing visitor satisfaction was used. The 1997 survey reflected a visitor satisfaction rate of 77 percent.

Fish and Wildlife Service Mission Goal: Increase public use of Service lands.

FWS Performance Goal: By 1999, interpretive, educational, and recreational visits to National Wildlife Refuges and National Fish Hatcheries have increased 2 percent over the previous year.

FWS Performance Measure: Percent increase in interpretive, educational, and recreational visits (Figure 11).

Figure 11
Interpretive, Educational,
and Recreational Visits
(in millions)



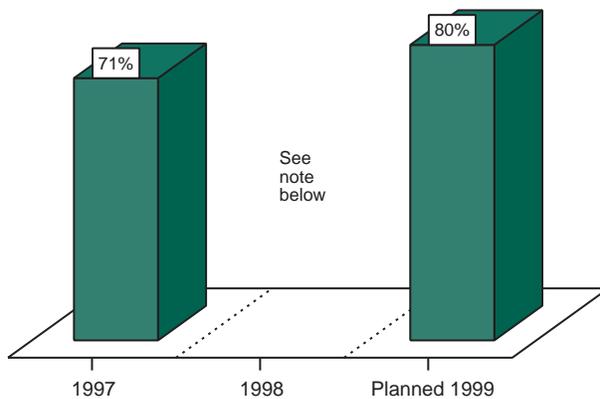
Bureau of Land Management Mission Goal: Provide opportunities for environmentally responsible recreation.

BLM Performance Goal: By 1999, 80 percent of users are satisfied with the condition of BLM recreation areas.

BLM Performance Measure: User satisfaction with the condition of BLM recreation areas (Figure 12).

Figure 12

Percent of Users Satisfied With the Condition of BLM Recreation Areas



The BLM conducts recreation satisfaction surveys every other year, so only 1997 and 1999 data are shown above.

Goal 3 - Manage Natural Resources for a Healthy Environment and a Strong Economy

The Department of the Interior manages a wide variety of natural resources for commercial activities when development can be undertaken in an environmentally responsible manner. These resources, including energy and non-energy minerals, water, timber, grazing land, and hydroelectric power, contribute substantially to virtually all sectors of the economy.

In 1998, the public lands administered by the Bureau of Land Management produced 31 percent of the Nation's coal, 11 percent of its natural gas, and 5 percent of its oil. These lands also produce a large portion of the Nation's commercial minerals and metals, including stone for highways, potash for fertilizers, gold, and silver. Of the total of \$1.3 billion in annual revenues derived from BLM-managed lands, energy and minerals generated more than \$1.2 billion from mineral royalties, rents, bonuses, sales, and fees. Energy and minerals also generated 99 percent of the total \$11.8 billion of production value from BLM-managed public lands. The total direct and indirect economic output impact of the mineral production value amounted to \$25.5 billion out of the \$26.3 billion total in commercial activities on public lands administered by the Bureau.

The Fish and Wildlife Service manages 64 fish hatcheries that produce 160 million fish. This provides \$5 billion in total economic benefit annually.

The Bureau of Reclamation is the largest supplier and manager of water in the 17 western States, delivering water to 31 million people for agricultural, municipal, industrial, and domestic uses. Reclamation is the Nation's second largest producer of hydroelectric power, generating nearly \$1 billion in annual power revenues. Its multipurpose projects also provide substantial flood control, recreation, and fish and wildlife benefits. Over the past 95 years, Reclamation has developed safe and dependable water supplies and hydroelectric power to foster settlement and economic growth in the West. In recent years, Reclamation has moved from development to management of these important resources. In cooperation with State, tribal,

local, and other entities, Reclamation encourages development of solutions for water supply problems that are consensus based, cost effective, and environmentally sound.

The Minerals Management Service manages the Nation's natural gas, oil, and other mineral resources on more than 1.5 billion acres of the Outer Continental Shelf (OCS), and collects, accounts for, and disburses revenues from offshore Federal mineral leases as well as from onshore mineral leases on Federal and Indian lands. In 1998, the OCS supplied over 27 percent of the natural gas and more than 20 percent of the oil produced in the United States. Since 1982, more than \$98 billion in revenues from mineral activities on Federal lands has been distributed by the MMS to the U.S. Treasury, States, Indian tribes, and Indian allottees.

The goods, services, and revenues produced on Federal lands are economically significant to the Nation and to many local communities, particularly in the western and Gulf Coast States. Interior is committed to making these resources available for appropriate commercial uses while protecting the environment and receiving a fair return for the American taxpayer.

The Department employs the following strategies to achieve the goal of managing natural resources for a healthy environment and a strong economy:

- Improves procedures for maintaining the long-term health and productivity of renewable resources and conserving non-renewable resources.
- Ensures that the public receives a fair return for the use of publicly owned resources.
- Expands the use of incentives and other outcome-based approaches to allocating resources and reducing regulatory cost-burdens.
- Develops interagency and intergovernmental approaches to improving customer service and more effectively sharing limited agency resources.
- Engages customers and stakeholders more effectively in consensus-building processes.

- Develops new technologies to support management objectives.

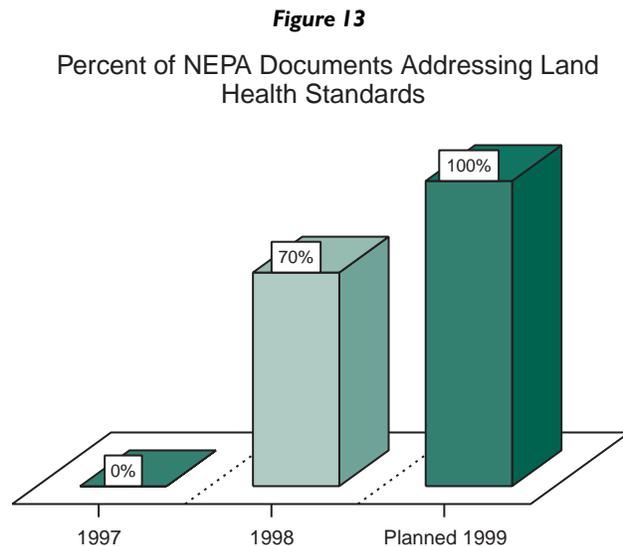
Performance Goals and Measures

In support of these strategies, Interior bureaus have established the following specific bureau mission goals, performance goals, and performance measures.

Bureau of Land Management Mission Goal: *Manage commercial activities to achieve and maintain public land health standards.*

BLM Performance Goal: *By 1999, 100 percent of National Environmental Policy Act (NEPA) documents for new commercial authorizations address achievement of land health standards, where standards have been adopted.*

BLM Performance Measure: *Percent of NEPA documents addressing land health standards (Figure 13).*



Minerals Management Service Mission Goal: Provide for safe and environmentally sound mineral development on the Outer Continental Shelf and ensure that the public receives fair value.

MMS Performance Goal: By 1999, increase Outer Continental Shelf production to 554 million barrels of oil, no less than 4.9 trillion cubic feet of gas, no less than 2.1 million long tons of sulfur, and 25.4 million cubic yards of sand and gravel.

MMS Performance Measures: Barrels of oil (millions), cubic feet of gas (trillions), sulfur (million long tons), and cubic yards of sand and gravel (millions) produced (Figure 14).

Figure 14

	1997	1998	Planned 1999
Oil	453	485	554
Gas	5.2	5.1	4.9
Sulfur	1.9	2.1	2.1
Sand and gravel	0	1.3	25.4

Bureau of Reclamation Mission Goal: Increase water availability.

BOR Performance Goal: By 1999, increase the efficient use of water supplies associated with Federal water projects by assisting up to 201 districts, through the Water Conservation Field Services Program, and other regional or area office programs, to develop, submit, and implement effective water conservation plans.

BOR Performance Measure: Number of districts receiving Reclamation assistance in developing and/or implementing water conservation measures. Data for this measure will be collected beginning in 1999.

Goal 4 - Provide Science for a Changing World

As a Nation, we face serious questions concerning the environment. How can we ensure an adequate supply of critical water, energy, and mineral and biological resources in the future? Are we irreversibly altering our natural environment when we use these resources? How has the global environment changed over geologic time, and what can the past tell us about the future? How can we predict, prevent, and mitigate the effects of natural hazards? Collecting, analyzing, and disseminating the scientific information needed to answer these questions, as well as providing the other critical scientific support for resource management decisions are major responsibilities of the Department.

The U.S. Geological Survey is the Nation's primary provider of natural science information related to natural hazards, certain aspects of the environment, and mineral, energy, water, and biological resources. USGS is the Federal government's principal domestic map-making agency. USGS scientific research contributes to improving the health and welfare of the American people, as well as helping to resolve the Nation's environmental issues and formulate sound Federal land management and natural resource policies.

Since 1879, the USGS has been responsible for classification of the public lands and the examination of the geological structure, mineral resources, and products of the national domain. With the incorporation of the former National Biological Service in 1996, the USGS has also become a major partner in enhancing the Nation's understanding of the conditions and trends of biological resources and the ecological factors affecting them.

The Department employs the following strategies to achieve the goal of providing science for a changing world:

- Participates in interagency and intergovernmental programs to assess, document, and monitor ecological and socioeconomic conditions and trends, including development and implementation of information-needs assessment procedures.

- Ensures that its scientific research program focuses on understanding, assessing, and monitoring ecosystems to provide scientific understanding and technologies needed to support sound land and resource management; pilots a Departmentwide process to assess the status of current science support; identifies gaps and cross-bureau applications; formulates priorities for USGS research in support of land management needs; and obtains land management bureau input for defining GPRA metrics and science outcomes.
- Provides scientific information and technical assistance in understanding the interaction of natural and human systems, protecting the environment, mitigating the impacts of natural hazards, controlling wildlife diseases, assessing water, energy and mineral resources, and ensuring the preservation, conservation, and sustainable use of natural resources and the restoration of habitats.
- Develops technology to increase efficiency and expand collection and management of natural science data, as well as establishing and maintaining national earth and biological science databases for use by Federal, State, local land management and regulatory agencies, and the public.

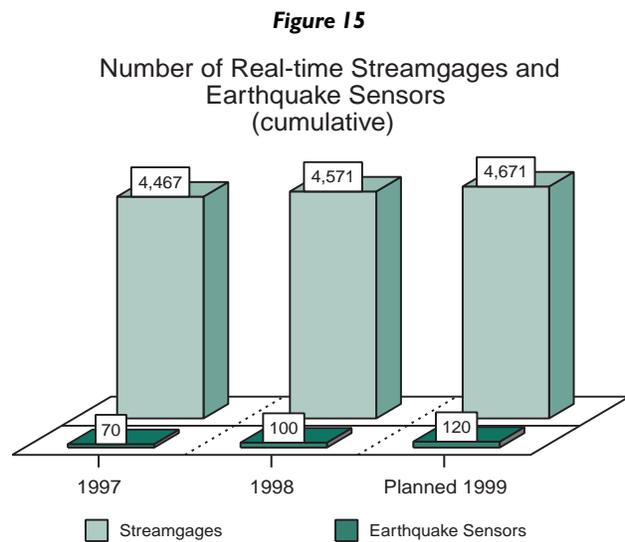
Performance Goals and Measures

In support of these strategies, the USGS has established the following specific bureau mission goals, performance goals, and performance measures.

U.S. Geological Survey Mission Goal: Provide science for a changing world in response to present and anticipated needs, focusing efforts to predict and monitor hazardous events in near-real and real-time and to conduct risk assessments to mitigate loss.

USGS Performance Goal: By 1999, increase the number of sites having streamgages with real-time capability by 100 and the number of improved earthquake sensors by 20.

USGS Performance Measures: Number of real-time streamgages and number of real-time earthquake sensors (Figure 15).



U.S. Geological Survey Mission Goal: Provide science for a changing world in response to present and anticipated needs to expand our understanding of environmental and natural resource issues on regional, national, and global scales and to enhance predictive/forecast modeling capabilities.

USGS Performance Goal: By 1999, maintain 38 long-term data collection/data management efforts and support 2 large data infrastructures managed in partnership with others; deliver 840 new systematic analyses and investigations to our customers; improve and develop 4 new decision-support systems and predictive tools for decisionmaking; and collaborate with university partners to understand natural systems and facilitate sound management practices through 272 external grants and contracts.

USGS Performance Measure: Number of data collection efforts, data infrastructures, systematic analyses, decision support systems, and grants/contracts (Figure 16).

Figure 16

Performance Measure	1997	1998	1999
Long-term data collection and data management efforts maintained and improved	32	38	38
Large data infrastructures supported	2	2	2
New systematic analyses and investigations delivered to customers	n/a	865	840
Decision support systems or predictive models developed or improved and delivered to customers	n/a	5	4
University-based partnerships for natural systems analysis	235	270	272

Goal 5 - Meet Our Responsibilities to American Indians

Today there are more than 550 federally recognized American Indian and Alaska Native tribal governments in the United States. Each possesses inherent governmental authority deriving from its original sovereignty, a long-recognized principle of U.S. Constitutional law. The Federal Indian trust responsibility is a legal duty on the part of the United States to protect Indian land and resources, fulfill treaty obligations, and carry out the mandates of Federal law for the benefit of American Indian and Native Alaskan tribal members.

Under the self-determination and self-governance policies, Tribes are increasingly assuming day-to-day management responsibilities over programs operated by the BIA. Achievement of self-determination demands a Federal commitment that invests sufficient resources over the long term to assist tribes in developing self-government, an economic base, and social and educational institutions while preserving the tribal culture. In 1998, tribal governments received more than \$1.1 billion through contracts, grants, and compacts for operating programs and construction projects.

The Bureau of Indian Affairs is the primary agency of the Federal government charged with the responsibility for administering Federal Indian policy and discharging the Federal trust responsibility for American Indian Tribes, Alaska Native villages, and tribal organizations. The BIA provides services directly, or through agreements with Tribes, to more than 1.2 million American Indians and Alaska Natives in 31 States. The extensive scope of BIA programs covers virtually the entire range of State and local government services, including:

- elementary, secondary, and post-secondary education;
- social services;
- law enforcement;
- judicial courts;
- business loans;
- land and heirship records;
- tribal government support;
- forestry, agriculture, and rangeland development;
- water resources;

- fish, wildlife, and parks;
- roads and housing;
- adult and juvenile detention facilities; and
- irrigation and power systems.

BIA programs are funded and operated in a highly decentralized manner. More than 90 percent of all appropriations now are expended at the local level, increasingly by Tribes and tribal organizations operating under contracts or self-governance compacts. In addition, the BIA administers more than 43 million acres of tribally owned land, more than 11 million acres of individually owned land held in trust status, and 443,000 acres of federally owned land.

In 1996, the Office of the Special Trustee was established to make the Department more effective in carrying out its Federal Indian trust responsibility. This office assists Interior offices and bureaus in actions or proposals related to American Indian trust resources and supports the Secretary's trust responsibilities and implementation of Indian trust protection policies and procedures. In 1997, a comprehensive strategic plan to reform the trust fund management system was submitted for congressional approval.

Interior also provides energy and minerals-related services to Tribes. The Bureau of Land Management is responsible for mineral leasing on tribal lands. The Minerals Management Service collects and distributes mineral revenues to Tribes and allottees.

The Department employs the following strategies to achieve the goal of meeting our responsibilities to American Indians:

- Strengthens the trust relationship with Indian tribes, enhancing self-determination, encouraging self-governance, and supporting tribal efforts to improve economic opportunities for Native Americans.
- Facilitates the transition of Indian programs and services from Federal to tribal delivery systems by implementing self-determination and self-governance policies.

- Consults on a government-to-government basis with tribal officials to ensure that the Department is an effective and responsive trustee.
- Supports policies that favor the principles of negotiation and mutual cooperation within the context of the government-to-government relationship.
- Facilitates coordination of the Federal role in Indian affairs to help interdepartmental initiatives increase the quality of life in tribal communities as much as possible.
- Fosters increased tribal and parental direction of Indian education and continues to facilitate increased overall quality of education for Indian children.
- Supports private and public partnership initiatives to enhance tribal economic growth and opportunity.
- Reduces barriers and impediments to contracting and/or compacting of BIA programs.
- Provides the support necessary to improve the economic status of Tribes through improved human capital and the promotion of self-sustaining businesses.
- Improves public safety in Indian communities through improved law enforcement services that reduce crime rates.
- Develops conservation and management plans to protect and preserve the natural resources on tribal lands.

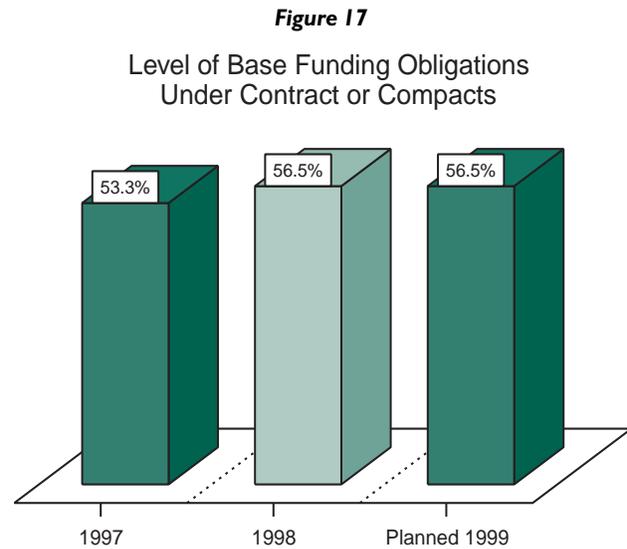
Performance Goals and Measures

In support of these strategies, BIA has established the following specific mission goals, performance goals, and performance measures.

Bureau of Indian Affairs Mission Goal: Provide Tribes with the resources they need to foster strong and stable tribal governments and exercise their authority as sovereign nations.

BIA Performance Goal: By 1999, increase the level of base funding obligations under contract or compacts to 56.5 percent.

BIA Performance Measure: Percentage of base funding obligations under contract or compacts (Figure 17).



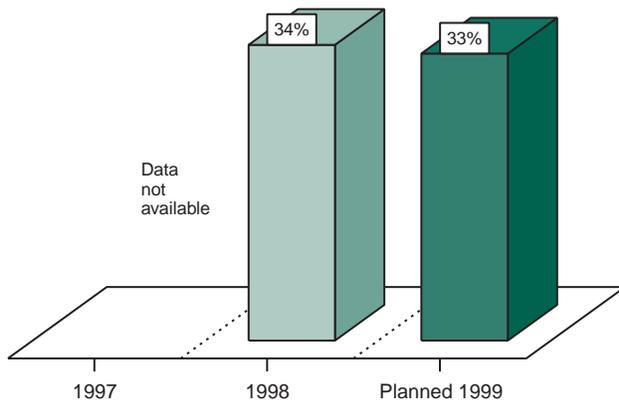
Bureau of Indian Affairs Mission Goal: Provide quality investigative and police services and technical expertise to Tribes.

BIA Performance Goal: By 1999, reduce the Indian country crime rate to 33 percent by focusing on core law enforcement issues.

BIA Performance Measure: Crime rate percentage in Indian country (Figure 18).

Figure 18

Crime Rate Percentage in Indian Country



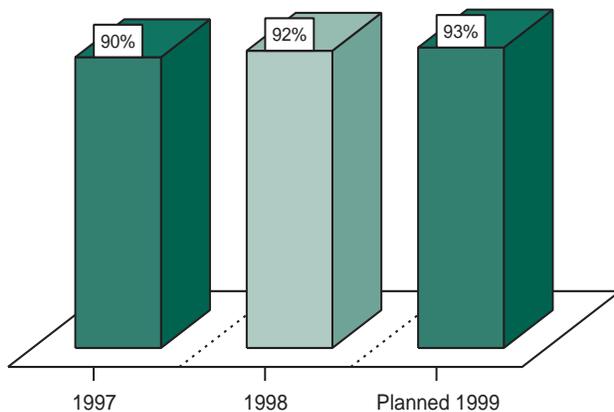
Bureau of Indian Affairs Mission Goal: Provide quality educational opportunities from early childhood throughout life to address tribal needs for cultural and economic well-being, while also respecting the wide diversity of Tribes and Alaska Native villages as distinct cultural and governmental entities.

BIA Performance Goal: By 1999, increase student attendance to 93 percent.

BIA Performance Measure: Percentage of national student attendance (Figure 19).

Figure 19

Percentage of Student Attendance



Partnerships and Collaborative Efforts

Many of Interior's programs are carried out through partnerships and agreements with other organizations, such as State, local, and tribal governments; other Federal agencies; and nonprofit organizations. For example, large-scale land management initiatives, such as the Pacific Northwest Forest Plan, the Wildland Fire Management Program, the South Florida Ecosystem Restoration effort, and the Natural Resource Damage Assessment and Restoration Program, involve many governmental and nongovernmental partners. The Department's success in achieving goals in these joint initiatives depends on continued support and commitment from its partners.

Pacific Northwest Forest Plan

Federal management of old-growth forests in the Pacific Northwest became increasingly controversial throughout the 1980s and early 1990s. By 1994, there were over a dozen lawsuits and three court injunctions involving the harvesting of old-growth timber and protection of the northern spotted owl and marbled murrelet under the Endangered Species Act.

To resolve this legal impasse, the Administration released the "*Forest Plan for a Sustainable Economy and a Sustainable Environment*" in 1993. A final Supplemental Environmental Impact Statement and Record of Decision was issued in 1994 to implement the recommendations of the forest plan. The management direction includes extensive standards and guidelines to implement a comprehensive ecosystem management approach. The Forest Plan has allowed for sustainable timber production on Federal lands while fully protecting critical wildlife, fish species, and habitat on Federal, State, local, and private lands. To implement this plan, the Bureau of Land Management and the Forest Service, along with other Federal agencies, have developed a common management approach to the lands they administer throughout the entire ecological region. The other Federal agencies involved in implementing the Forest Plan include the Environmental Protection Agency, the Fish and Wildlife Service, the U.S. Geological Survey, the Bureau of Indian



The forests of northern California, Oregon, and Washington provide clean water, pure air, and a home for plant and animal species, as well as a wide range of important economic resources including timber, fisheries, recreation, and tourism (photo by Department of Interior).

Affairs, the National Park Service, and the National Marine Fisheries Service.

The Forest Plan provides an innovative approach to environmental protection based on protecting key watersheds and valuable old-growth forests. The conservation measures included in this strategy are based upon the best available science and attempt to anticipate future environmental problems, avoiding the severe economic dislocation and legal gridlock that occur when environmental problems are ignored. The plan also provides for a comprehensive system of old-growth preserves that includes the most valuable old-growth forests and designated conservation areas to protect specific species. A workable balance has been achieved between timber production and habitat conservation, with Federal agencies working in partnership with State, local, and private landowners.

The activities in the Northwest Forest Plan directly support two of the Departmental Goals:

- Protect the environment and preserve our Nation's natural and cultural resources.
- Manage natural resources for a healthy environment and a strong economy.

The agencies involved are committed to preserving species and their habitats through Habitat Conservation Plans, coastal salmon habitat restoration projects, watershed analysis, and implementation of riparian

reserves, while still allowing for sustainable timber harvests and promotion of jobs in the local communities.

The Department measures results by tracking progress toward the long-term goal of restoring late successional and old-growth forests, and also supports implementation of the Aquatic Conservation Strategy (riparian reserves, key watersheds, watershed analysis, and watershed restoration) to maintain and restore the productivity and resiliency of riparian and aquatic ecosystems in the Forest Plan planning area. Completion of Habitat Conservation Plans related to the Forest Plan will provide additional dispersal for birds and mammals while at the same time protecting riparian zones for anadromous fisheries.

The offering of timber for sale helps provide for a sustainable regional timber economy. Reducing the number of days to process timber sales reduces disruptions in production in the region. The Department measures results by tracking progress in achieving the long-term goal of supporting people and communities during economic transition by providing jobs and training for long-term employment. The BLM will shift the emphasis of the Jobs In The Woods program from forest ecosystem work to coastal salmon habitat restoration to support the Oregon Governor's Coastal Salmon Initiative and other anadromous fisheries efforts.

Performance Goals and Measures

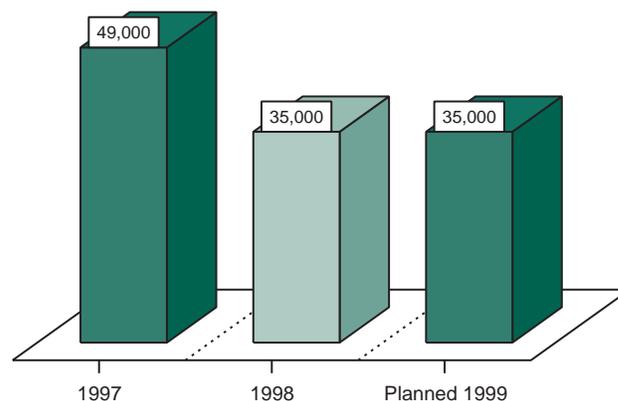
The principal performance measures of the Northwest Forest Plan are as follows:

Pacific Northwest Forest Plan Goal 1: Maintain and begin restoring remaining late-successional and old-growth forest, water quality, and fish and wildlife habitat in the Forest Plan planning area. Through the FWS, implement voluntary Habitat Conservation Plans with major non-federal land owners to allow economic development and habitat protection on 7.5 million acres.

Pacific Northwest Forest Plan Performance Measure 1: Number of acres of Oregon and California lands restored (Figure 20).

Figure 20

Number of Acres of Oregon and California Lands Restored

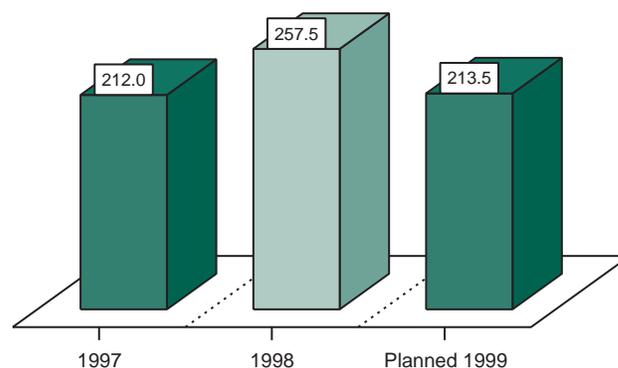


Pacific Northwest Forest Plan Goal 2: Offer 213.5 million board feet (mmbf) of timber sale annually from BLM-managed lands in western Oregon (211mmbf) and northern California (2.5 mmbf).

Pacific Northwest Forest Plan Performance Measure 2: Number of million board feet of timber offered for sale by BLM (Figure 21).

Figure 21

Number of Million Board Feet of Timber Offered for Sale by BLM



Wildland Fire Management Program

The Bureau of Land Management, the National Park Service, the Fish and Wildlife Service, and the Bureau of Indian Affairs conduct fire management activities as part of their land management missions. Historically, these efforts focused on suppression of wildfires. Over the past several decades, a better understanding of the critical role that fire plays in shaping and maintaining healthy ecosystems has been incorporated into agency fire management practices. The 1995 Federal Wildland Fire Policy and Program Review emphasized the need to incorporate fire into managing ecosystems. In 1996 the Secretaries of the Interior and Agriculture jointly endorsed the principles, policies, and recommendations of the resulting report and directed the agencies to implement the report's recommendations. The new fire management policy moves the two Departments beyond their traditional role of fire suppression toward an approach that integrates fire into managing lands and resources in an ongoing and systematic manner.

The role of the bureaus within the Department's Wildland Fire Management program is to integrate fire into land and resource management planning and activities; protect Federal and trust lands and resources and the public welfare from destructive fire; and use fire to maintain and restore healthy and sustainable ecosystems. The Department's oversight role facilitates common policy interpretations among the bureaus and complementary planning and management strategies across administrative boundaries.

The Wildland Fire Management initiative contributes primarily to two Departmental goals:

- Protect the environment and preserve our Nation's natural and cultural resources.
- Manage natural resources for a healthy environment and a strong economy.

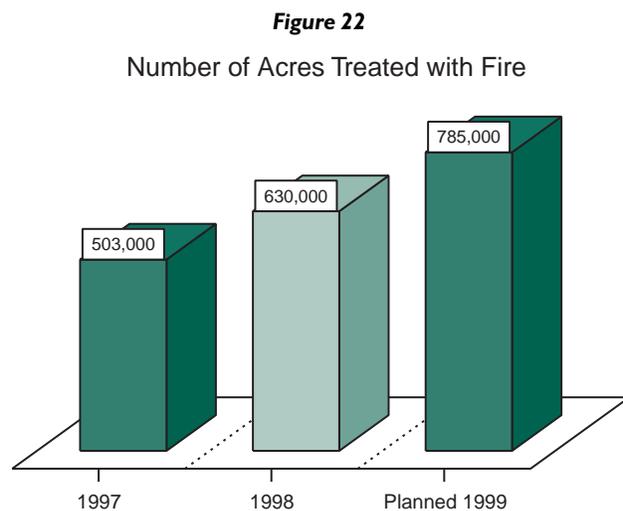
The Wildland Fire Management Program's first priority is to protect life, property, and natural/cultural resources from adverse fire effects. The program is also charged with using fire as a tool to reintroduce fire into its natural role in ecosystems that are fire dependent but have had fire excluded in recent years.

Performance Goal and Measure

The principal performance measure of this program is as follows:

Wildland Fire Management Goal: *The number of acres of fuels management treatments will increase an annual average of 10 to 20 percent over four years (1998-2001), given adequate funding and suitable weather conditions.*

Wildland Fire Management Performance Measure: *Number of acres treated with fire (Figure 22).*



South Florida Ecosystem Restoration

One of the Nation's most significant environmental initiatives is the restoration of the Everglades and the South Florida ecosystem. This vast region, which is home to more than six million Americans, seven of the ten fastest growing cities in the country, a huge tourism industry, and a large agricultural economy, also encompasses one of the world's unique environmental resources. Over the past 100 years, man-made changes to the region's water flow have provided important economic benefits to the region, but have also had adverse effects on the environment. Biological indicators of native flora and fauna have shown severe damage throughout South Florida.

To address this problem, the Departments of the Interior, Agriculture, Commerce, Army, and Justice and the Environmental Protection Agency signed an in-

teragency agreement in September 1993 creating the South Florida Ecosystem Restoration Task Force. The group is working to integrate Federal plans, policies, and programs in the Everglades ecosystem. In May 1995, the task force was expanded to include the Florida Lieutenant Governor and the Chairmen of the Seminole and Miccosukee Tribes. In October 1996, the President signed the Water Resources Development Act (Public Law 104-303), which included provisions to expand the membership and scope of duties of the task force and designated the Secretary of the Interior as the group's chairperson. The mission of the task force is to restore, preserve, and protect the South Florida ecosystem while maintaining a sustainable South Florida economy.

The South Florida Ecosystem Restoration initiative contributes primarily to two Departmental goals:

- Protect the environment and preserve our Nation's natural and cultural resources.
- Manage natural resources for a healthy environment and a strong economy.

This initiative and the efforts of the South Florida Ecosystem Task Force not only support Interior's strategic goals but also advance the strategic goals of the Army Corps of Engineers, the Departments of Commerce and Agriculture, and the Environmental Protection Agency. The South Florida initiative responds to policy guidance from both the Administration and the Congress to improve partnerships among the Federal, State, tribal, and local governments. The South Florida Ecosystem Task Force has established a vision for South Florida as a sustainable, holistic, and integrated ecosystem. The advances made in South Florida demonstrate that ecosystem restoration works. The lessons, strategies, and methods emerging from this effort have much broader applications as well. The increasing knowledge of restoration methods holds relevancy for similar undertakings throughout the United States.

The following goals describe the responsibilities of the Federal agencies involved in the South Florida Ecosystem Restoration initiative. These goals are based on the work of the South Florida Ecosystem Restoration Task Force, the Governor's Commission for a Sustainable South Florida, and the results of a strategic plan-

ning workshop conducted for the stakeholders in the restoration process.

- Mission Goal 1: The spatial extent of wetlands will be sufficient to support the historic functions of the greater Everglades ecosystem.
- Mission Goal 2: The diversity, abundance, and behavior of native plants and animals in South Florida will be characteristic of predrainage conditions.
- Mission Goal 3: Estuarine and coastal areas will function as a natural, healthy part of the ecosystem.
- Mission Goal 4: Natural hydrologic functions in wetlands are restored while providing for the water resource needs of the urban and agricultural landscapes and the estuarine and marine systems.

The participation of many non-Federal entities is vital to the success of the South Florida initiative. Through its non-Federal members, the task force works toward ensuring that the region's working landscape supports a healthy ecosystem and a sound economy while complementing the management of vital natural resources. It strives to transform the urban nature of South Florida so that growth is managed to support the region's sustainability goals, while the region's agricultural industry is profitable and compatible with the long-term goals for both urban and natural resource areas.

Non-Federal entities play a critical role in making sure that surface and ground waters are clean. They focus on containing non-point source levels of water pollution to 1996 levels and reducing that pollution by 25 percent over the next 10 years. Surface and ground water quality standards have been established for priority areas and remediation actions will be initiated as appropriate.

Performance Goal and Measure

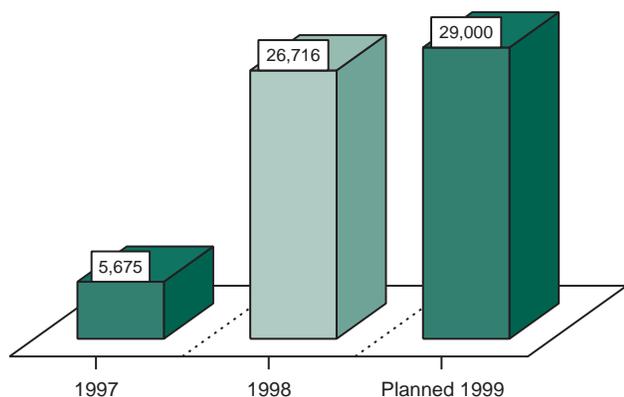
The principal performance measure of this effort is as follows:

South Florida Ecosystem Restoration Goal: Federal land acquisitions in Everglades and Biscayne National Parks and Big Cypress National Preserve will be completed on a schedule consistent with the hydrologic restoration of those areas.

South Florida Ecosystem Restoration Performance Measure: Number of acres acquired and/or offers extended by Federal agencies (Figure 23).

Figure 23

Number of Acres Acquired and/or Offers Extended by Federal Agencies



Natural Resource Damage Assessment and Restoration Program

The Departmentwide Restoration Program provides for the restoration of injured natural resources nationwide. The first steps in the process are to select priority natural resource damage assessment projects (damage assessments), determine the extent of injury, and assess damages.

The assessments lead to negotiated settlements, including the financing of restoration projects, with the parties responsible for the hazardous substances or oil spills. Restoration projects are implemented through restoration plans after completion of a public comment period.

The Restoration Program mission is “to ascertain injuries to damaged natural resources and implement appropriate actions to restore and protect those resources for present and future generations.” These ac-

tions are taken on behalf of the American public in cooperation with other natural resource trustees.

The Restoration Program is authorized by several laws, including the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) of 1980, as amended, and the Clean Water Act, as amended by the Oil Pollution Act (OPA) of 1990. These laws authorize natural resource trustees, the Federal and State governments, Indian Tribes, and foreign governments to determine the level and extent of injuries to, or lost uses of, natural resources; to seek monetary or in-kind compensation from responsible parties; and to use recoveries for restoration to pre-release/spill conditions. CERCLA, as amended, is undergoing reauthorization. Potentially, there may be changes that impact damage assessments and affect the operation of the Restoration Program.

The Restoration Program is directly related to three Departmental goals:

- Protect the environment and preserve our Nation’s natural and cultural resources.
- Manage natural resources for a healthy environment and a strong economy.
- Meet our responsibilities to American Indians.

The Restoration Program assesses the damage to natural resources resulting from releases of hazardous substances or oil spills on the Department’s lands as well as other lands within its authority and trust responsibilities for American Indians and natural resources. Settlements resulting from damage assessment cases provide recovered funding that the Department uses to protect and restore the health of injured natural and cultural resources, returning them to a healthy environmental condition for management in perpetuity.

At the heart of the mission of the Restoration Program is restoration of injured natural resources. Planning for and conducting restoration is the critical element in measuring its success. Therefore, the primary measure is to assess the number of projects where restoration implementation is occurring. Using damage assessments to reach settlements, the funding for res-

toration projects is recovered from polluters and deposited in the Restoration Fund or court registry accounts.

Another measure addresses the increase in the number of cumulative damage assessments leading to settlements with responsible parties. To determine appropriate compensation for the restoration of injured resources and lost use of resources, it is necessary to assess damages to soils, waters, vegetation, and wildlife under the trust responsibility of the Department.

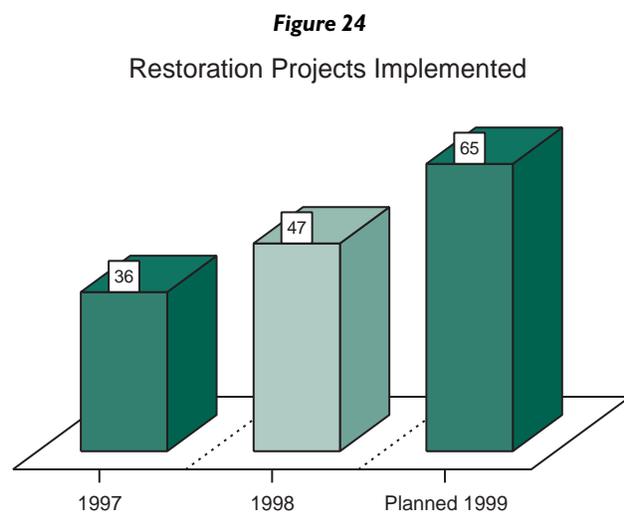
The third measure is cost recovery. Receiving sufficient recovery of the past costs of conducting damage assessments allows the Department to fund new priority damage assessments, resulting in even more settlements for the restoration of lands and resources. Without the consistent recovery of costs, restorations will either not be accomplished, or will be accomplished at the taxpayers' expense.

Performance Goal and Measure

The principal performance measure of this effort is as follows:

Natural Resource Damage Assessment and Restoration Program Goal: *By 2003, increase the cumulative number of restoration projects to 110.*

Natural Resource Damage Assessment and Restoration Program Performance Measure: *Restoration projects implemented (Figure 24).*



Insular Affairs

The Secretary of the Interior has certain authority and responsibilities with regard to four U.S. territories (Guam, American Samoa, the U.S. Virgin Islands, and the Commonwealth of the Northern Mariana Islands) and three freely associated states (Federated States of Micronesia, Republic of the Marshall Islands, and the Republic of Palau). The Secretary has delegated this authority and these responsibilities to the Office of Insular Affairs (OIA), under the general supervision of the Assistant Secretary for Policy, Management, and Budget.

The mission of the Office of Insular Affairs is to assist the islands in developing more efficient and effective government by providing financial and technical assistance, and to serve as a focal point for the management of Federal-island relations by developing and promoting appropriate Federal policies.

The insular governments are OIA's primary customers. They receive grants and direct financial assistance administered by OIA staff and they participate in technical assistance programs funded through OIA appropriations. Insular relationships with the Federal government are the primary subject of Interior's policy efforts.

OIA also performs an important service for Congress and other Federal agencies. The Federal relationship with each self-governing insular area is unique and differs dramatically from typical relationships with the States. OIA is the principal Federal repository of expertise on the insular governments and is often called upon by Congress or other agencies to explain or clarify the Federal position in the context of these unique relationships or to coordinate interagency efforts dealing with the islands.

During 1998, the Office of Insular Affairs made a concerted effort to involve all staff in developing a strategic plan and its first annual performance plan. OIA's mission and strategic goals were a collaborative effort—input and comments were sought from all island governments as well as from key Federal partners. Performance goals and measures for the Office of Insular Affairs are listed at the end of this section.

OIA is also changing some of its processes, although this evolution began several years ago. The technical assistance program was created by law more than 15 years ago. Its purpose at the time was to give OIA the capability to react outside the annual budget process to relatively small technical needs identified by the island governments. The result was an application-based grant program that tended to address a broad range of short-term projects. With GPRA now in place, OIA is changing the emphasis to a more proactive approach. Island governments are being asked to identify major technical needs and longer-term priorities in advance and to develop plans to address those objectives. While OIA will retain a capability to react to unforeseen problems, most resources will be dedicated to developing and implementing plans to meet fewer, longer-term objectives.

Significant issues that Insular Affairs is addressing include the following:

American Samoa Financial Condition: The financial position of the American Samoa Government remains a serious concern. Despite strong support and admonitions from the Secretary and members of Congress, OIA's efforts to convince the local government to implement a financial recovery plan continue to be thwarted by local policies. Preliminary reports show that the cumulative deficit in American Samoa increased by another \$6 million in 1997, further exacerbating the financial situation.

One of the major causes of American Samoa's financial problems is inadequate control over health care costs with no fees or dedicated revenues for cost recovery. Interior is currently working with American Samoa and the Health Care Financing Administration (Department of Health and Human Services) to develop a series of health care reforms that will address American Samoa's deteriorating financial condition.

U.S. Virgin Islands Financial Condition: Hurricane Marilyn in 1995 had a devastating impact on what was already a struggling Virgin Islands economy burdened by government deficit spending. Government revenues have fallen by nearly 20 percent from pre-1995 levels and, under current projections, it may take ten years just to return to those former levels. At the request of the U.S. Virgin Islands, OIA is assisting

the local government in its efforts to improve financial management and the financial recovery effort.

Brown Tree Snake Control: Finding a means to control the brown tree snake remains a major priority within the Department. The brown tree snake is a non-indigenous predator accidentally introduced into Guam that has caused extraordinary ecological and economic impacts. Additional funds have been allocated to address this critical issue.

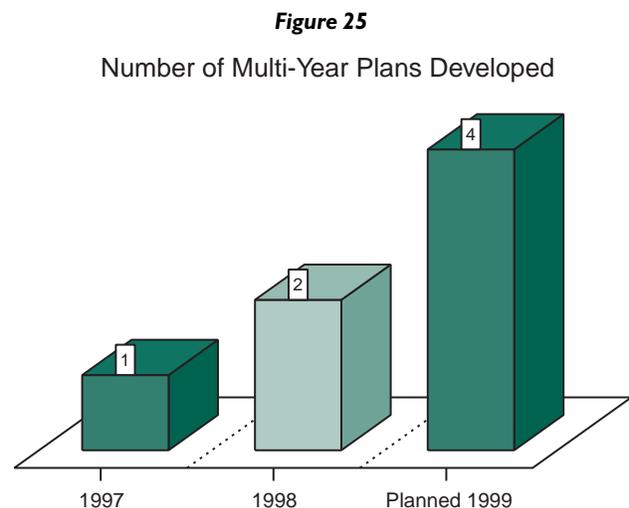
Commonwealth of the Northern Mariana Islands Prison and Crime Laboratory: The Northern Mariana Islands need a new prison facility and a crime lab. These are integral to the success of the labor, immigration, and law enforcement initiative in the Commonwealth.

Performance Goals and Measures

The principal performance goals and measures for Insular Affairs are as follows:

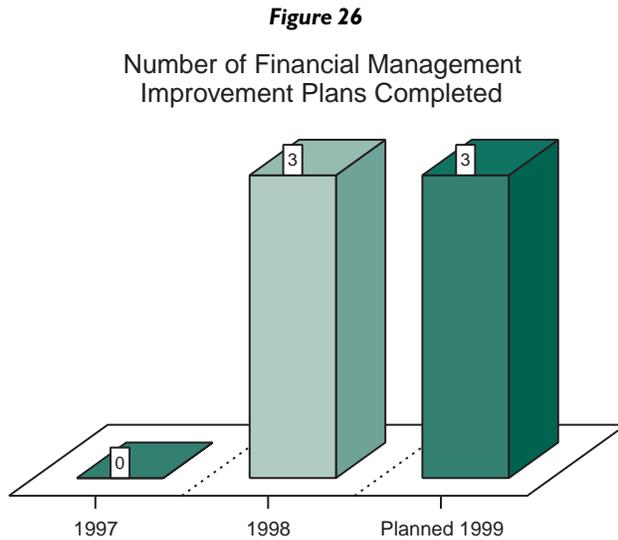
Performance Goal 1: *By 2002, all insular governments are implementing multi-year capital plans for infrastructure that are based on objective criteria, ensure adequate operations and maintenance, and specifically address user fees or other self-financing mechanisms, when appropriate.*

Performance Measure 1: *Number of multi-year capital plans developed (Figure 25).*



Performance Goal 2: *By 1999, financial management improvement plans will be completed for three of the seven insular governments.*

Performance Measure 2: *Number of financial management improvement plans completed (Figure 26).*



Performance Goal 3: *Work with each insular government to identify problems and develop and implement long-term plans to improve expertise, operating efficiency, and institutional capacity in health care, education, public safety, economic development, statistics, transportation, and telecommunications. By 1999, at least 70 percent of planned objectives will be met on schedule.*

Performance Measure 3: *Percent of planned objectives on schedule. Baseline data for this performance measure was gathered in 1998 and will be available in 1999.*

Departmental Offices

Departmental offices play a key role by providing leadership, policy guidance, coordination, and support services crucial for the bureaus to meet their goals and fulfill their missions.

Departmental management guides and coordinates all of Interior's administrative support activities, such as finance, information resources, procurement and acquisition, human resources, facilities management and budgeting. Support functions and services play a vital role in helping us meet our goals. Departmental offices coordinate this support across the bureaus to fulfill Interior's mission effectively.

With demand for Interior's services increasing, we recognize that all aspects of our operations must become more efficient. In addition to the programmatic goals set by the bureaus, the Department has identified the following key management strategies as critical to meeting our goals.

The Workforce of the Future

Interior requires a dedicated, diverse, highly-qualified workforce to accomplish its mission and achieve its goals. Building, retaining, and maintaining that workforce is of primary concern to all of Interior's leaders and managers. In our rapidly changing world, the skills needed today are seldom sufficient to meet the needs of tomorrow. As we continue to change the way we do business and increase the use of technology, the skills and knowledge needs of our workforce will also change. Interior's human resources community will play a critical role by helping to ensure that training and recruitment complement future program needs and our commitment to diversity. Interior is committed to enhancing the potential of its workforce by recruiting new employees from non-traditional labor pools so that our workforce reflects the American people. The Department also will seek to improve the skills of its existing employees through training, by eliminating barriers to upward mobility, and by providing a safe, collaborative, effective, efficient, and tolerant workplace. Interior is committed to building and maintaining an environment in which merit principles,



During one of its breaks, some of the members of the Interior Diversity Council pose with David Montoya, Deputy Assistant Secretary for Workforce Diversity. From left to right, Judy Moy (OS), Tom Gomez (BOR), Jeff Carlson (OIG), David Montoya, Carolyn McGuire (FWS), Jim Gasser (NPS), Brenda Bennett (BIA), and Dave Park (NPS).

effective leadership, excellence, and empowerment are respected and valued.

To ensure that a quality workforce is in place, our long-range goal is to create a work environment in which our employees are valued, motivated, developed, and rewarded for excellent customer-focused performance. To accomplish this goal, we will attract and develop a high quality workforce and deliver the best possible human resources services to Interior employees. Critical to these efforts is the need to train and develop our employees for both mission accomplishment and career advancement. Our fiscal years 1999 and 2000 actions will concentrate on developing and implementing effective training and development programs that emphasize career management throughout the Department, and will also focus on achieving levels of diversity for the Department's workforce that reflect the Nation's citizenry.

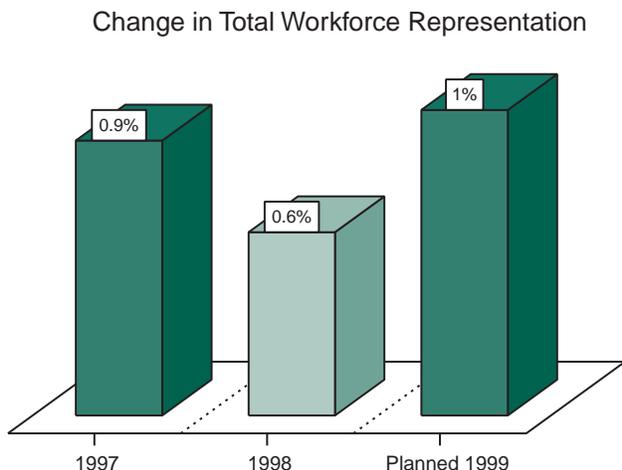
Performance Goal and Measure

The principal performance measure for this management initiative is as follows:

Workforce of the Future Performance Goal: By 2002, achieve levels of diversity for the Department's workforce that are reflective of the Nation's diversity.

Workforce of the Future Performance Measure: Percent increase in diverse workforce representation (Figure 27).

Figure 27



The Year 2000 Computer Problem

The Year 2000 (Y2K) computer problem presents a very real threat to the Department of the Interior's computers and information systems. In addition to disruption of programs and administrative activities there is a real threat to the health and safety of our employees and the public due to possible malfunction of devices that depend on embedded computer microchips. The Y2K date problem is not restricted to any one part of the Department. It includes business functions such as financial management, personnel management, contract management, health and safety, and many others. Computers support our land and mineral leasing operations and Indian financial transactions, which are both major contributors to U.S. revenues. Of equal concern is the prospect of major portions of our infrastructure malfunctioning or failing to work at all, such as dams, elevators, and aircraft.

Interior is committed to ensuring the Department's critical information systems and processes are operating correctly for the Year 2000 date change. The Department is accomplishing this goal by replacing or modifying existing systems and technology-dependent equipment using the five-step approach adopted by the General Accounting Office: awareness, assessment, renovation, validation, and implementation. The Department added an Independent Verification and Validation Phase designed to ensure that comprehensive,

applicable Y2K testing is completed and certified. Centralized monitoring allows us to address Y2K problems within each bureau or office while providing for overall coordination at the Department level.

Having adopted the above approach, the Department is using the Office of Management and Budget timelines to track the Y2K projects (Figure 28).

Figure 28

Year 2000 Resolution Process				
Y2K Phases =====→	Assessment Phase	Renovation Phase	Validation Phase	Implementation Phase
Due Dates => (no later than)	June 1997	September 1998	January 1999	March 1999

All components of the Department have dedicated both human and fiscal resources to the Y2K problem to minimize or eliminate any possible disruptions. Of the 92 systems that require revisions as of December 31, 1998, all have been modified, 88 have been validated, and only 4 remain to be reimplemented. All systems will be modified and validated by March 1999. Costs for addressing the problem are estimated to be \$72.1 million in 1999.

Based on current available information, Interior does not anticipate any major risks to Departmental operations. However, contingency plans have been developed in key program systems areas including hydroelectric power plants, telecommunications, MMS's Royalty Management System, firefighting, law enforcement, and search and rescue. Additionally, contingency plans have been developed for critical administrative system areas including finance, personnel, procurement, and property management.

Performance Goal and Measure

The principal performance measure for this management initiative is as follows:

Year 2000 Computer Problem Goal: *Ensure the Department's critical information systems and processes have been remediated and are operating correctly for the Year 2000 date change.*

Year 2000 Computer Problem Performance Measure: *Number of information systems revised, updated, or replaced (Figure 29).*

Figure 29

Number of Information Systems Revised, Updated or Replaced

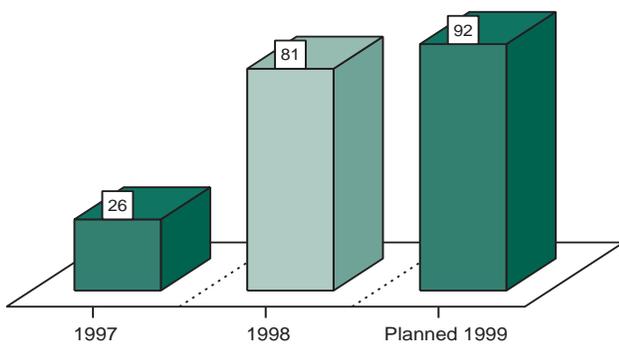
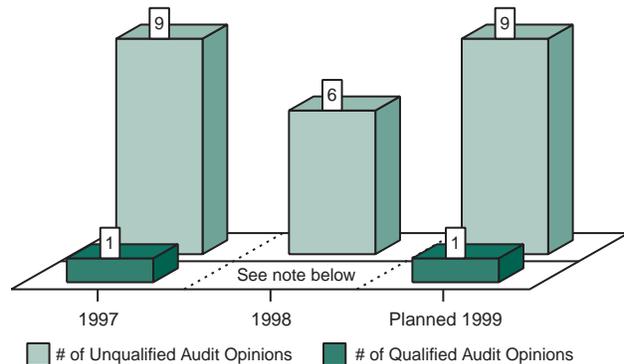


Figure 30

Number of Unqualified Audit Opinions (Bureau and Departmental)



Note - At time of publication, audit opinions had not been issued for four bureaus.

Reliable and Accurate Financial Information

Key laws, such as the Chief Financial Officers Act, the Government Management Reform Act, the Government Performance and Results Act, the Debt Collection Improvement Act, and the Federal Financial Management Improvement Act, have established new standards and high expectations for government operations. In response to these new laws and other initiatives such as the implementation of Federal Accounting Standards Advisory Board (FASAB) pronouncements, the Department continues to reshape the way it conducts business. To comply with the new standards and to meet these high expectations, timely and reliable financial and performance information will permit stakeholders and decisionmakers to track progress and evaluate the results of Interior programs.

Performance Goal and Measure

The principal performance measure for this management initiative is as follows:

Reliable and Accurate Financial Information Goal: *Strengthen the integrity of financial operations to ensure accuracy of financial data and obtain unqualified (clean) audit opinions on all financial statements.*

Reliable and Accurate Financial Information Performance Measure: *Number of unqualified (clean) audit opinions (Figure 30).*

Faster, Better, More Cost-Effective Goods, Services, and Facilities

Procurement and property management play important roles in virtually all activities and programs of the Department. The procurement of goods and services is a critical support element in accomplishing mission objectives. By improving the quality and price of procured items, as well as the timeliness and productivity of our procurement staff, the Department is able to save scarce dollars and improve Interior's services to the American people. The management of personal, real, and museum property is also critical to Interior's mission of protecting and preserving Federal assets. In addition to being one of the largest landholders within the Federal government, Interior has a unique responsibility to conserve approximately 110 million cultural artifacts, pieces of artwork, documents, and other museum properties. Interior also manages personal property assets valued at more than \$1.7 billion, more than 37,500 buildings and facilities, and a fleet of more than 31,500 vehicles. Interior's property management community carries out a vital function by balancing public access to land and property against protection of those assets for the benefit of future generations.

Interior is committed to improving accountability in acquisition, financial assistance, and property management operations. The strategies for improving procurement and property management include:

- Decreasing costs and improving performance by increasing the percentage of commercial items purchased instead of custom-built goods.
- Increasing the percentage of acquisition transactions conducted through electronic means, including purchase cards.
- Simplifying regulations to focus efforts on flexibility and innovation without losing sight of reasonable and proper restraints on expenditures.
- Assessing levels of customer satisfaction and using this information to enhance our processes.
- Increasing coordination with non-Federal institutions that partner with Interior to care for our collections and use them in public exhibits, programming, and research.
- Using technology to integrate procurement and property management activities with finance, information technology, and other programs.
- Continuing education, promotion, and recognition of innovative energy conservation strategies and techniques, including purchase of energy-efficient products and use of energy-saving performance contracting.

Performance Goal and Measure

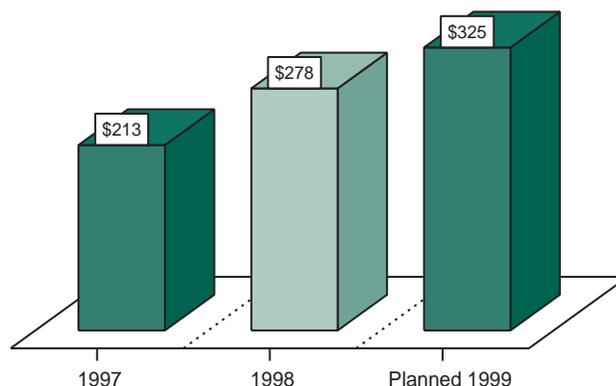
The principal performance measure for this management initiative is as follows:

Faster, Better, More Cost-Effective Goods, Services, and Facilities Goal: Increase productivity and accountability in acquisition, financial assistance, and property management operations.

Faster, Better, More Cost-Effective Goods, Services, and Facilities Performance Measure: Dollars awarded through charge cards (Figure 31).

Figure 31

Dollars Awarded through Charge Cards
(in millions)



Facilities Maintenance and Capital Improvements

The Department of the Interior owns and operates more than 34,000 buildings, 120,000 miles of roads and a wide variety of other constructed assets. These facilities serve nearly 380 million visitors annually. They include schools for 53,000 American Indian children and work places for 66,000 Interior employees. The value of these assets is measured in billions of dollars, with many considered priceless because of their historical significance. In recent years, increasing deferred maintenance and capital improvement needs have threatened Interior's infrastructure and natural resource protection efforts. Additions to Interior's infrastructure inventory have further stretched maintenance and capital improvement dollars. A 1998 Interior study, *Facilities Maintenance Assessment and Recommendations*, has provided the basis for proposed increases in maintenance and capital improvement funding, development of a Five-Year Maintenance and Capital Improvement Plan, and a number of other improvements.

Critical human health and safety and resource protection needs are given highest priority. Interior has developed a set of common definitions for maintenance and capital improvement functions, made adjustments to its budget and accounting structures to better reflect those definitions, initiated the development of a



Interior's facilities serve approximately 380 million visitors annually (photo by Interior).

Five-Year Maintenance and Capital Improvement Plan, and required the use of a condition assessment process for identifying maintenance and capital improvement needs.

As the steward of these assets, Interior is committed to improving the maintenance of these existing facilities as well as making capital investments in new facilities essential to its mission. The Inspector General for Interior has determined that the facilities maintenance programs of the Bureau of Indian Affairs, National Park Service, Bureau of Land Management, and Fish and Wildlife Service have inadequate management controls and insufficient funding to maintain their constructed assets effectively. This has resulted in a significant increase in the backlog of deferred maintenance and repairs in recent years.

The Department's strategy for reducing deferred maintenance includes:

- Increasing the credibility of the management of and accountability for maintenance and construction goals.
- Establishing standard definitions of terms related to maintenance and capital improvement.
- Identifying the highest priority facility needs, beginning with critical health and safety and critical resource protection needs.

- Formulating and implementing a Five-Year Maintenance and Capital Improvement Plan to improve the Department's infrastructure for the next millennium.
- Implementing new financial accounting standards for deferred maintenance.

Performance Goal and Measure

The principal performance measure for this management initiative is as follows:

Facilities Maintenance and Capital Improvements Goal: *Improve Interior's infrastructure for the next millenium by reducing facilities deferred maintenance and preventing increases in the future.*

Facilities Maintenance and Capital Improvements Performance Measure: *Resources allocated to facilities maintenance and capital construction compared to total deferred maintenance (Figure 32).*

Figure 32

	1997	1998	1999
Estimated Deferred Maintenance	Data not Available	\$7 to \$16 billion	Data not Available
Maintenance Investment	Data not Available	\$823 million	\$860 million

Waste Management

The Department faces a major challenge in cleaning up sites contaminated by hazardous materials, abandoned mine sites, oil and gas wells, leaking underground storage tanks and pipelines, and illegal dumping. The majority of the environmental cleanup responsibilities arise from non-Departmental and non-Federal uses of these lands, such as illegal dumping, landfills, mineral extraction operations, and pipelines. In these cases, the government's responsibility, for the most part, derives from the fact that it is the owner of the land. The Department is committed to the cleanup and restoration of contaminated sites and the pursuit of those parties responsible for abusing our public lands.

Interior's strategies for improving waste management include preventing the generation and acquisition of hazardous and other wastes, reducing the amount of waste generated through sound waste management principles, cleaning up and restoring areas that are contaminated by pollution, aggressively pursuing potentially responsible parties for polluting Departmental lands and resources, and establishing environmental auditing programs within Departmental bureaus, with bureau baseline facility audits to be completed in 2002.

Interior bureaus such as the Bureau of Indian Affairs, Bureau of Land Management, Bureau of Reclamation, Fish and Wildlife Service, and National Park Service have active programs to track hazardous sites, secure affected areas, and begin cleanup of priority areas. Bureau program activities include assessment of sites with actual or potential hazardous materials, emergency response and removal actions, and site cleanup and restoration.

Performance Goal and Measure

The principal performance measure for this management initiative is as follows:

Waste Management Goal: *Conduct environmental audits of all Interior facilities to ensure overall environmental compliance by the Department.*

Waste Management Performance Measure: *Beginning in 1999, Interior bureaus will submit a summary of their environmental auditing program and activities. The percent of total Interior facilities that have been audited will then be calculated.*

Validation of Performance Measures

Data accuracy, collection, and monitoring is an important aspect of implementing the Government Performance and Results Act. Evaluations of performance fall into three categories.

The first involves routine evaluation and validation of the data and information from the performance measures used to support the performance plans. Performance data is developed and analyzed using standard, statistically valid methods to ensure that accurate and verifiable information is produced. Based on the experiences of organizations that have successfully implemented performance measurement systems, the Department anticipates that some of our measures and goals will need to be modified, changed, or replaced over time.

The second category of evaluation involves reviews of the plans themselves. Plans are reviewed yearly to determine whether changes are necessary. Minor changes are handled through the annual performance plan. Major changes will require revisions to the strategic plan.

The third category of evaluation is the use of traditional methods. Interior’s programs continue to rely on reviews and audits by the Office of Inspector General (OIG) and the General Accounting Office (GAO). Internal program evaluations and management reviews are conducted across the Department as the need arises and as resources allow.

The table below (*Figure 33*) provides examples of selected current or planned program evaluations and performance audits and how they relate to Departmental goals.

Figure 33

Validation of Performance Measures			
Program Evaluations	Scope	Methodology	Dept Goal Number
Wildlife and Fisheries Management on Public Lands, Bureau of Land Management	Assess the effectiveness and efficiency of the BLM Wildlife and Fisheries Management Program	Performance Audit	1
USGS Strategic Directions	Help USGS identify: <ol style="list-style-type: none"> 1. Societal and political environments (and interpret these). 2. Major societal needs that should be addressed by USGS. 3. Emerging scientific and technical issues relevant to the USGS mission. 4. Opportunities for partnerships. 	External Review by the National Research Council	4
Cultural Resources Management, Bureau of Land Management	Assess whether the BLM is effectively and efficiently managing its cultural properties and museum collections in accordance with applicable laws, regulations, and policies.	Performance Audit	1
Recreation Fee Demonstration Project	Ongoing Evaluation	Program Evaluation	2
Oil Royalty in Kind Program, Minerals Management Service	Assess the effectiveness of the administration of the MMS Oil Royalty in Kind Program.	Performance Audit	3
Overhead Costs of Cost-Reimbursable Projects, U.S. Geological Survey	Determine whether USGS accurately computed and distributed its overhead costs to cost-reimbursable projects through assessment rates.	Financial Audit	4
Land Record Management System, Bureau of Indian Affairs	Assess whether the BIA land records management system ensures that land ownership records are accurate.	Performance Audit	5
Fire Management Activities, Bureau of Indian Affairs	Determine whether the BIA is (1) managing its wildland fire activities in accordance with applicable laws, regulations, and policies and (2) is properly using and accounting for emergency and non-emergency fire program funding.	Performance Audit	5

Management Integrity and Accountability

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

- programs and operations achieve their intended results efficiently and effectively;
- resources are used in accordance with Interior's mission;
- programs and resources are protected from waste, fraud, and mismanagement;
- laws and regulations are followed; and
- reliable, complete, and timely data are maintained and used for decision-making at all levels.

Further, Interior firmly believes that the timely implementation of Inspector General and General Accounting Office audit recommendations is essential to improving efficiency and effectiveness in its programs and operations, and achieving integrity and accountability goals. As a result, Interior has instituted a comprehensive audit followup program to ensure that audit recommendations are implemented in a timely and cost-effective manner, and that disallowed costs and other funds due from contractors and grantees are collected or offset.

Management Control Program

Interior's re-engineered management control program ensures full compliance with the goals, objectives and requirements of the Federal Managers' Financial Integrity Act (FMFIA) and Office of Management and Budget (OMB) Circular A-123, Management Accountability and Control. Since the inception of the

ANNUAL ASSURANCE STATEMENT FISCAL YEAR 1998

Based upon the results of its annual assessment process, with the exception of the Office of the Special Trustee and certain administrative program areas within the Bureau of Indian Affairs, the Department can provide reasonable assurance that its systems of management, accounting and administrative control, taken as a whole, achieve the objectives of Section 2 of the FMFIA. The Department can also provide reasonable assurance that its accounting and financial systems generally conform to the Comptroller General's principles, standards and related requirements and achieve the objectives of Section 4 of the FMFIA.



Secretary of the Interior

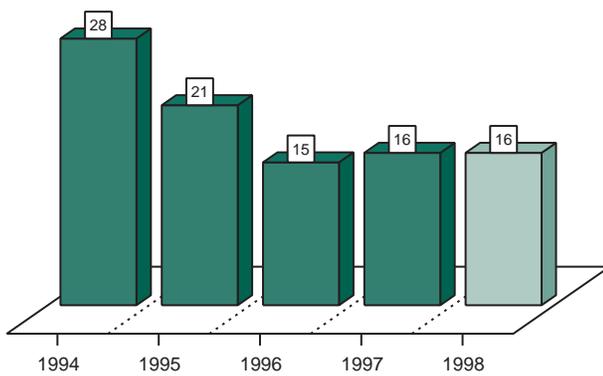
FMFIA in 1982, Interior has identified and reported 163 material weaknesses and 64 accounting system non-conformances. At the end of 1998, Interior had corrected 147 of the material weaknesses (90 percent) and all 64 accounting system non-conformances. As noted in *Figures 34 and 35*, over the last five years, Interior has reduced the total number of reported material weaknesses from 28 to 16 (43 percent) and the number of accounting system non-conformances from 6 to 0. This progress in correcting material weaknesses and accounting system non-conformances exemplifies Interior's strong commitment to improving integrity and accountability in all programs, organizations, and functions.

New Innovative Approach to Management Control Assessments

In October 1996, Interior completed a Management Control Re-engineering Laboratory that among other things, produced a new, automated, and less resource-intensive approach for targeting and conducting management control assessments. This automated approach is built around eight management integrity measures that are supported by the general and specific man-

Figure 34

Number of Pending Material Weaknesses



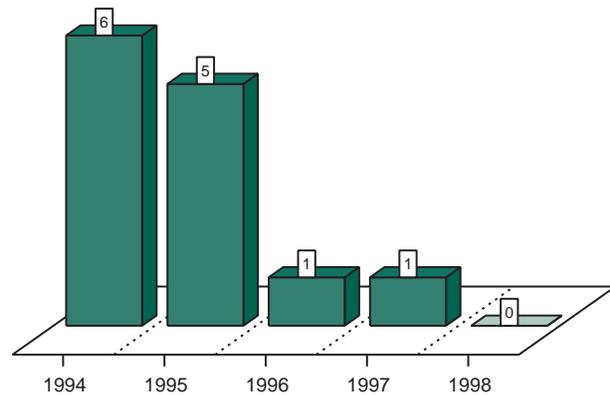
agement control standards prescribed in OMB Circular A-123. A unique feature of the automated approach is that it provides for identifying areas of both potential material deficiencies and best practices.

The automated approach utilizes a comprehensive questionnaire developed by the Lab Team and refined by a Departmental customer focus group. The questionnaire is modified to provide additional program-specific questions for each individual program assessment. The assessment is conducted electronically over the e-mail network using an off-the-shelf surveying and analytical software tool.

An initial pilot test of the new automated approach was conducted in one bureau during 1997 and demonstrated significant resource savings potential and improved results. The initial pilot assessment resulted in a 90 percent overall reduction in staff time associated with planning, conducting, analyzing, and reporting the results of a traditional assessment, as well as much improved diagnostic and executive-level reporting. At the request of Interior's Management Control and Audit Followup (MCAF) Council, the automated assessment approach pilot test program was expanded to 13 program areas in 1998. The results of the 1998 pilot test program were generally consistent with the initial pilot test, but identified several instances where the questionnaire and scoring system needed modification and enhancement. The revised questionnaire will again be pilot tested in multiple bureaus and programs in 1999, with the understanding that in the future the new automated assessment approach will be adopted Departmentwide as the cor-

Figure 35

Number of Accounting System Non-Conformances



nerstone of the re-engineered Management Control Program.

Due to the significant resource savings and results achieved in the pilot test of the automated assessment approach, the Lab Team and the automated assessment approach were selected to be recipients of Vice President Gore's prestigious "Hammer Award" in 1998.

Results of the 1998 Management Control Program

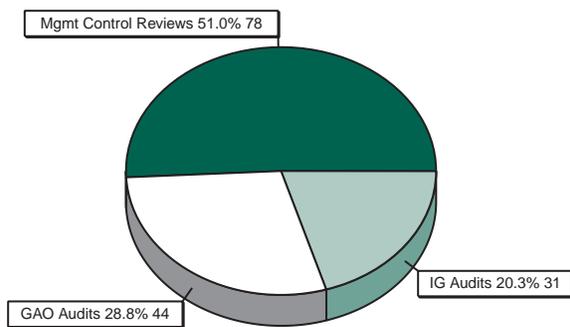
Interior conducted its annual assessment of the effectiveness of its management, administrative, and accounting systems controls in accordance with the FMFIA and OMB guidelines. Interior conducted assessments of management controls in its programs and administrative functions, and relied on the findings and results of Office of Inspector General internal program audit reports and GAO program audit reports issued during the year. In addition, Interior relied on the results of the financial statement audits conducted by the OIG under the auspices of the Chief Financial Officers (CFO) Act of 1990, and the Government Management Reform Act of 1994. *Figure 36* summarizes the distribution of 1998 assessments.

Biennial Review of Fees

The Chief Financial Officers Act of 1990 requires biennial reviews of agency fees, rents, and other charges imposed for services and things of value it provides to specific beneficiaries as opposed to the American public in general. The objective of the reviews is to iden-

Figure 36

Distribution of 1998 Management Control Assessments



tify such activities and begin charging fees, if permitted by law, and to periodically adjust existing fees to reflect current costs or market value so as to minimize general taxpayer subsidy of specialized services or things of value (such as rights or privileges) provided directly to identifiable non-Federal beneficiaries.

As part of the 1998 Management Control Program, Interior conducted a biennial review of its fee programs and noted that User Charge revenues have substantially increased, due in part to the conduct of such reviews. While there is not a requirement to disclose such reviews in agency accountability reports, the General Accounting Office, in a 1998 report, recommended that agencies acknowledge whether the biennial reviews were conducted.

New Material Weakness

Interior’s MCAF Council reviewed and analyzed the results of the 1998 assessment process and concluded that one new material weakness should be reported. The new material weakness is:

- Inadequate Departmentwide maintenance management capability.

This material weakness is a Departmentwide material weakness impacting most bureaus. As such, it has been characterized by the MCAF as a “mission critical” weakness. A description of the weakness and corrective action plans are summarized later in this section.

Corrected Material Weakness and Accounting System Non-Conformance

During 1998, Interior completed corrective action on one mission-critical material weakness and the remaining accounting system non-conformance carried forward from 1997.

The material weakness corrected was the Bureau of Land Management’s Inspection and Enforcement Program for Fluid Minerals which was first reported in 1989. In correcting this weakness, BLM developed and implemented a re-engineered Inspection and Enforcement strategy, recruited and trained additional inspectors, increased the number of comprehensive annual inspections, and implemented new automated production verification audit procedures.

The accounting system non-conformance corrected was the National Park Service’s Property Accounting System which was first reported in 1986. In correcting this non-conformance, the NPS completed a reconciliation of general ledger and subsidiary ledger property balances and implemented the Federal Financial System Fixed Asset module, thereby providing an electronic interface between the subsidiary and general ledgers.

Pending Material Weaknesses

Interior will carry forward 16 pending material weaknesses to 1999. These 16 pending material weaknesses, and their respective planned correction dates are listed in *Figure 37*. Interior expects to complete corrective actions on four of these material weaknesses (25 percent) during 1999.

Mission Critical Material Weaknesses

OMB Circular A-123 reporting guidance requests that each agency identify and report on the most critical material weaknesses affecting the agency. In response to this reporting requirement, Interior’s MCAF has identified 7 of its 16 pending material weaknesses as “mission critical weaknesses”—those material weaknesses that prevent Interior from fulfilling a programmatic mission or strategic goal, and that warrant senior management focus and attention and resource priorities throughout the corrective action process.

Figure 37

Pending Material Weaknesses Carried Forward to FY 1999		
Title of Material Weakness/Non-conformance	Bureau	Correction
Inadequate Management of Trust Funds *	OST	FY2003
Deficiencies in Real Property Management	BIA	FY2003
Inadequate Debt Collection	BIA	FY2002
Inadequate Acquisition Management Program	BIA	FY1999
Irrigation Operations and Management	BIA	FY2002
Inadequate Records Management *	BIA	FY2000
Inadequate Range Monitoring *	BLM	FY2000
Administration and Oversight of the Wild Horse and Burro Herd Management Program	BLM	FY1999
Management and Oversight of the Land Exchange Program	BLM	FY2000
Irrigation of Ineligible Land *	BOR	FY2002
Deficiencies in Administration of Miscellaneous Revenues	BOR	FY1999
Lack of Accountability and Control Over Artwork and Artifacts * (BIA, FWS, NPS, BLM, OSM, MMS, BOR, and USGS)	DEPT	FY2000
Incomplete/Inaccurate Data in the Procurement Data System	BIA	FY1999
BIA Facilities Program	BIA	FY2000
Inadequate Departmentwide Maintenance Management Capability *	DEPT	TBD
Needs Assessment and Cost of Constructing New Housing *	NPS	FY2000

* = Mission Critical Weakness

Collectively, the identified mission critical weaknesses could adversely impact the safety of employees and other citizens, prevent the collection and distribution of royalties and other funds owed to the Government and Native Americans, prevent the efficient use of programmatic resources, damage the environment, place financial resources at risk, prevent the timely repair and maintenance of government property, and preclude the identification, collection, and preservation of irreplaceable historical artwork and artifacts.

Interior recognizes the importance of correcting these mission critical weaknesses in a timely manner. Corrective action plans with key milestones, target dates, and accountable officials have been established and approved by Interior. The MCAF Council and senior program management officials will continuously monitor corrective action progress for each mission critical weakness. Periodic progress review meetings will be held with the accountable officials to ensure timely completion of corrective actions. The seven mission critical material weaknesses and corrective action progress to date are:

1. Inadequate Management of Trust Funds - Management of Individual Indian Monies (IIM), Tribal Trust Funds, and other Special Trust Funds is insufficient to properly maintain and administer the approxi-

mately \$3 billion fund. The trust funds lack effective internal controls, dependable accounting systems, and reliable accounting information. The Office of Trust Fund Management has been reorganized to allow for more effective management improvements through establishment of a Quality Assurance Division and consolidation of accounting functions under the Accounting Division. There is an ongoing effort to standardize and verify Individual Indian Monies system data from trust resource records. Recent progress includes awarding a contract for a commercial off-the-shelf trust funds accounting system.

2. Inadequate Records Management - The Bureau of Indian Affairs records system is inadequate to properly administer the records management function. Special emphasis is given to fully implementing a corrective action plan and ensuring proper handling of trust-related records. Trust fund records will be transferred from the BIA to the Office of the Special Trustee (OST). Additionally, a budget has been developed for a 3-year improvement period and five record management positions were filled in 1998.

3. Irrigation of Ineligible Land - The Bureau of Reclamation has not given sufficient priority to identifying and resolving instances of Federal water being delivered to ineligible lands on at least 24 projects in

eight states. Consequently, the Federal government has provided unintended benefits to water users who did not pay the full cost of supplying the water used to irrigate ineligible lands. An internal assessment of unauthorized use of Federal project water was conducted to define the data requirements to determine the extent to which ineligible lands received Federal project water. Also, a methodology for repayment of financing costs for supplying water to ineligible beneficiaries is under development, including expansion of programs and policies promoting efficient district water use and pricing.

4. Needs Assessment and Cost of Constructing New Housing - In the past, the National Park Service did not assess housing needs throughout the National Park System in a consistent manner. Concerns were raised about the high cost of new housing constructed and about providing housing in parks where it was not mission critical. As a result, it is not possible to determine whether the current NPS housing assessment, which is the driving force for new housing construction, is reliable. A contract has been awarded to conduct a comprehensive housing condition and needs assessment study at all parks with five or more housing units, which is scheduled to be completed by the end of January 1999. In addition, a study was completed in 1998 that reviewed all NPS existing policies, procedures, and practices which influence the cost of housing construction.

5. Inadequate Departmentwide Maintenance Management Capability - Interior lacks consistent, reliable, and complete information to plan for, budget, and account for resources dedicated to maintenance activities. As a result, Interior does not have the needed information to report on deferred maintenance in its financial statements as required by the Statement of Federal Financial Accounting Standard No. 6, "Accounting for Property, Plant, and Equipment." Interior established a Maintenance Work Group during 1998 to assess the current capabilities of Interior to capture maintenance activities information. The Work Group has identified the functional and system requirements that an ideal maintenance management system would need to address the optimum needs of Interior bureaus.

6. Lack of Accountability and Control Over Artwork and Artifacts - Accountability, control, and protection of artwork and artifacts administered by the bureaus and offices throughout Interior are inadequate to ensure the preservation of these objects. Until improved policies, procedures, and controls are implemented, the risk of significant loss or damage of irreplaceable artwork and artifacts will remain high.

Interior has developed and implemented a revised museum property strategy and related policies and procedures. In addition, plans to implement appropriate infrastructure in each bureau have been developed and approved. Progress in implementing Bureau plans has not proceeded at the pace originally anticipated due to resource restrictions. As a result, Interior's strategy has been revised, and each Bureau is expected to implement its plan within broad targets defined by Interior. The March 2001 planned correction date assumes all bureaus will have program infrastructures in place with a solid record of achievement in reducing their backlog in accessioning and cataloging their museum property.

7. Inadequate Range Monitoring - High priority allotments have not been consistently monitored. As a result, many grazing decisions are being delayed because of a lack of quality monitoring data, and decisions that are issued are not adequately documented or supported by monitoring data. Successful program performance is at risk until these deficiencies are corrected.

Progress to date by the Bureau of Land Management includes the issuance of Instruction Memorandum No. 96-172, which transmitted interim Standards and Guidelines for Rangeland Health and Grazing Management, the conduct of Guidelines Implementation Workshops, development of a final Standards and Guidelines Implementation Policy, and the conduct of a National Validation Review on Healthy Rangelands. A status report with recommendations to be implemented by BLM field offices is expected to be released in 1999.

Summary of Management Controls - Section 2 of the FMFIA

Progress in correcting material weaknesses is summarized in *Figure 38*.

Figure 38

Number of Material Weaknesses			
Period Reported	Reported	Corrected	Pending
Prior Years	158	146	12
1995	1	1	0
1996	0	0	0
1997	3	0	3
1998	1	0	1
Total	163	147	16

Summary of Financial Management Systems - Section 4 of the FMFIA

While Interior has corrected all previously reported accounting system non-conformances, and provided assurance that its financial systems generally conform to governmentwide standards, Interior is still aggressively pursuing initiatives to ensure that:

- all financial systems are linked electronically;
- the migration to a single, primary accounting system is achieved; and
- data integrity and consistency are provided for in all financial system components.

Progress in correcting material non-conformances is summarized in *Figure 39*.

Figure 39

Number of Material Non-Conformances			
Period Reported	Reported	Corrected	Pending
Prior Years	64	64	0
1995	0	0	0
1996	0	0	0
1997	0	0	0
1998	0	0	0
Total	64	64	0

Audited Financial Statement Results

The results of the 1998 audited financial statement process are summarized in *Figure 40*. At the time of report publication, the Department and five bureaus had received unqualified audit opinions on their respective financial statements. As noted in the table below, there were instances where exceptions and material weaknesses/reportable conditions were noted with respect to internal controls and compliance with laws and regulations. Reportable conditions are those matters coming to the auditor’s attention, that in the auditor’s judgment, should be communicated to management because they represent significant deficiencies which could adversely affect the entity’s ability to meet specified internal control objectives. Material weaknesses are reportable conditions in which internal control processes do not reduce to a low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected in a timely manner.

The Department is working with the bureaus to develop and implement timely corrections for all audit qualifications, material weaknesses, and reportable conditions.

Objective: Achieve and maintain unqualified (clean) audit opinions on all financial statements prepared by Interior.

Performance Measure: Audits with unqualified audit opinions (see *Figure 40*).

Figure 40

Summary of FY 1998 Financial Statement Audits				
	Opinion on Financial Statements	Exceptions Noted on Internal Control	Exceptions Noted on Compliance with Laws and Regulations	Opinion on Compliance with FMFIA
Department	Unqualified	Yes	Yes	No
FWS	Unqualified	Yes	No	Yes
USGS	Unqualified	Yes	No	Yes
BIA	*	*	*	*
BLM	Unqualified	Yes	No	Yes
MMS	*	*	*	*
NPS	*	*	*	*
BOR	Unqualified	Yes	No	Yes
OSM	Unqualified	No	No	Yes
OS	*	*	*	*

* At time of publication, audit opinions had not been issued for these bureaus.

Audit Followup Program

Interior views audit followup as a fundamental part of its ongoing effort to strengthen standards of accountability and increase the efficiency and effectiveness of its programs and operations. As noted in *Figure 41*, Interior was the recipient of a substantial number of audit and review reports during 1998 requiring followup audit actions, including 382 Single Audits, 89 Office of Inspector General program and contract audits, and 39 General Accounting Office audits. Audit followup actions included tracking the implementation of audit recommendations, monitoring the recovery of disallowed costs, and resolving disputed findings and recommendations.

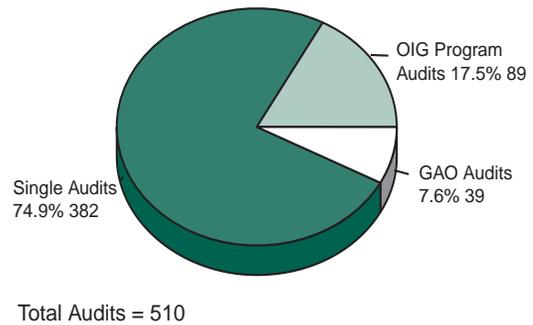
During 1998, Interior continued to make significant progress in implementing audit recommendations and closing audits, and in recovering disallowed costs and other funds owed the government. Interior achieved a 31 percent overall closure rate on OIG audit reports and a 56 percent recovery rate on disallowed costs, which represented improvements over the prior fiscal year.

Single Audits

Interior provides over \$2 billion each year in funding for grants, cooperative agreements, Indian Self-Determination contracts, and Self-Governance Compacts to State and local governments, Indian Tribes, colleges and universities and other nonprofit organizations. Under the provisions of the Single Audit Act, the grantees' financial operations, management control structure, and level of compliance with applicable laws and regulations must be audited each year. All Single Audit reports are now forwarded to and screened by the Federal Single Audit Clearinghouse (Clearinghouse). Those Single Audit reports with findings and recommendations requiring OIG review and audit followup actions are then forwarded to the OIG for review and distribution to the appropriate bureaus. Each bureau is responsible for meeting with grantees and negotiating resolution of the deficiencies identified in the audit reports, and for determining the allowableness of any expenditure of Federal funds which has been questioned by the auditors.

Figure 41

Audit Follow-up Workflow



Reaching Timely Management Decisions on Single Audits

Management decisions (agreement on actions to implement audit recommendations between the bureau and grantee) are expected to be agreed to within six months from receipt of the audit report. If an audit results in disallowed costs, bureaus are responsible for collecting the disallowed costs from the grantees. In 1998, 319 of 382 or 84 percent, of the Single Audits received from the Clearinghouse achieved management decisions within six months from the issuance date of the audit report.

Objective: Achieve management decision on all single audits within six months.

Performance Measure: Audits with management decisions within six months.

Collecting and Offsetting Disallowed Costs

Interior made good progress during 1998 in closing audits and recovering disallowed costs. By the end of the year, 43 of 53 audits were closed (81 percent) and \$3.76 million of the \$6.7 million in disallowed costs were recovered (56 percent).

Internal Audits

Internal audits are audits conducted by the Office of Inspector General of the programs, organizations, and financial and administrative operations of Interior. One category of internal audits are those audits on how the

OIG presents recommendations to improve efficiency and where funds can be put to better use (FBU audits). Interior tracks the successful implementation of all FBU audit recommendations and FBU dollar estimates agreed to by management. Interior progressed in implementing recommendations and closing FBU audits during 1998, as 22 of 66 audits were closed (33 percent). The closed audits involved \$3.2 million of FBU funds.

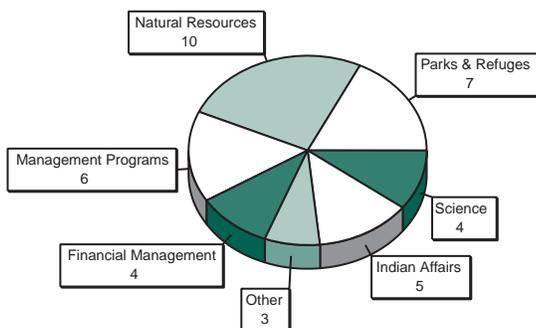
General Accounting Office Audits

The GAO audits are a major component of Interior’s audit followup program workload. During 1998, a substantial number of GAO reviews were underway or initiated. There were 73 reviews in process during the year, of which 34 were terminated without issuance of a letter report or other work product. In addition, there were 27 draft reports in process and 39 final audit reports issued with 18 recommendations. *Figure 42* summarizes the audits by major subject area. Interior successfully implemented 83 percent (15 of 18) recommendations by the end of fiscal year. The remaining recommendations involve actions that could be cost prohibitive or long-term implementation plans; these are being reevaluated by Interior.

Figure 42

Distribution of GAO Audits

By Major Subject Areas (Total of 39)



Analysis of Financial Activity **Revenues**

The Department prepares consolidated financial statements that include (1) a Statement of Financial Position, (2) a Statement of Net Cost, (3) a Statement of Changes in Net Position, (4) a Statement of Custodial Activity, and (5) a Statement of Budgetary Resources. Overall, these statements summarize the financial activity and financial position of the Department. Additional unaudited financial information is also presented in the Supplemental Information section of the report.

Operating Expenses

As indicated in the Statement of Net Cost, the 1998 net cost of Interior operations, after earned revenue, is approximately \$8.3 billion. In comparison, the Federal government expended over \$375 billion for Social Security payments and almost \$364 billion in interest payments on Treasury securities during fiscal year 1998.

The largest expense of the Department is salaries and benefits (*Figure 43*). In terms of personnel, Interior is the sixth largest of the 15 Cabinet agencies, with approximately 3.7 percent of total Executive Branch civilian employment. During 1998, Interior's full-time equivalent (FTE) employee level was 66,487, an increase of 759 or 1.2 percent over 1997. Since 1993, Interior has decreased staffing by 10,910 FTEs, a decline of over 14 percent.

A portion of the increase in salary and benefit expenses is attributable to a change in accounting standards that requires Federal agencies to recognize expense for that portion of their retirement and other benefits paid by the Office of Personnel Management (see Note to the Financial Statements No. 15).

Figure 43

Operating Expenses			
<i>(dollars in billions)</i>	1998	1997	% Change
Salaries and Benefits	\$3.75	\$3.88	-0.3
Contractual Services	2.33	2.07	12.6
Grants, Subsidies and Contributions	1.89	2.02	-6.4
Other	1.63	1.30	25.4
Total	\$9.60	\$9.27	3.6

In general, Interior's missions are intended to be funded by general government funds derived from tax receipts and other sources. However, an increasing number of Departmental activities are being supported by other fees and collections.

Federal government revenue is classified as either Exchange Revenue or Non-exchange Revenue. Exchange Revenue occurs when both parties to the transaction receive value (e.g., the government sells maps, or other products and services to the public for a price). Non-exchange Revenue occurs when only one party receives value (e.g., donations to the government from the public or government demands for payment through taxes, fines and penalties). Only Exchange Revenues are presented on the Statement of Net Cost, so that the statement reflects, to the extent possible, the net cost to the taxpayer of agency operations.

Interior's revenues from the public derive from sales of hydroelectric power, entrance fees at parks and wildlife refuges, sales of maps, and other products and services directly related to the operating responsibilities of the Department (*Figure 45*). Approximately \$853 million of revenues were collected from the public and were either retained in the Department after congressional appropriation to further Interior's mission, or were returned to the General Fund of the Treasury. This represents a decrease of 25 percent over the prior year. These revenues offset the taxpayers' investment in the Department. In addition, Interior earned \$721 million from other Federal agencies, mostly resulting from cross-servicing agreements or reimbursable services to other agencies. These efforts help reduce the total cost of government operations by sharing expertise among agencies.

During 1998, the Department collected over \$5.9 billion in revenue (see Statement of Custodial Activity) from Outer Continental Shelf and onshore oil, gas, and mineral lease sales and royalties, making Interior one of the largest collectors of revenue in the Federal government. This was a decrease of \$335 million from the prior year. These receipts are presented on the Department's Statement of Custodial Activity since these collections, under Federal accounting rules, are considered to be revenue of the government as a

Figure 44

Federal Financial Statements		
Statement	Federal Objective	Other Information
Statement of Financial Position	<ul style="list-style-type: none"> The Federal Statement of Financial Position is intended to present the agency's financial position -- assets, liabilities, and net position -- at the statement date. 	<ul style="list-style-type: none"> Federal assets are split between those that are available to the Department for use in its operations (also referred to as "Entity Assets") and those which the Department holds in its name, but which it cannot use. These assets, held on behalf of others, arise primarily when the Department is responsible for collection of monies which under law must be forwarded to the General Fund at U.S. Treasury or to other Federal agencies upon or shortly after receipt. The Statement of Financial Position separates those liabilities for which funds have been appropriated from those which have not yet been funded.
Statement of Net Cost	<ul style="list-style-type: none"> Intended to demonstrate the cost of missions and programs accomplished by the Department for the taxpayer. 	<p>This statement differs from private sector operating statements in several ways:</p> <ul style="list-style-type: none"> First, expenses are presented at the top of the statement and revenues earned from the sale of goods and services are deducted from those expenses. This is due to the fact that the objective of most government agencies is not to "make money." Rather, the objective is to efficiently and effectively carry out the missions and responsibilities assigned to the agency by the Congress and the President, elected representatives of the people. The "bottom line" of the Statement of Net Cost is not "net income" or "net loss," because the effectiveness of Federal agencies simply cannot be evaluated by comparing revenues against expenses. The bottom line is instead "Net Cost of Operations" which discloses to the reader, at a very summary level, what the taxpayer has invested in the operations of the agency.
Statement of Changes in Net Position	<ul style="list-style-type: none"> Explains how the Net Cost to the taxpayer for the Department's operations was funded, and reports other changes in equity which are not included in the Statement of Net Cost. 	<ul style="list-style-type: none"> "Appropriations Used" in any given period as reported on the Statement of Changes in Net Position will not exactly match expenses for that period, since budgetary accounting rules and financial accounting rules may recognize certain transactions and events at different points in time.
Statement of Custodial Activity	<ul style="list-style-type: none"> Presents financial information related to oil and gas royalties and lease payments collected by the Department on behalf of the Federal government. 	<ul style="list-style-type: none"> The top half of this statement presents the source of Royalty-based collections. The bottom half presents the disposition of those collections (e.g., transfers to the Department of the Treasury, States, Indian Tribes, and others).
Statement of Budgetary Resources	<ul style="list-style-type: none"> Provides information about how budgetary resources were made available as well as their status at the end of the period. 	<ul style="list-style-type: none"> Recognition and measurement of budgetary information reported on this statement is based on budget terminology, definitions, and guidance in OMB Circular A-34, "Instructions on Budget Execution."
Statement of Financing	<ul style="list-style-type: none"> Reports the differences and facilitates the understanding of the differences between the net cost of operations and the obligations of budget authority. 	<ul style="list-style-type: none"> Accrual-based measures used in the Statement of Net Cost differ from the obligation-based measures used in the Statement of Budgetary Resources. In order to understand these differences, information is needed to reconcile financial (proprietary) net cost of operations and the obligations of budget authority.

whole rather than of the Department. These revenues are distributed primarily to Federal and State treasuries, Indian Tribes and allottees, the Land and Water Conservation Fund, and the Historic Preservation Fund.

Figure 45

Exchange Revenue			
(dollars in billions)	1998	1997	% Change
Revenue from Sale of Goods and Services to the Public	\$.85	\$ 1.13	-24.8
Revenue from Sale of Goods and Services to Federal Agencies	.72	.67	7.5
Other Revenue	.32	.55	-41.8

Budgetary Resources

The Department obtains most of its funding from general government funds maintained by the Treasury Department and appropriated for Interior's use by Congress.

Interior's 1998 budget authority (as reported in the fiscal year 2000 budget request) was approximately \$10.5 billion. This represents an increase of almost \$580 million or 5.8 percent over 1997. The \$10.5 billion is greater than the \$9.9 billion in budgetary authority reported in the Statement of Budgetary Activity because of differences between budgetary and federal accounting guidance. The most significant difference relates to the treatment of Tribal and Individual Indian Trust funds, assets which do not belong to the Federal government. These amounts, which are discussed in detail in Note 18 of the consolidated financial statements, are excluded from Interior's financial statements but through fiscal year 1999 are included in Interior's budget requests.

Measured in terms of dollar resources, the Department, with one-half of one percent of the entire Federal budget, spends less funds than all but two of the Cabinet agencies. Despite its relatively low funding, the Department touches the lives of most citizens, often on the person-to-person level through its responsibility for the national parks, wildlife refuges, public land recreation areas, topographic maps, dams and water projects. Its operations are located throughout the country and have an immense impact on individuals throughout America and its programs provide a tangible return to taxpayers.

Since budgetary accounting rules and financial accounting rules may recognize certain transactions and events at different points in time, Appropriations Used (*Figure 46*) in any given period as reported on the Statement of Changes in Net Position will not exactly match expenses for that period.

Figure 46

Appropriations			
(dollars in billions)	1998	1997	% Change
Appropriations Used to Finance Operations	\$8.8	\$8.4	4.8

Assets

Approximately 10 percent of Interior's assets are held on behalf of others and are not available for Departmental use. Approximately 34 percent of the Department's \$50 billion in assets (see Statement of Financial Position) is composed of General Property, Plant, and Equipment (*Figure 47*).

Most of Interior's Buildings, Structures, and Facilities are composed of dams and power and irrigation facilities managed by the Bureau of Reclamation. The remainder consists of buildings and other structures and facilities used in the Department's operations (e.g., visitor centers, fish hatcheries, and Bureau of Indian Affairs schools).

Interior's reported values for Property, Plant, and Equipment (PP&E) exclude stewardship property, such as land for national parks and national wildlife refuges, public domain land, historic buildings, and national monuments. Although these stewardship assets are priceless, they do not have an identifiable financial value and therefore, cannot be adequately presented on a numerically based Statement of Financial Position. An in-depth discussion of these assets is presented in the Stewardship Assets and Investments section of the report.

Figure 47

Property, Plant, and Equipment (PP&E)			
(dollars in billions)	1998	1997	% Change
Buildings, Structures, and Facilities	\$16.6	\$16.5	0.6
Other General PP&E	0.7	0.6	16.6

The Fund Balance with Treasury, which is essentially the amount of funds made available to the agency by congressional appropriation which are in agency accounts at Treasury, is \$5.6 billion (Figure 48). The Treasury Department functions like a bank, and Interior's Fund Balance with Treasury is somewhat analogous to a checking account. The portion of Fund Balance with Treasury available to the Department for spending at any point in time depends on the terms of appropriation language and other factors.

Figure 48

Fund Balance with Treasury			
(dollars in billions)	1998	1997	% Change
Fund Balance with Treasury	\$5.6	\$4.8	16.6

The Department has Restricted Assets in Conservation and Reclamation Funds (Figure 49). These amounts derive primarily from royalties and lease payments generated from oil and gas extracted from the Outer Continental Shelf. The restricted asset Conservation account includes the Land and Water Conservation Fund and the Historic Preservation Fund. Approximately \$897 million was deposited in these funds in fiscal year 1998. This was a decrease of 14 percent compared to fiscal year 1997 due to the expiration of the law authorizing the transfer of these funds to the Historic Preservation Fund. Spending authority for the conservation accounts is approved in subsequent years through congressional appropriations.

Figure 49

Restricted Assets			
(dollars in billions)	1998	1997	% Change
Land and Water Conservation Fund	\$11.9	\$11.9	0
Historic Preservation Fund	2.3	2.2	4.5
Reclamation Fund	3.3	3.1	6.5

Liabilities and Net Position

Federal agencies, by law, cannot make any payments unless funds have been appropriated by Congress. The Department's unfunded liabilities (approximately \$1.2 billion, or 11 percent of total liabilities) consist primarily of legal and environmental contingent liabilities and unfunded annual leave, both of which are

considered expense and liability in the current period, but which will be paid out of funds made available to the agency in future years.

Contingent liabilities reflect Interior's potential responsibility for cleanup of contaminated sites and for legal claims brought against the Department. The Department's liability for financial statement purposes for environmental cleanup is limited to those sites where Interior is or may be held to be legally liable for remediation of the hazard, for example, underground fuel tanks installed by the Department. In addition, there are numerous sites, including abandoned mines and illegal waste dumps, where other parties have caused contamination on lands managed by the Department. Although Interior bears no legal responsibility for these hazards, the Department will often, in its stewardship capacity, correct the environmental hazard. Wherever feasible, Interior will initiate collection efforts against the responsible parties. The Department has recognized \$275 million for potential environmental cleanup liabilities and \$396 million related to other claims and litigation.

The Net Position of the Department consists of three components: (1) Unexpended Appropriations, (2) Cumulative Results of Operations, and (3) Restricted Equity. The Unexpended Appropriations account reflects spending authority made available to the Department by congressional appropriation that has not yet been used by Interior. Cumulative Results of Operations reflects the net results of the Department's operations over time. Restricted Equity reflects funds in the Land and Water Conservation Fund, Historic Preservation Fund, and Reclamation Fund; these amounts have not yet been made available for Departmental use by congressional appropriation. In total, Interior's Net Position is \$39.9 billion, of which \$15.9 billion is Restricted Equity.

Financial Management Performance

Interior continually strives to improve the efficiency of financial management operations to increase customer satisfaction and decrease costs to the Department.

Prompt Payment Performance

Payment is required to be made within 30 days of receipt of invoice or the Federal government is required to pay interest. Performance is measured by the percentage of late payments requiring interest penalties, compared to the total number of payments subject to the Prompt Payment Act. Interior's objective is to reduce the percentage of payments with interest penalties and the percentage of interest paid to a level at or below the governmentwide average of three percent.

In January 1997, the Department established an initiative to reduce the number and dollar amount of interest penalties paid and improve its overall on-time payment performance. The initiative has paid dividends with noticeable improvement in a number of Prompt Pay measures.

Interior's on-time payment percentage increased from 77 percent in 1997 to 82 percent in 1998. In addition, the dollar amount of late payment interest penalties paid decreased by 25 percent and the number of occurrences decreased by 32 percent.

Over the past several years, the number of payments subject to the Prompt Payment Act has shown a steady decline. This decrease is attributable to the Department's increased use of the governmentwide purchase card. *Figures 50 and 51* show selected prompt pay statistics for 1996 to 1998.

This improvement effort will continue and during 1999 is expected to achieve significantly better payment performance as a result of using new technologies and best practices.

Figure 50

	Percent of Payments		
	1998	1997	1996
On-time	82.0%	77.1%	72.8%
Early	0.6%	0.6%	0.8%
Late	17.4%	22.3%	26.4%
Interest penalty paid	(6.0%)	(8.8%)	(9.8%)
Interest not due *	(10.8%)	(12.9%)	(15.9%)
Interest due but not paid	(0.6%)	(0.6%)	(0.7%)

* Interest was not due because interest was less than \$1

Figure 51

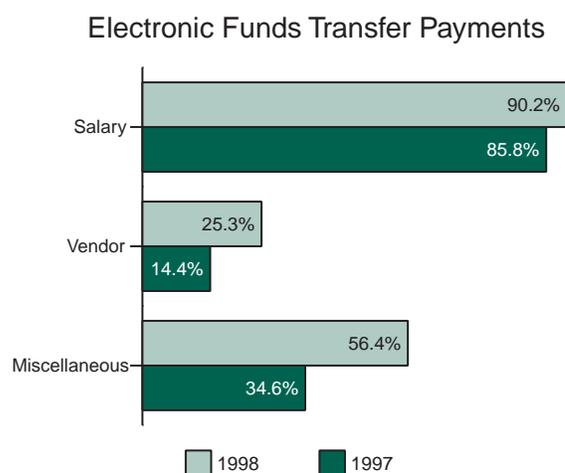
Selected Prompt Pay Data			
	1998	1997	1996
Invoices paid:			
Dollar amount (millions)	\$1,901	\$1,810	\$1,874
Number	530,915	534,099	612,061
Interest penalties:			
Dollar amount (millions)	\$0.9	\$1.2	\$1.4
Number	31,752	46,797	60,422
Interest penalties as a percent of invoices paid:			
Dollar amount	0.047%	0.067%	0.075%
Number	6.0%	8.8%	9.9%

Use of Electronic Funds Transfer (EFT)

The Debt Collection Improvement Act (DCIA) of 1996 requires that all payments be made by Electronic Funds Transfer by January 2, 1999, unless covered by a waiver; this is measured by the percentage of total payments issued that were completed using electronic mechanisms. The Department's objective is to use electronic funds transfer to the maximum extent possible, except for payments covered by waivers.

Over the past two years, Interior has increased the percentage of payments made by EFT. *Figure 52* shows EFT performance over the past two years for salary payments, vendor payments, and miscellaneous payments.

Figure 52



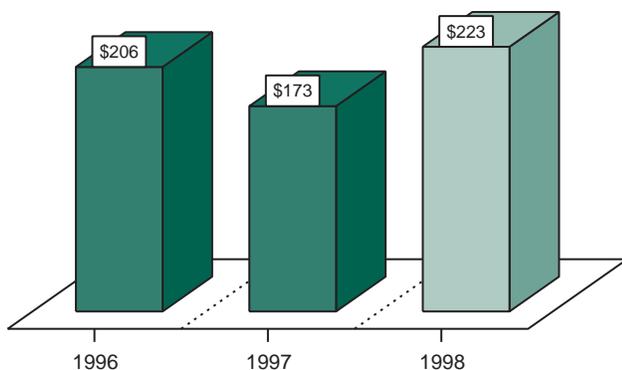
Debt Collection

The collection of delinquent debt due from the public is a major goal of the Debt Collection Improvement Act. The DCIA requires agencies to transfer eligible debt to the Department of the Treasury. Interior's objective is to transfer all eligible debt to the Department of the Treasury in compliance with DCIA. In an effort to fulfill its statutory obligations, the Department has implemented two debt management initiatives that are intended to control and manage debt due from the public and to ensure that future delinquencies are held to a minimum. These include referring 180-day and older delinquent debt to the U.S. Treasury for cross-servicing and referring delinquent debts to the Treasury Offset Program. The Department's debt management policies are designed to (1) provide sufficient and accurate management information, (2) help bureaus become more effective in their debt collection efforts, and (3) initiate appropriate litigation as necessary. With the new legal mandates and policies now being implemented, the Department expects a greater rate of collection in the years ahead.

In 1998, approximately \$133 million (50 percent) of the Department's \$266 million accounts receivables due from the public were considered delinquent. The nature of this debt, comprising fines and penalties, has a historically high rate of write-offs. *Figure 53* shows the Department's accounts receivable balances (net of allowance for doubtful accounts) due from the public for 1996 to 1998.

Figure 53

Interior Net Accounts Receivable Balances
(\$ in millions)

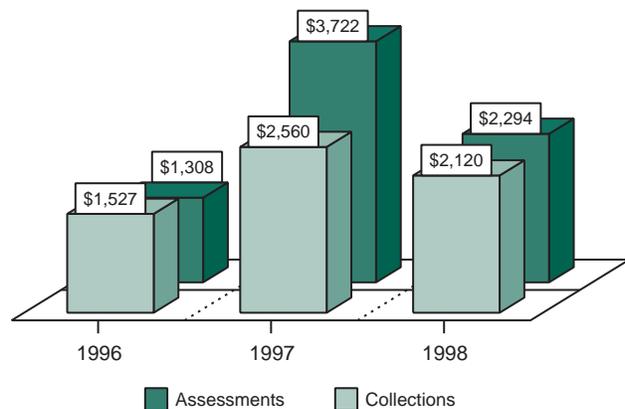


Civil Monetary Penalties

In 1998, civil monetary penalties were assessed in the amount of \$2.3 million. During the same period, \$2.1 million was actually collected. Civil monetary penalties are assessed as a result of enforcement actions by the Office of Surface Mining, the Bureau of Land Management, the Minerals Management Service, and the Fish and Wildlife Service. *Figure 54* shows civil monetary assessments and collections for 1996 to 1998.

Figure 54

Interior Civil Monetary Penalties
(\$ in millions)



Inspector General Audit Opinion

E-IN-MOA-001-99-M



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

APR 19 1999

AUDITORS REPORT

Memorandum

To: Assistant Secretary for Policy, Management and Budget and Chief Financial Officer

Subject: Auditors Report on Department of the Interior Financial Report for Fiscal Years 1998 and 1997 (No. 99-I-438)

SUMMARY

In our audit of the Department of the Interior's financial report for fiscal year 1998, we found the following:

- The principal financial statements were presented fairly in all material respects. The Department of the Interior's principal financial statements consist of the Consolidated Statement of Financial Position as of September 30, 1998, and 1997; the Consolidated Statement of Net Cost of Operations, the Consolidated Statement of Changes in Net Position, and the Consolidated Statement of Custodial Activity for the fiscal years ended September 30, 1998, and 1997; and the Combined Statement of Budgetary Activity for the fiscal year ended September 30, 1998.

- Our tests of internal controls identified weaknesses in the following areas that we consider to be material weaknesses: National Park Service controls over the construction-in-progress account, Bureau of Indian Affairs controls over the property management accounts, Bureau of Indian Affairs general controls over automated information systems, and Bureau of Indian Affairs controls over financial integrity reviews. We believe that weaknesses in the following areas are reportable conditions: the Department and bureau controls over deferred maintenance, U.S. Geological Survey controls over its data processing environment, Department and bureau controls over summarizing transactions as Government and non-Government, and Department and bureau controls over trading partner data.

- Our tests of compliance with laws and regulations identified specific noncompliance issues for the Bureau of Indian Affairs that are required to be reported concerning the Chief Financial Officers Act of 1990, the Debt Collection Improvement Act of 1996, the Credit Reform Act of 1990, the Prompt Payment Act, and the Federal Financial Management Improvement Act of 1996.

Our conclusions are detailed in the sections that follow.

OPINION ON FINANCIAL STATEMENTS

In accordance with the Chief Financial Officers Act of 1990, we audited the Department of the Interior's principal financial statements for the fiscal years ended September 30, 1998, and 1997, as contained in the Department of the Interior's accompanying "1998 Annual Report." The Department of the Interior is responsible for these principal financial statements, and we are responsible for expressing an opinion, based on our audit, on these principal financial statements. We did not audit the information contained in Note 18 related to Indian Trust Funds. This information was audited by other auditors whose report has been provided to us, and our opinion, insofar as it relates to the information contained in Note 18, is based solely on the report of the other auditors.

Our audit was conducted in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States, and with Office of Management and Budget Bulletin 98-08, "Audit Requirements for Federal Financial Statements," as amended, and was completed on March 31, 1999. These audit standards require that we plan and perform the audit to obtain reasonable assurance as to whether the accompanying principal financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the principal financial statements and the accompanying notes. An audit also includes assessing the accounting principles used and the significant estimates made by management. We believe that our audit work provides a reasonable basis for our opinion.

In our opinion, the principal financial statements, including the accompanying notes, present fairly, in all material respects, the consolidated financial position of the Department of the Interior as of September 30, 1998, and 1997, and its consolidated net cost, changes in net position, and custodial activity for the years ended September 30, 1998, and 1997, and combined budgetary resources and outlays for the year ended September 30, 1998, on the basis of accounting described in Note 1 to the financial statements.

As explained in Note 16, the Department reclassified land costs that were previously recorded in the structures and other facilities account to the standard general ledger account for land and adjusted the accumulated depreciation. In addition, the Department, as explained in Note 16, changed its method for reporting royalty collections that were transferred to the Bureau of Reclamation. In fiscal year 1997, the Department reported this as revenue in its Consolidated Statement of Net Cost. However, to comply with Statement of Federal Financial Accounting Standard No. 7, "Accounting for Revenue and Other Financial Sources," the Department reported these collections as other financing sources in its fiscal year 1998 Consolidated Statement of Changes in Net Position.

In addition, as discussed in Note 16, the Department adjusted its construction-in-progress account to remove heritage assets and general property, plant, and equipment that had been previously completed. These adjustments were made to comply with Statement of Federal Accounting Standard No. 6, "Accounting for Property, Plant, and Equipment."

Our audit was conducted for the purpose of forming an opinion on the consolidated and combined principal financial statements taken as a whole. The accompanying consolidating and combining

information is presented for purposes of additional analysis of the consolidated and combined principal financial statements. The consolidating and combining financial statements for fiscal year 1998 (pages 92-99) were subjected to the auditing procedures applied in the audit of the consolidated and combined principal financial statements and, in our opinion, are fairly stated in all material respects in relation to the consolidated and combined principal financial statements taken as a whole.

The required supplementary stewardship information (pages 101-116) is not a required part of the principal financial statements but is supplemental information required by the Federal Accounting Standards Advisory Board. We have applied certain limited procedures, which include discussions with management on the methods of measurement and presentation of the supplemental information. However, we did not audit the information and therefore express no opinion on it.

REPORT ON INTERNAL CONTROLS

Management of the Department of the Interior is responsible for establishing and maintaining an internal control structure which provides reasonable assurance that the following objectives are met:

- Transactions are properly recorded, processed, and summarized to permit the preparation of the principal financial statements and required supplementary stewardship information in accordance with Federal accounting standards.

- Assets are safeguarded against loss from unauthorized acquisition, use, or disposition.

- Transactions are executed in accordance with (1) laws governing the use of budget authority and with other laws and regulations that could have a direct and material effect on the principal financial statements or required supplementary stewardship information and (2) any other laws, regulations, and Governmentwide policies identified by the Office of Management and Budget.

Because of inherent limitations in any internal control structure, errors or fraud may occur and not be detected. Also, projections of the internal controls over financial reporting to future periods are subject to the risk that the internal controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

In planning and performing our audit, we obtained an understanding of the relevant internal control policies and procedures, determined whether these internal controls had been placed in operation, assessed control risks, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing an opinion on the principal financial statements and not to express assurance on the internal controls over financial reporting. Consequently, we do not express an opinion on internal controls. We also reviewed the Department's most recent report required by the Federal Managers' Financial Integrity Act of 1982 and compared it with the results of our evaluation of the Department's internal control structure.

Our consideration of the internal controls over financial reporting and compliance would not necessarily disclose all matters in the internal control structure over financial reporting that might be reportable conditions. Under standards established by the American Institute of Certified Public

Accountants and by Office of Management and Budget Bulletin 98-08, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls that, in our judgment, could adversely affect the agency's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted certain matters discussed in the paragraphs that follow involving the internal control structure and its operation that we consider to be material weaknesses or reportable conditions.

Material Weaknesses

A. National Park Service Needs Improved Controls Over Construction-in-Progress Account

The National Park Service did not have sufficient internal control procedures to ensure that the general ledger control account for construction-in-progress was accurately stated and properly supported. The account included construction costs that were not in compliance with the Federal Accounting Standards for heritage assets; non-Federal assets; and general property, plant, and equipment that had been placed into service prior to the current period. When this deficiency was brought to the attention of Park Service management, adjustments totaling \$480.8 million were made to the construction-in-progress account, with related adjustments made to buildings, other structures, and expenses and prior period adjustments for fiscal years 1998 and 1997. According to Park Service officials, a project team will be established in fiscal year 1999 to verify the adjustments and ensure that all costs for completed projects are posted to the appropriate accounts.

B. Bureau of Indian Affairs Needs Improved Controls Over Property Management Accounts

The Bureau of Indian Affairs did not have sufficient internal control procedures to ensure that the construction-in-progress, land improvements, buildings, other structures and facilities, equipment, and related accumulated depreciation and depreciation expense accounts were accurately stated and properly supported. For example, we identified items that were included in the property accounts which did not belong to the Bureau, items that had incorrect acquisition costs, items that were duplicated in the accounts, and completed projects that were not transferred out of the construction-in-progress account after they had been completed.

C. Bureau of Indian Affairs Needs Improved General Controls Over Automated Information Systems

The Bureau of Indian Affairs continues to have ineffective general controls over certain automated information systems operated by the Bureau and is not in compliance with the requirements of Office of Management and Budget Circulars A-127, "Financial Management Systems," and A-130, "Management of Federal Information Resources," and with the Federal Managers' Financial Integrity Act of 1982. Specifically, the Bureau did not (1) have an effective system security program

and had not enforced personnel policies and procedures to ensure adequate system security, (2) classify its resources to determine the level of security needed, (3) monitor visitor activities and perform adequate housekeeping to safeguard computer hardware, (4) perform periodic reviews to ensure that users' access levels were appropriate, (5) ensure that the proper version of an application was used in production, (6) have segregation of duties for the system support functions, (7) have controls over system software to effectively detect and deter inappropriate use, and (8) have an effective means of recovering or of continuing computer operations in case a system fails.

D. Bureau of Indian Affairs Needs Improved Controls Over Financial Information Integrity Reviews

The Bureau of Indian Affairs did not have sufficient internal control procedures to ensure that errors and invalid transactions contained in its general and subsidiary ledgers, listings, and reports were timely identified and corrected at September 30, 1998. This occurred because the Bureau had not developed and implemented an effective financial information integrity review, reconciliation, and correction process.

Department of the Interior Comments

The Department concurs with the need for the Park Service to ensure that completed assets are removed from the construction-in-progress account. However, the Department does not concur with an interpretation of accounting guidance that requires that the cost of heritage assets under construction be omitted from construction-in-progress accounts. Rather, the Department believes that general ledger control over this activity is essential to the proper management of construction activity and that heritage assets under construction should be accounted for and managed in the same manner as other construction projects. However, for fiscal years 1998 and 1997, the Department agreed to post appropriate adjustments to expense heritage assets under construction. The Department intends to raise this issue with appropriate financial standard setting authorities during fiscal year 1999.

Regarding the Bureau of Indian Affairs material weaknesses, the Department has reported real property management and accounting as a material weakness under the Federal Managers' Financial Integrity Act program and has a corrective action plan to correct the material weakness. Further, the Department is taking steps to improve general controls over automated information systems, and corrective action plans on other material weaknesses identified under the program are addressing the need to improve controls over financial information.

Reportable Conditions

A. The Department and the Bureaus Need Improved Controls Over Deferred Maintenance Management and Reporting

In accordance with Office of Management and Budget Bulletin 98-08, we reviewed the internal controls related to transactions and other data that support the reported information on deferred maintenance in the bureaus to determine whether the transactions were properly recorded,

processed, and summarized. We found that formal policies and procedures for conducting periodic condition assessment surveys and computing deferred maintenance funding estimates needed to be established by the Department and the bureaus to promote consistency and accuracy. In addition, the supervisory and monitoring controls over deferred maintenance reporting required strengthening to ensure that the deferred maintenance estimates are supported by adequate documentation.

B. U.S. Geological Survey Needs Improved Controls Over the Data Processing Environment at the Reston Enterprise Data Services Center

The November 1998 report "Additional Controls Over the Data Processing Environment at the U.S. Geological Survey, Reston Enterprise Data Services Center" (No. 98-CAO-13), issued by the Office of Inspector General, U.S. House of Representatives, was the second report issued by the House's Office of Inspector General on the Data Services Center. The report stated that the Geological Survey had made significant progress in addressing the weaknesses and problems identified in the first report. However, the report identified additional weaknesses in the general control areas of Data Center management and operations; mainframe computer system physical and logical security; telecommunications security; and contingency planning, including backup procedures for preventing data loss and for the recovery of data in case of a disaster. According to the report, the identified weaknesses increased the risk of unauthorized access and modifications to, and disclosure of, information processed on the Data Center's mainframe computer. Also, the report noted that the weaknesses increased the potential for operational errors, which could adversely affect service continuity. The report identified 46 recommendations (24 from the prior report and 22 from the current report) that had not been implemented.

C. The Department and the Bureaus Need Improved Controls Over Summarizing Transactions as Government and Non-Government

The Department's and the bureaus' internal controls were not sufficient to provide reasonable assurance that transactions were properly summarized as Federal (Government) or Public (non-Government) in the general ledger accounts as required by Office of Management and Budget Bulletin 97-01, "Form and Content of Agency Financial Statements," as amended.

D. The Department and the Bureaus Need Improved Controls Over Trading Partner Data

The Department's and the bureaus' internal controls were not sufficient to provide reasonable assurance that transactions with other Federal agencies (trading partners) were properly summarized as required by the Treasury Financial Manual. Trading partner data are not reported in the Department of the Interior's principal financial statements. The Department of the Treasury requires the trading partner data to be included in support of the Governmentwide consolidated financial report.

Department of the Interior Comments

The Department recognizes the need to improve controls over deferred maintenance management and reporting and, this past year, declared this a material weakness under the Federal Managers'

Financial Integrity Act program. A corrective action plan is being developed to improve controls in this area.

The Department recognizes the need to continue to improve the controls over the data processing environment at the Reston Enterprise Data Services Center. Actions are being taken to implement recommendations to improve the controls over the data processing environment.

The Department also recognizes the need to continue to improve the accuracy of Government and non-Government data and trading partner data submitted to the Department of the Treasury in support of the Governmentwide consolidated financial statements. Fiscal year 1998 was the first year that trading partner information was required. The Department continues to improve the processes supporting submission of financial data to the Department of the Treasury.

Stewardship and Performance Measures

We considered the Department of the Interior's internal controls over the required supplementary stewardship information by obtaining an understanding of the Department's internal controls relating to the preparation of the required supplementary stewardship information to determine whether these internal controls had been placed in operation, assessed the control risk, and performed tests of these controls. However, providing assurance on these internal controls was not an objective of our audit, and accordingly, we do not provide assurance on such controls.

Finally, with respect to the internal controls related to the reported performance measures, we did not obtain an understanding of the design of significant internal controls related to the existence and completeness assertions. Accordingly, we do not provide assurance on such controls.

REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

Management of the Department of the Interior is responsible for complying with laws and regulations applicable to that agency. As part of obtaining reasonable assurance about whether the agency's principal financial statements are free of material misstatement, we performed tests of the Department's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on amounts contained in the principal financial statements and certain other laws and regulations specified in Bulletin 98-08, including the requirements referred to in the Federal Financial Management Improvement Act of 1996. However, providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests of compliance with laws and regulations discussed in the preceding paragraph exclusive of the Federal Financial Management Improvement Act disclosed the instances of noncompliance that are required to be reported under the "Government Auditing Standards" or Bulletin 98-08 as follows:

- **Chief Financial Officers Act of 1990.** The Bureau of Indian Affairs had not effectively established and implemented general and financial management practices and improved its systems

of accounting, financial management, and internal controls to ensure the issuance of reliable financial information and to provide for the production of complete, reliable, timely, and consistent financial information. As such, the Bureau was not in compliance with these requirements of the Chief Financial Officers Act.

- **Debt Collection Improvement Act of 1996.** The Bureau of Indian Affairs was not in compliance with the Debt Collection Improvement Act, which requires that all eligible receivables delinquent for more than 180 days be referred to the U.S. Treasury for collection. The Bureau had accounts receivable of at least \$31.3 million and loans receivable of at least \$16.7 million that were delinquent for more than 180 days and were eligible for referral at September 30, 1998.

- **Credit Reform Act of 1990.** The Bureau of Indian Affairs was not in compliance with the Credit Reform Act, which requires that Federal agencies properly record and account for loan costs and guarantees, including performing subsidy reestimates for the post-1991 credit reform direct and guaranteed loans. The Bureau used assumptions in developing subsidy reestimates that were not consistent with the guidance in Federal Financial Accounting Standard No. 2, "Accounting for Direct Loans and Loan Guarantees," and Office of Management and Budget Circular A-11, "Preparation and Submission of Budget Estimates." As a result, we were unable to determine whether the Bureau's reestimate adjustments included in its financial statements for fiscal year 1998 were accurate.

- **Prompt Payment Act.** The Bureau of Indian Affairs was not in compliance with the Prompt Payment Act, which requires that Federal agencies pay their bills on time, pay interest penalties when payments are made late, and take discounts only when payments are made within the discount period and are advantageous to the Government. A December 11, 1998, Prompt Payment Act quality control review prepared by the Chief, Washington Administrative Service Center - West, which covered the fourth quarter of fiscal year 1998, stated that the overall accuracy of the Bureau's Prompt Payment Report was not acceptable because of the number of payment processing errors found.

Under the Federal Financial Management Improvement Act, we are required to report whether the Department's financial management systems are in substantial compliance with requirements for Federal financial management systems, Federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level. To meet these requirements, we performed tests of compliance using the implementation guidance for the Federal Financial Management Improvement Act included in Appendix D of Bulletin 98-08.

- **Federal Financial Management Improvement Act.** As discussed in the Report on Internal Controls section of this report, we believe that the material internal control weaknesses concerning the ineffective general controls over the Bureau of Indian Affairs automated information systems are significant departures from the requirements of Office of Management and Budget Circulars A-127 and A-130 and are therefore instances of substantial noncompliance with the Federal financial management systems requirements under the Federal Managers' Financial Integrity Act of 1982.

Department of the Interior Comments

The Department recognizes that the Bureau of Indian Affairs continues to need to improve financial operations. Accordingly, the Department has declared Bureau material weaknesses in the following areas: real property management, debt collection, acquisition management, irrigation operation and management, and records management. The Department has corrective action plans under way to address and correct each weakness. The Department continues to work with the Bureau in its efforts to eliminate the qualification on the Bureau's financial statements.

CONSISTENCY OF OTHER INFORMATION

We reviewed the financial information presented in the Department of the Interior's overview and in the required supplemental information to determine whether the information was consistent with the principal financial statements. Based on our review, we determined that the information in the overview and in the required supplemental information was consistent with information in the principal financial statements.

PRIOR AUDIT COVERAGE

Based on our review of prior Office of Inspector General audit reports, we found that the material internal control weaknesses for the Bureau of Indian Affairs identified in the Internal Control section of this report were also reported as internal control weaknesses as follows:

- The June 1998 report "Followup of General Controls Over Automated Information Systems, Operations Service Center, Bureau of Indian Affairs" (No. 98-I-483) stated that the general control weaknesses and risks identified in our audit for fiscal year 1996 continued to exist during fiscal year 1997.

- The April 1998 report "Bureau of Indian Affairs Principal Financial Statements for Fiscal Years 1996 and 1997" (No. 98-I-407) identified internal control weaknesses in property management accounts, general controls over automated information systems, and controls over financial integrity reviews. In addition, the report noted that the Bureau's general controls over its automated information systems were not in compliance with requirements of Federal financial management systems under the Federal Managers' Financial Integrity Act and that the Bureau was not in compliance with the Debt Collection Improvement Act of 1996, the Prompt Payment Act, and the Credit Reform Act of 1990.

- The May 1997 report "Bureau of Indian Affairs Consolidated Financial Statements for Fiscal Years 1995 and 1996" (No. 97-I-834) stated that the Bureau's internal control structure was not sufficient to support the balances for other buildings and structures and that the Bureau had not timely collected its accounts and loans receivable and therefore was not in compliance with the Debt Collection Act of 1982.

- The April 1997 report "General Controls Over Automated Information Systems, Operations Service Center, Bureau of Indian Affairs" (No. 97-I-771) stated that the Bureau's general controls

over its automated information systems at the Center were not effective. Specifically, according to the report, the Bureau did not (1) have an effective system security program and had not enforced personnel policies and procedures to ensure adequate system security, (2) classify its resources to determine the level of security needed, (3) monitor visitor activities and perform adequate housekeeping to safeguard computer hardware, (4) perform periodic reviews to ensure that users' access levels were appropriate, (5) ensure that the proper version of an application was used in production, (6) have segregation of duties for the system support functions, (7) have controls over system software to effectively detect and deter inappropriate use, and (8) have an effective means of recovering or of continuing computer operations in case a system fails.

OBJECTIVE, SCOPE, AND METHODOLOGY

Management of the Department of the Interior is responsible for the following:

- Preparing the principal financial statements and the required supplemental information referred to in the Consistency of Other Information section of this report in conformity with the basis of accounting described in Note 1 to the principal financial statements and preparing the other information contained in the "1998 Annual Report."

- Establishing and maintaining an internal control structure over financial reporting. In fulfilling this responsibility, estimates and judgments are required to assess the expected benefits and related costs of internal control structure policies and procedures.

- Complying with applicable laws and regulations.

We are responsible for the following:

- Expressing an opinion on the Department of the Interior's principal financial statements.

- Obtaining an understanding of the internal controls over financial reporting and compliance and reporting the results of this review, based on the internal control objectives in Bulletin 98-08, which require that transactions be properly recorded, processed, and summarized to permit the preparation of the principal financial statements and the required supplemental information in accordance with Federal accounting standards, and that assets be safeguarded against loss from unauthorized acquisition, use, or disposal.

- Testing the Department's compliance with selected provisions of laws and regulations that could materially affect the principal financial statements or the required supplemental information.

In order to fulfill these responsibilities, we took the following actions:

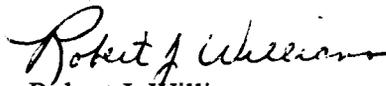
- Examined, on a test basis, evidence supporting the amounts disclosed in the principal financial statements.

- Assessed the accounting principles used and the significant estimates made by management.

- Evaluated the overall presentation of the principal financial statements.
- Obtained an understanding of the internal control structure related to safeguarding assets; compliance with laws and regulations, including the execution of transactions in accordance with budget authority; and financial reporting.
- Tested relevant internal controls over the safeguarding of assets, compliance with laws and regulations, and financial reporting.
- Tested compliance with selected provisions of laws and regulations.

We did not evaluate all of the internal controls related to the operating objectives as broadly defined by the Federal Managers' Financial Integrity Act, such as those controls related to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to those controls necessary to achieve the objectives outlined in our report on internal controls.

This report is intended for the information of management of the Department of the Interior, the Office of Management and Budget, and the Congress. However, this report is a matter of public record, and its distribution is not limited.



Robert J. Williams
Assistant Inspector General
for Audits

**Audited
Consolidated
Financial
Statements**

U.S. Department of the Interior
Consolidated Statement of Financial Position
September 30, 1998 and 1997
(dollars in thousands)

	1998	1997
ASSETS		
Assets of the Department		
Current Assets		
Fund Balance with Treasury (Note 2)	\$ 5,623,448	\$ 4,809,079
Cash and Other Monetary Assets	36,683	31,904
Investments (Note 3)		
Treasury Securities	2,189,218	2,068,110
Public Securities	37,196	26,736
Accounts Receivable (Note 4)		
Public, Net of Allowance for Doubtful Accounts	223,385	173,364
Due from Federal Agencies	605,991	481,008
Operating Materials and Supplies	639	2,155
Inventory (Note 5)	389,315	393,260
Total Current Assets	9,105,875	7,985,616
Property, Plant and Equipment, Net of Depreciation (Note 6)		
Buildings, Structures, and Facilities	16,624,505	16,518,615
Equipment, Vehicles, and Aircraft	625,361	582,387
Other Property Plant Equipment	49,891	57,240
Total Property, Plant and Equipment	17,299,757	17,158,242
Stewardship Assets (Note 7)		
Other Assets		
Loans and Interest Receivable (Note 9)	168,511	192,871
Advances and Prepayments	89,991	63,293
Receivable from Appropriations (Note 1J)	259,361	197,781
Investigations and Development (Note 1K)	625,503	579,154
Other Assets	329,935	285,381
Total Other Assets	1,473,301	1,318,480
Restricted Assets (Note 10)		
Conservation Funds - Fund Balance with Treasury	14,146,048	14,071,704
Reclamation Fund - Fund Balance with Treasury	1,852,749	1,702,462
Reclamation Fund - Long Term Accounts Receivable	1,435,181	1,375,667
Total Restricted Assets	17,433,978	17,149,833
Total Department Assets	45,312,911	43,612,171
Assets Held on Behalf of Others		
Royalty Management		
Fund Balance with Treasury	428,903	442,836
Escrow Investments (Note 3)	1,716,261	1,667,348
Accounts Receivable	569,721	386,991
Non-Royalty Management		
Funds Transferable to Treasury	122,941	175,331
Non-Current, Unmatured, and Other Receivables (Note 4)	2,298,832	2,486,381
Total Assets Held on Behalf of Others	5,136,658	5,158,887
TOTAL ASSETS	\$ 50,449,569	\$ 48,771,058

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

U.S. Department of the Interior
Consolidated Statement of Financial Position
September 30, 1998 and 1997
(dollars in thousands)

	1998	1997
LIABILITIES AND NET POSITION		
Liabilities		
Liabilities Covered by Budgetary Resources		
Liabilities to the Public		
Accounts Payable	\$ 319,060	\$ 261,245
Accrued Payroll and Benefits (Note 1M)	157,558	175,785
Advances and Deferred Credits	250,137	248,781
Deferred Revenue (Note 11)	3,644,438	3,831,142
Escrow Investments	1,716,261	1,667,348
Total Liabilities to the Public	6,087,454	6,184,301
Liabilities to Federal Agencies:		
Accounts Payable	222,478	43,544
Deferred Revenue and Other	117,559	88,056
Notes Payable to Treasury (Note 12)	1,443,477	1,435,508
Undistributed Royalty Collections	998,576	829,827
Receipts Transferable to Treasury	92,441	58,414
Other Amounts Payable to Federal Agencies	29,133	124,703
Total Liabilities to Federal Agencies	2,903,664	2,580,052
Total Liabilities Covered by Budgetary Resources	8,991,118	8,764,353
Liabilities Not Covered by Budgetary Resources		
Unfunded Payroll Costs, Payable to the Public (Note 1M)	456,912	438,998
Contingent Liabilities, Payable to the Public (Note 13)	670,783	565,470
Actuarial Liabilities, Payable to Federal Agencies (Note 1M)	412,701	0
Other Unfunded Liabilities, Payable to Federal agencies	60,019	68,812
Total Liabilities Not Covered by Budgetary Resources	1,600,415	1,073,280
Total Liabilities	10,591,533	9,837,633
Net Position		
Unexpended Appropriations (Note 14)	5,957,989	5,178,051
Cummulative Results of Operations	17,969,278	17,966,245
Restricted Equity - Conservation and Reclamation Funds	15,930,769	15,789,129
Total Net Position	39,858,036	38,933,425
TOTAL LIABILITIES AND NET POSITION	\$ 50,449,569	\$ 48,771,058

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

U.S. Department of the Interior
Consolidated Statement of Net Cost of Operations
for the years ended September 30, 1998 and 1997

(dollars in thousands)

	1998	1997
Expenses		
Operating Expenses (Note 15)		
Natural Resources	\$ 5,905,187	\$ 5,552,752
Indian Affairs	2,089,876	2,149,114
Science	1,132,801	1,101,721
Other, Including Intra-Department Eliminations	476,470	469,270
Total Operating Expenses	9,604,334	9,272,857
Other Expenses		
Depreciation and Amortization	335,074	499,141
Net Loss on Disposition of Assets	38,553	28,188
Bad Debt Expense	6,733	(14,627)
Interest on Borrowings from Treasury	53,301	22,783
Other Interest Expense	11,241	12,896
Contingent Expense	148,227	258,118
Total Other Expenses	593,129	806,499
Deferred Maintenance (Note 8)		
Total Expenses	10,197,463	10,079,356
Revenues		
Sales of Goods and Services to the Public		
Natural Resources	557,269	860,672
Indian Affairs	91,677	134,860
Science	131,505	129,309
Other	8,908	1,390
Total Sales of Goods and Services to the Public	789,359	1,126,231
Sales of Goods and Services to Federal Agencies		
Natural Resources	515,142	525,717
Indian Affairs	104,159	6,202
Science	212,700	204,860
Other, including Intra-Department Eliminations	(46,840)	(68,514)
Total Sales of Goods and Services to Federal Agencies	785,161	668,265
Other Revenues		
Interest, Penalties and Premiums - Federal	21,677	7,599
Interest, Penalties and Premiums - Public	16,989	58,701
Other Revenues	280,153	469,714
Total Other Revenues	318,819	536,014
Total Revenues	1,893,339	2,330,510
NET COST OF OPERATIONS	\$ 8,304,124	\$ 7,748,846

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

U.S. Department of the Interior
Consolidated Statement of Changes in Net Position
for the years ended September 30, 1998 and 1997

(dollars in thousands)

	1998	1997
Change in Net Position from Entity Operations		
Net Cost of Operations	\$ (8,304,124)	\$ (7,748,846)
Financing Sources Other than Revenue		
Appropriated Capital Used (Note 17)	8,828,050	8,403,984
Abandoned Mine Land Fees and Other	348,544	462,481
Imputed Financing Sources	385,684	282,346
Donated Revenue	15,288	216
Other (Note 17)	530,740	4,266
Total Financing Sources Other than Revenue	10,108,306	9,153,293
Transfers and Other Changes in Equity		
Transfers, Net	(1,058,202)	(1,180,108)
Other Non-Operating Changes in Net Position	(14,663)	(45,976)
Total Transfers and Other Changes in Equity	(1,072,865)	(1,226,084)
Total Change in Net Position from Entity Operations	731,317	178,363
Change in Net Position from Non-Entity Operations		
Custodial Activity		
Collection of Custodial Revenue	6,066,123	6,364,851
Custodial Revenue Transferred to Others	(5,848,412)	(6,182,164)
Net Change in Royalties to be Transferred	(217,711)	(182,687)
Net Change from Custodial Activity	0	0
Conservation Fund Activity		
Conservation Fund Revenues	899,022	1,042,017
Conservation Fund Disbursements	(974,701)	(196,012)
Net Change from Conservation Fund Activity	(75,679)	846,005
Net Results of Operations	655,638	1,024,368
Prior Period Adjustments (Note 16)	(511,124)	(141,244)
Change In Net Position from Operations	144,514	883,124
Increase in Unexpended Appropriations	780,097	763,824
Total Change In Net Position	924,611	1,646,948
Net Position - Beginning of Year	38,933,425	37,286,477
Net Position - End of Year	\$ 39,858,036	\$ 38,933,425

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

U.S. Department of the Interior
Consolidated Statement of Custodial Activity
for the years ended September 30, 1998 and 1997

(dollars in thousands)

	1998	1997
Collections on Behalf of the Federal Government		
Mineral Lease Collections		
Rents and Royalties	\$ 4,479,181	\$ 4,891,647
Offshore Lease Sales	1,464,798	1,338,559
Other	155	48,588
Total Mineral Lease Collections	5,944,134	6,278,794
Earnings on Escrow Investments		
Interest Earned - Federal Investments	52,356	40,181
Amortized Discount on Federal Investments (Note 3)	36,902	45,876
Total Earnings on Escrow Investments	89,258	86,057
Receivable Accrual Adjustment	32,731	-
Total Collections on Behalf of the Federal Government	\$ 6,066,123	\$ 6,364,851
Disposition of Collections		
Transferred to Others (Note 17)		
Department of the Treasury	\$ 3,675,277	\$ 3,820,661
National Park Service Conservation Funds	896,980	1,046,980
States	655,242	684,908
Bureau of Reclamation	422,871	442,985
Indian Tribes and Agencies	71,010	53,954
Minerals Management Service Offshore Program	71,675	41,000
Other Federal Agencies	27,304	29,553
Other Transfers	28,053	62,123
Total Transferred to Others	5,848,412	6,182,164
Increase in Collections Pending Transfer	217,711	182,687
Total Disposition of Collections	\$ 6,066,123	\$ 6,364,851

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

U.S. Department of the Interior
Combined Statement of Budgetary Activity
for the year ended September 30, 1998

(dollars in thousands)

	1998
Budgetary Resources	
Budget Authority	\$ 9,896,380
Appropriation Available for Investment, but not Obligation	1,351,565
Unobligated Balances - Beginning of Year	2,643,392
Net Transfers of Prior Year Balance	18,476
Spending Authority from Offsetting Collections	1,892,832
Adjustments	293,980
Recissions, Cancellations and Other Adjustments	(7,208)
Total Budgetary Resources	\$ 16,089,417
Status of Budgetary Resources	
Obligations Incurred	\$ 11,437,920
Unobligated Balances - Available	2,376,184
Appropriation Available for Investment, but not Obligation	1,463,788
Unobligated Balances - Unavailable	811,525
Total Status of Budgetary Resources	\$ 16,089,417
Outlays	
Obligations Incurred	\$ 11,437,920
Less: Spending Authority from Offsetting Collections and Adjustments	2,280,599
Subtotal	9,157,321
Obligated Balance Transferred - Net	(1,626)
Obligated Balances - Beginning of Year	3,299,233
Obligated Balances - End of Year	3,552,401
Total Outlays	\$ 8,902,527

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

U.S. Department of the Interior

Notes to Principal Financial Statements

as of September 30, 1998 and 1997

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The U.S. Department of the Interior is a Cabinet agency of the Executive Branch of the United States Government. Created in 1849 by Congress as the Nation's principal conservation agency, Interior has responsibility for most of the Nation's publicly-owned lands and natural resources. Interior's mission is (a) to encourage and provide for the appropriate management, preservation and operation of the Nation's public lands and natural resources for use and enjoyment both now and in the future; (b) to carry out related scientific research and investigations in support of these objectives; (c) to develop and use resources in an environmentally sound manner and provide equitable return on these resources to the American taxpayer; and (d) to carry out the trust responsibilities of the U.S. Government with respect to American Indians and Alaska Natives.

The accompanying financial statements include all Federal funds under Interior's control, including the Land and Water Conservation Fund, the Historic Preservation Fund and the Reclamation Fund. The financial statements do not, however, include trust funds, trust related deposit funds or other related accounts which are administered, accounted for and maintained by Interior's Office of Trust Funds Management on behalf of Native American Tribes and individuals. Interior issues financial statements for Indian Trust Funds under separate cover. The financial statements included herein also do not include the effects of centrally administered assets and liabilities related to the Federal government as a whole, such as public borrowing or tax revenue, which may in part be attributable to Interior.

B. Organization and Structure of Interior

At September 30, 1998, Interior was comprised of eight operating bureaus and offices (Bureaus) and Departmental Offices. For purposes of presentation, the bureaus and activities of Interior have been broadly classified into the following categories:

Management of Natural Resources:

- National Park Service
- U.S. Fish and Wildlife Service
- Bureau of Land Management
- Bureau of Reclamation
- Office of Surface Mining
- Minerals Management Service

Science:

- U.S. Geological Survey

Indian Affairs:

- Bureau of Indian Affairs

Departmental Offices (Other):

- Departmental Offices provide the executive-level leadership, policy, guidance, and coordination needed to manage the diverse, complex, and nationally significant programs entrusted to the Department of the Interior.

An overview of the operating performance of the Department and its components is presented in the Management Discussion and Analysis portion of this report. The specific responsibilities and accomplishments of the bureaus are discussed in the Supplemental Bureau Highlights section of this report. In addition, more detailed information about the bureaus and offices may be found in the individual audited financial reports prepared by the bureaus and offices.

C. Basis of Accounting and Presentation

These financial statements have been prepared to report the financial position, net cost of operations, custodial activities, changes in net position, and budgetary resources of the U.S. Department of the Interior (Interior or the Department) as required by the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. The financial statements have been prepared from the books and records of Interior in accordance with Statements of Federal Financial Accounting Standards and the formats prescribed by the Office of Management and Budget Bulletin 97-01, as amended. The financial statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

The financial statements should be read with the realization that they are for a component of the United States Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources and legal authority to do so.

The accounting structure of Federal government agencies is designed to reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned, and expenses are recognized when incurred, without regard to receipt or payment of cash. The budgetary accounting principles, on the other hand, are designed to recognize the obligation of funds according to legal requirements, which in many cases is prior to the occurrence of an accrual-based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of Federal funds.

D. Fund Balance with Treasury, Cash, and Other Monetary Assets

Interior maintains all cash accounts with the U.S. Treasury except for imprest fund accounts. The account, Fund Balance with Treasury, primarily represents appropriated, revolving, and trust funds available to pay current liabilities and finance authorized purchases. Cash disbursements are processed by Treasury, and Interior's records are reconciled with those of Treasury on a regular basis. Note 2 provides additional information concerning Fund Balance with Treasury.

E. Investments

Interior invests certain funds in U.S. Government securities on behalf of various Interior programs and for amounts held in certain escrow accounts. In addition, the Bureau of Indian Affairs is authorized by law to invest irrigation and power receipts in U.S. Government and public securities. Investments in Public Securities consist of certificates of deposit from insured institutions. Note 3 provides additional information concerning investments.

F. Accounts Receivable

Accounts Receivable consist of amounts owed to Interior by other Federal agencies and the public. Federal accounts receivable arise generally from the provision of goods and services to other Federal agencies and, with the exception of occasional billing disputes, are considered to be fully collectible. Receivables from the public generally arise either from the provision of goods and services or from the levy of fines and penalties resulting from Interior's regulatory responsibilities. An allowance for doubtful accounts is established for reporting purposes based on past experience in the collection of accounts receivable and analysis of outstanding balances. Note 4 provides additional information concerning accounts receivable.

G. Inventory

Interior's inventory is primarily composed of maps for sale, helium for sale, and helium stockpile inventory. See Note 5 for information concerning inventory valuation and accounting methods.

H. Property, Plant and Equipment

General Purpose Property, Plant and Equipment

General purpose Property, Plant and Equipment consists of buildings, structures, and facilities used for general operations, power, irrigation, fish and wildlife enhancement, and recreation; land acquired for general operating purposes; equipment, aircraft and vehicles; and construction in progress. In general, buildings and structures are capitalized at acquisition cost and depreciated using the straight-line method over a useful life of from 20 to 50 years with the exception of dams and certain related property which is depreciated over useful lives of up to 100 years. Equipment is capitalized at acquisition cost and is depreciated using the straight-line method over the useful lives generally ranging from 5 to 20 years. Capitalization thresholds are determined by the individual bureaus and generally range from \$50,000 to \$500,000 for real property and from \$5,000 to \$15,000 for equipment.

Stewardship Assets

Statement of Federal Financial Accounting Standards (SFFAS) No. 6, "Accounting for Property, Plant and Equipment," established various categories of Stewardship Assets, including stewardship land and heritage assets.

The vast majority of public lands presently under the management of the Department were acquired by the Federal government as public domain land during the first century of the Nation's existence and are considered to be stewardship land. A portion of these lands have been set aside as national parks, wildlife refuges and wilderness areas, while the remainder are managed for multiple use. Heritage assets are assets with historical, cultural or natural significance. The Department is responsible for maintaining a vast array of heritage assets, including national monuments, historic structures, archeological artifacts and museum collections.

While the Stewardship Assets managed by the Department are priceless and irreplaceable, no financial value can be placed on them. Thus, in accordance with Federal accounting standards, Interior assigns no financial value to the stewardship land or heritage assets it administers, and the Property, Plant and Equipment capitalized and reported on the Statement of Financial Position excludes these assets.

The Stewardship Assets and Investments section of this report provides additional information concerning stewardship land and heritage assets.

I. Loans and Interest Receivable

Loans are accounted for as receivables after the funds have been disbursed. For loans obligated after the effective date of the Credit Reform Act, October 1, 1991, the amount of the Federal loan subsidy is computed. The loan subsidy includes estimated delinquencies and defaults net of recoveries, the interest rate differential between the loans rates and Treasury borrowings, offsetting fees, and other estimated cash flows associated with these loans. The value of loans receivable is reduced by the present value of the expected subsidy costs. For loans obligated prior to October 1, 1991, principal, interest and penalties receivable are presented net of an allowance for estimated uncollectible amounts. The allowance is based on past experience, present market conditions, an analysis of outstanding balances and other direct knowledge relating to specific loans. Note 8 provides additional information concerning loans receivable.

J. Receivable from Appropriations

These amounts represent the funds obligated by the Department of Transportation for the use of the Bureau of Indian Affairs in its road construction program.

K. Investigations and Development

Investigations and development comprise reimbursable and non-reimbursable investigation and development costs incurred by the Bureau of Reclamation and related entities for water management projects that are not yet under construction. These costs are accumulated until the project is either authorized for construction or the decision is made not to undertake the project. When a project is authorized, the costs are moved to the construction in progress account, and upon project completion, to a completed asset account. Costs related to projects which will not be undertaken are written off.

L. Liabilities and Contingent Liabilities

Liabilities represent the amount of monies or other resources that are likely to be paid by Interior as the result of a transaction or event that has already occurred. The financial statements should be read with the realization that the Department of the Interior is a component of a sovereign entity, that no liability can be paid by the Department absent an appropriation of funds by Congress, and the payment of all liabilities other than for contracts can be abrogated by the sovereign entity. Liabilities for which an appropriation has not been enacted are, therefore, classified as liabilities not covered by budgetary resources, or unfunded liabilities, and there is no legal certainty that the appropriations will be enacted.

Contingent liabilities are those where the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. Interior recognizes contingent liabilities when the liability is probable and reasonably estimable. In accordance with Federal accounting guidance, the liability for future clean-up of environmental hazards is "probable" only when the government is legally responsible for creating the hazard. Thus, expected future payments for the clean-up of environmental hazards caused by others are not recognized as liabilities by Interior. Rather, these payments arise out of Interior's sovereign responsibility to protect the health and safety of the public, and are recognized in the accounting records as remediation work performed. See Note 13 for additional information regarding contingent liabilities.

M. Personnel Compensation and Benefits

Annual leave is accrued as it is earned by employees and is included in personnel compensation and benefit costs. An unfunded liability is recognized for earned but unused annual leave, since from a budgetary standpoint, this annual leave will be paid from future appropriations when the leave is used by employees, rather than from amounts which had been appropriated to Interior as of the date of the financial statements. The amount accrued is based upon current pay of the employees.

The Department of Labor (Labor) administers the Workers' Compensation Program on behalf of the Federal government, and all payments to workers' compensation program beneficiaries are made by Labor. At any point in time, the Department will have two types of liabilities related to workers' compensation. First, the Department will have a known, unfunded payable to Labor for the amount of actual payments made by Labor but not yet reimbursed by the Department. The Department reimburses Labor for these payments as funds are appropriated for this purpose, and, there is generally a two to three year time period between payment by Labor and receipt of appropriations by the Department. Second, the Department has an estimated, unfunded liability for future payments to existing beneficiaries as a result of past events. This estimated liability is computed by Labor using a method that considers historical benefit payment patterns, wage inflation factors, medical inflation factors and other variables. These actuarially computed projected annual benefit payments are discounted to present value using the Office of Management and Budget's economic assumptions for ten-year Treasury notes and bonds. This unfunded liability was first recognized in fiscal year 1998 with the adoption of SFFAS No. 4, "Managerial Cost Accounting".

Unemployment compensation insurance is paid by the Department to the Office of Personnel Management annually. Sick leave and other types of leave are expensed when used, and no future liability is recognized for these amounts.

Interior employees participate in one of two retirement programs, either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), which became effective on January 1, 1987. Most Interior employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, could elect to either join FERS and Social Security or remain in CSRS. Employees covered by CSRS are not subject to Social Security taxes, nor are they entitled to accrue Social Security benefits for wages subject to CSRS.

For FERS employees, Interior contributes an amount equal to one percent of the employee's basic pay to the tax deferred thrift savings plan and matches employee contributions up to an additional four percent of pay. FERS employees can contribute 10 percent of their gross earnings to the plan. CSRS employees are limited to a contribution of five percent of their gross earnings and receive no matching contribution from Interior.

The Office of Personnel Management is responsible for reporting assets, accumulated plan benefits and unfunded liabilities, if any, applicable to CSRS participants and FERS employees government-wide, including Interior employees.

N. Revenues and Financing Sources

The United States Constitution prescribes that no money may be expended by a Federal agency unless and until funds have been made available by congressional appropriation. Thus, the existence of all financing sources is dependent upon congressional appropriation.

Appropriations: The vast majority of Interior's operating funds are appropriated by Congress to the Department from the general receipts of the Treasury. These funds are made available to the Department for a specified time period, usually one fiscal year, multiple fiscal years or indefinitely, depending upon the intended use of the funds. For example, funds for general operations are generally made available for one fiscal year; funds for long term projects such as major construction will be available to the Department for the expected life of the project; and funds used to establish revolving fund operations are generally available indefinitely.

Exchange and Non-Exchange Revenue: In accordance with Federal government accounting guidance, Interior classifies revenues as either exchange revenue or non-exchange revenue. Exchange revenues are those that derive from transactions in which both the government and the other party receive value, including park entrance fees; map sales; reimbursements for services performed for other Federal agencies and the public; reimbursements for the cost of constructing and maintaining irrigation and water facilities; and other sales of goods and services. These revenues are presented on Interior's Statement of Net Cost of Operations and serve to reduce the reported cost of operations borne by the taxpayer. Non-exchange revenues derive from the government's sovereign right to demand payment, including fines for violation of environmental laws, and Abandoned Mine Land duties charged per ton of coal mined. These revenues are not considered to reduce the cost of Interior's operations and are reported on the Statement of Changes in Net Position.

With minor exceptions, all receipts of revenues by Federal agencies are processed through the Department of the Treasury central accounting system. Regardless of whether they derive from exchange or non-exchange transactions, all receipts that are not earmarked by congressional appropriation for Departmental use are deposited in Treasury and become part of the general receipts used to fund all Federal operations. Amounts not retained for use by the Department are reported as transfers to other government agencies on Interior's Statement of Changes in Net Position.

In certain cases, the prices charged by Interior are set by law or regulation and which, for program and other reasons, may not receive full cost (e.g., grazing fees, park entrance, and other recreation fees). Prices set for products and services offered through working capital funds are intended to recover the full costs incurred by these activities.

Imputed Financing Sources: In certain cases, operating costs of the Department are paid out of funds appropriated to other Federal agencies. For example, by law certain costs of retirement programs are paid by the Office of Personnel Management and certain legal judgments against Interior are paid from the Judgment Fund maintained by Treasury. When costs that are identifiable to Interior and directly attributable to Interior's operations are paid by other agencies, the Department recognizes these amounts as operating expenses of Interior. In addition, Interior recognizes an imputed financing source on the Statement of Changes in Net Position to indicate the funding of Department operations by other Federal agencies.

Custodial Revenue: Interior's Royalty Management Program, administered by the Minerals Management Service, collects royalties, rents, bonuses and other receipts from Federal and Indian oil, gas, and mineral leases, and distributes the proceeds to the Treasury, other Federal agencies, States, Indian Tribes, and Indian allottees, in accordance with legislated allocation formulas. The amounts collected and transferred are disclosed in the Statement of Custodial Activities and are not considered to be revenue of Interior or of the Minerals Management Service.

O. Federal Government Transactions

Interior's financial activities interact with and are dependent upon the financial activities of the centralized management functions of the Federal Government. These activities include public debt and cash management

activities and employee retirement, life insurance and health benefit programs. The financial statements of Interior do not contain the costs of centralized financial decisions and activities performed for the benefit of the entire government. However, expenses have been recognized for expenses incurred by other agencies on behalf of Interior, including settlement of claims and litigation paid by the Department of Treasury's Judgment Fund and the partial funding of employee benefits by the Office of Personnel Management.

All identified intra-Department transactions have been eliminated from Interior's consolidated financial statements.

P. Income Taxes

As an agency of the U.S. Government, Interior is exempt from all income taxes imposed by any governing body, whether it be a Federal, State, Commonwealth, local or foreign government.

Q. Comparative Data

Audited comparative data for fiscal year 1997 has been presented in order to provide an understanding of changes in financial position and operations of Interior. Certain prior year amounts have been restated to conform to current year presentation. See Note 16 for additional information.

NOTE 2. FUND BALANCE WITH TREASURY

A. Current Assets

Treasury performs cash management activities for all government agencies. The Fund Balance with Treasury under Current Assets represents the right of Interior to draw on Treasury for allowable expenditures. Obligated funds are funds designated for the acquisition of goods and services ordered but not received, or for goods received and not yet paid for. Unobligated funds, depending on budget authority, are available for new obligations or have restrictions placed on their availability for obligation.

B. Assets Held on Behalf of Others

The Fund Balance with Treasury classified as Assets Held on Behalf of Others represents royalty collections received by the Minerals Management Service, and held by it as custodian, until disbursed to recipients.

Fund Balance with Treasury

(dollars in thousands)	1998	1997
Natural Resources:		
National Park Service	\$ 1,176,458	\$ 1,012,718
U.S. Fish and Wildlife Service	774,727	757,222
Bureau of Land Management	472,816	543,565
Bureau of Reclamation	831,284	695,745
Office of Surface Mining	44,173	51,666
Minerals Management Service	79,641	76,033
Total Natural Resources	3,379,099	3,136,949
Science	231,605	208,542
Indian Affairs	849,691	827,034
Other Programs	1,163,053	636,554
Total Fund Balance with Treasury	\$ 5,623,448	\$ 4,809,079

NOTE 3. INVESTMENTS**A. Current Assets****1. Investments in Treasury Securities**

The Office of Surface Mining, the Fish and Wildlife Service, the Bureau of Indian Affairs, the Office of the Secretary, and the National Park Service invest funds in certain U.S. Government securities on behalf of various Interior programs.

Treasury Securities as of September 30, 1998

(dollars in thousands)	Par Value	Unamortized Discount	Net Book Value
Office of Surface Mining	\$ 1,668,182	\$ (31,063)	\$ 1,637,119
U.S. Fish and Wildlife Service	469,198	10	469,208
Departmental Offices	78,369	(40)	78,329
Bureau of Indian Affairs	4,500	(3)	4,497
National Park Service	65	-	65
Total Treasury Securities	\$ 2,220,314	\$ (31,096)	\$ 2,189,218

Treasury Securities as of September 30, 1997

(dollars in thousands)	Par Value	Unamortized Discount	Net Book Value
Office of Surface Mining	\$ 1,554,515	\$ (29,152)	\$ 1,525,363
U.S. Fish and Wildlife Service	471,973	(729)	471,244
Departmental Offices	61,749	(1,851)	59,898
Bureau of Indian Affairs	11,695	(155)	11,540
National Park Service	65	-	65
Total Treasury Securities	\$ 2,099,997	\$ (31,887)	\$ 2,068,110

Office of Surface Mining: Effective October 1, 1991, the Office of Surface Mining was authorized to invest available Abandoned Mine Land (AML) trust funds in non-marketable federal securities. The Bureau of Public Debt is the sole issuer of authorized non-marketable federal securities which are available for purchase through Treasury. Surface Mining has authority to invest AML trust funds in Treasury bills, notes, bonds, par value special issues, and one-day certificates. Presently, all earnings from AML investments are reinvested, providing a source of continuous funding to further enhance AML trust fund equity.

A portion of the investment interest earned, up to \$70 million annually, is to be transferred to the United Mine Workers of America Combined Benefit Fund to provide health benefits for certain eligible retired coal miners and their dependents. A total of \$32.5 million was transferred to this fund in 1998.

U.S. Fish and Wildlife Service: The U.S. Treasury collects, invests, and maintains on behalf of the Fish and Wildlife Service (FWS) the Aquatic Resources Trust Fund, which includes FWS's Sport Fish Restoration Account. Amounts equal to revenues credited during the year may be used in subsequent fiscal years for specified purposes. The FWS investment amount does not include fiscal year 1998 collections held by Treasury for reporting in subsequent years.

Office of the Secretary: Effective with fiscal year 1994, the Office of the Secretary was delegated responsibility for investing funds contributed to the Utah Reclamation Mitigation and Conservation Account. These amounts are invested in Treasury securities.

Bureau of Indian Affairs: The Bureau of Indian Affairs (BIA) invests irrigation and power receipts in U.S. Government and public securities until the funds are required for project operations. Federal investments are purchased under the U.S. Treasury Overnighter Program and in Treasury bills and notes. BIA's investments in public securities are discussed more fully below.

National Park Service: The National Park Service administers an endowment on behalf of the Lincoln Farm Association. Investment earnings from this endowment are used to provide for maintenance and upkeep of Abraham Lincoln's birthplace.

When previously issued Treasury bills are purchased by the Department, the unamortized discount is calculated by Treasury at the time of the purchase.

2. Investments in Public Securities

The BIA is authorized by law to invest irrigation and power receipts in U.S. Government and public securities. Investments in Public Securities consist of certificates of deposit from insured institutions, various mortgage instruments, bank notes and bonds. Mortgage instruments are issued by the Federal National Mortgage Association (Fannie Mae) and similar government corporations. Bonds and bank notes are issued by Federal Home Loan Banks, the Federal Judiciary and the Federal Farm Credit Banks. Investments in public securities reflect investments held by the BIA's Power and Irrigation program as of September 30, 1998 and 1997 and are recorded at cost.

B. Assets Held on Behalf of Others

Pursuant to the Outer Continental Shelf Lands Act, the Minerals Management Service is authorized to invest receipts from Outer Continental Shelf leases having boundary disputes on government securities. The current investment amount results from an ongoing boundary dispute with the State of Alaska dating back to 1979 regarding the location of the State/Federal boundary in the Beaufort Sea.

During fiscal year 1997, based on merits of the dispute, the Supreme Court reached a decision in favor of the U.S. Government. The U.S. Government is now developing a plan for the distribution of the funds currently held in escrow. This plan will be submitted to the Court for approval, and based on distribution instructions to be included in the final decree expected to be issued by the end of fiscal year 1999, the escrow funds will be immediately distributed.

Escrow Investments Held by Minerals Management Service

(dollars in thousands)	1998	1997
Cost	\$ 1,679,359	\$ 1,621,472
Amortized Discount	36,902	45,876
Net Book Value	\$ 1,716,261	\$ 1,667,348

NOTE 4. ACCOUNTS RECEIVABLE**A. Current Assets**

Due From the Public, Net of Allowance for Doubtful Accounts: Accounts receivable due to Interior from the public may arise either from the sale of products and services or from the imposition of regulatory fines and penalties. Products and services sold by Interior are diverse and include the sales of water and hydroelectric power by the Bureau of Reclamation, and water testing and other scientific studies conducted for state and local governments by the U.S. Geological Survey. Fines and penalties are imposed by the Office of Surface Mining, the Minerals Management Service, the Fish and Wildlife Service, and other bureaus in the enforcement of various environmental laws and regulations. In general, receivables arising from the sales of products and services are paid more promptly and with fewer uncollectible accounts than those arising from fines and penalties.

Accounts Receivable Due from the Public

(dollars in thousands)	Unbilled	Current	Past Due Accounts			Allowance for Doubtful Accounts	1998	1997
			1-90 days	91-1yr	Over 1 yr			
Natural Resources:								
National Park Service	\$ -	\$ 8,156	\$ 573	\$ 689	\$ 1,171	\$ (984)	\$ 9,605	\$ 8,250
U.S. Fish and Wildlife Service	-	2,775	188	256	335	(43)	3,511	7,522
Bureau of Reclamation	6,398	21,186	2,143	44,377	25,831	(265)	99,670	70,948
Bureau of Land Management	2,291	3,471	126	371	3,102	(3,555)	5,806	2,742
Minerals Management Service	5,977	14,632	-	-	-	-	20,609	319
Office of Surface Mining	-	1,218	833	937	13,010	(14,104)	1,894	3,326
Total Natural Resources	14,666	51,438	3,863	46,630	43,449	(18,951)	141,095	93,107
Science	50,194	12,149	5,050	2,748	3,627	(3,376)	70,392	68,914
Indian Affairs	-	2,517	2,532	7,154	18,065	(19,910)	10,358	11,239
Other Programs	1,325	171	15	29	-	-	1,540	104
Total Accounts Receivable - Public	\$ 66,185	\$ 66,275	\$ 11,460	\$ 56,561	\$ 65,141	\$ (42,237)	\$ 223,385	\$ 173,364

Due from Federal Agencies: Accounts Receivable Due from Federal Agencies arise from the sale of products and services to other Federal agencies, including the sale of maps, the conduct of environmental and scientific services, and the provision of administrative and other services. These reimbursable arrangements generally reduce the duplication of effort within the Federal government resulting in a lower cost of Federal programs and services. All receivables from other Federal agencies are considered to be collectible, as there is no credit risk. However, an allowance for doubtful accounts may be used occasionally to recognize billing disputes. Unbilled receivables reflect work performed to date on long term agreements, which will be billed in the future at the completion of the project or at agreed upon milestones.

Accounts Receivable Due from Federal Agencies

(dollars in thousands)	Receivables	Allowance for Doubtful Accounts	1998	1997
National Park Service	\$ 14,323	\$ -	\$ 14,323	\$ 16,376
U.S. Fish and Wildlife Service	401,298	-	401,298	338,026
Bureau of Reclamation	7,921	-	7,921	19,366
Bureau of Land Management	11,098	-	11,098	9,178
Minerals Management Service	1,539	-	1,539	2,870
Office of Surface Mining	31	-	31	82
Total Natural Resources	436,210	-	436,210	385,898
Science	87,092	(1,461)	85,631	78,759
Indian Affairs	46,842	-	46,842	1,279
Other Programs	37,308	-	37,308	15,072
Total Accounts Receivable - Federal	\$ 607,452	\$ (1,461)	\$ 605,991	\$ 481,008

B. Other Assets and Assets Held on Behalf of Others

Non-Current, Unmatured, and Other Receivables: These receivables represent amounts due at future dates to the Bureau of Reclamation from the beneficiaries of large water and irrigation projects. The reimbursable costs of multiple-purpose water projects are recovered from project beneficiaries. That portion which will be returned to Treasury is reported as held on behalf of others (see Note 10). The Royalty Management Accounts Receivable includes \$150 million due from the Historic Preservation Fund of the National Park Service. The \$150 million due from the Historic Preservation Fund is included in Accounts Payable - Federal.

NOTE 5. INVENTORY

A. Current Assets

The U.S. Geological Survey (USGS) publishes maps and map products for sale to the public and other Federal agencies, which are stored primarily in the USGS Rocky Mountain Mapping Center in Denver, Colorado. This inventory consists of approximately 85 thousand map titles as well as books and similar products. The inventory is valued at historical cost.

With the closure of the Bureau of Mines in fiscal year 1996, Interior's helium inventory was transferred to the Bureau of Land Management. Helium held for sale includes above-ground refined helium plus that portion of helium in underground storage estimated to be sold in the following fiscal year. The volume of helium is accounted for on a perpetual inventory basis.

The helium stockpile inventory is stored underground in a partially depleted natural gas reservoir. The Bureau of Land Management believes that 95 percent of the stockpile is recoverable; however, the amount of helium that will eventually be recovered depends on the future price of helium and the ability to control the mixing of natural gas and the stockpiled helium.

Inventory

(dollars in thousands)	1998	1997
Helium	\$ 366,383	\$ 370,043
Published Maps Held for Sale	17,379	17,546
Seized Property for Sale	5,027	5,027
Other Inventory	526	644
Total Inventory	\$ 389,315	\$ 393,260

NOTE 6. PROPERTY, PLANT, AND EQUIPMENT

General purpose Property, Plant, and Equipment consists of buildings, structures, and facilities used for general operations, power, irrigation, fish and wildlife enhancement, and recreation; land acquired for general operating purposes; equipment, aircraft and vehicles; and construction in progress. The capitalization and depreciation policies for property, plant and equipment are determined individually by Interior bureaus. In general, buildings and structures are capitalized at acquisition cost and depreciated using the straight-line method over a useful life of from 20 to 50 years with the exception of dams and certain related property which is depreciated over useful lives of up to 100 years. Equipment is capitalized at acquisition cost and is depreciated using the straight-line method over the useful lives generally ranging from 5 to 20 years. Capitalization thresholds are determined by the individual bureaus and generally range from \$50,000 to \$500,000 for real property and from \$5,000 to \$15,000 for equipment.

Several bureaus made significant changes to their property accounting and capitalization policies during fiscal year 1997 and prior in order to implement Statement of Federal Financial Accounting Standards (SFFAS) No. 6, "Accounting for Property, Plant and Equipment." As of 1998, the Department is in full compliance with this standard. This standard established two broad classifications of Federal property. General Property, Plant and Equipment, which is presented in the following table, consists of that property which is used in operations and, with some exceptions, consumed over time. Stewardship property, described in Note 7 and in the Stewardship Assets and Investments section at page 102, consists of public domain land and heritage assets, such as national monuments and historic sites, which are expected to be maintained by Interior in perpetuity for the benefit of current and future generations. The impact of these changes includes reducing the reported financial value of public domain land and other stewardship assets to zero and implementing depreciation of property, especially real property, not previously depreciated. See Note 16 for additional discussion of these changes.

Construction In Progress is used for the accumulation of the cost of construction or major renovation of fixed assets during the construction period. Each individual bureau sets its own policy for using the construction in progress account; however, in general, the assets are transferred out of Construction in Progress when the entire project is completed, regardless of the status of individual sub-phases of the project.

Property, Plant, and Equipment, Net of Depreciation

(dollars in thousands)	Land and Buildings	Dams and Other Structures	Vehicles Equipment and Aircraft	Other Plant and Equipment	Accumulated Depreciation	1998	1997
Natural Resources:							
National Park Service	\$ 377,939	\$ 695,873	\$ 320,453	\$ -	\$ (411,574)	\$ 982,691	\$ 1,200,905
U.S. Fish and Wildlife Service	408,833	632,233	139,873	-	(434,257)	746,682	642,273
Bureau of Land Management	137,528	61,235	261,352	2,619	(225,624)	237,110	227,179
Bureau of Reclamation	1,398,351	19,240,080	159,665	47,272	(7,112,411)	13,732,957	13,489,243
Office of Surface Mining	-	-	10,515	-	(4,958)	5,557	5,549
Minerals Management Service	-	-	26,492	-	(9,623)	16,869	17,211
Total Natural Resources	2,322,651	20,629,421	918,350	49,891	(8,198,447)	15,721,866	15,582,360
Science	96,640	15,375	327,091	-	(263,535)	175,571	184,497
Indian Affairs	1,613,411	968,639	166,753	-	(1,507,345)	1,241,458	1,255,070
Other Programs	558	139,091	30,002	-	(8,789)	160,862	136,315
Net Property, Plant and Equipment	\$ 4,033,260	\$ 21,752,526	\$ 1,442,196	\$ 49,891	\$ (9,978,116)	\$ 17,299,757	\$ 17,158,242

Fiscal year 1998 accumulated depreciation related to land and buildings, dams and other structures, and vehicles, equipment, and aircraft, totals \$1,255 million, \$7,906 million, and \$817 million, respectively.

NOTE 7. STEWARDSHIP LAND

Stewardship Assets consist of land and other assets that have been entrusted to the Department to maintain in perpetuity for the benefit of future generations. No financial value is or can be placed on these assets.

As a Nation, the United States once owned nearly two billion acres of public lands. In the course of national expansion and development, public lands were sold or deeded by the Federal Government to the States and their counties and municipalities, to educational institutions, to private citizens, and to businesses and corporations. Other lands were set aside as national parks, forests, wildlife refuges and military installations. Currently, Federal civil and defense agencies administer about 657 million acres, or about 29 percent of the total 2.3 billion acres in the United States. Of the 657 million acres under Federal control, approximately 429 million acres are administered by Interior, principally by the Bureau of Land Management, the Fish and Wildlife Service, and the National Park Service.

The Bureau of Land Management (BLM) has exclusive jurisdiction for about 40 percent, or 264 million acres, of the Federally owned lands. Approximately one-third of this area is in the State of Alaska. Public lands under the jurisdiction of BLM are managed under the principles of multiple use and sustained yield for the benefit of all Americans. Public lands are leased to private companies providing vast amounts of oil, natural gas and other valuable minerals. Leases to ranchers allow livestock, primarily sheep and cattle, to forage on more than 170 million acres of public lands. Timber products are another valuable commodity produced from public lands.

Finally, most of the public lands are available for a wide variety of recreational activities, including camping, hunting, fishing, skiing, and hiking.

The Fish and Wildlife Service administers approximately 88 million acres, or about 13 percent of the Federally owned lands. The majority of this land comprises more than 500 national wildlife refuges that provide habitat for migratory birds, endangered species, and other wildlife as well as wildlife oriented public recreation.

The National Park Service administers approximately 77 million acres, or about 12 percent of the federally owned lands. The National Park System encompasses 376 park units in 49 States, the District of Columbia, Puerto Rico, the Virgin Islands, Guam, and the Northern Mariana Islands.

For additional discussion of stewardship land, see the Stewardship Assets and Investments section of the report.

NOTE 8. DEFERRED MAINTENANCE (UNAUDITED)

Interior owns, builds, purchases, and contracts services for assets such as schools, office buildings, roads, bridges, dams, irrigation systems, and reservoirs. These assets are used to support the Department's stated mission. Interior's assets include some deteriorating facilities for which repair and maintenance have not been funded. Current and prior budgetary restraints require that repair and maintenance on these assets be postponed for future years. Interior refers to this unfunded repair and maintenance of facilities and infrastructure as deferred maintenance.

Inadequately funded maintenance may result from reduced budgets, diversion of maintenance funds for emergency responses, and competition for resources from other program needs. Deterioration of facilities can adversely impact public health and safety, reduce morale and productivity of employees, and increase the need for costly major repair or early replacement of structures and equipment. Undue wear on facilities may not be immediately noticeable to users, but inadequate maintenance can require that the facility be replaced or subjected to major reconstruction before the end of its expected useful life. Accordingly, there is a potential liability for deferred maintenance costs.

Due to the scope, nature and variety of the assets entrusted to the Department, as well as the nature of deferred maintenance itself, exact estimates of deferred maintenance cannot be determined at this time, and may never be fully determinable. Interior has calculated preliminary estimates of deferred maintenance based on data from a variety of systems, procedures and sources of data. However, the accumulation of deferred maintenance cost estimates is not the primary purpose of many of these sources, thus the Department acknowledges that the reliability of these sources as a basis for deferred maintenance estimates can vary greatly.

Interior's current estimate for deferred maintenance includes property categories such as building facilities, fixed and heavy equipment, bridges and roads, dams, irrigation systems and reservoirs. The estimate generally includes costs for items such as (1) overhead; (2) construction contract administration and inspection; (3) construction materials; (4) transportation; (5) removal of existing appurtenances, i.e., guard rails, etc., movable furnishings, and equipment which are not physically attached to buildings; and related storage, inventorying

and tagging as required; (6) fixed equipment; (7) employee costs; and (8) indirect cost and/or contract support cost. The estimate excludes costs for items such as routine maintenance of facilities and infrastructures. In addition, the estimate generally excludes vehicles and most other categories of operating equipment.

Initial studies indicate that the estimated amounts necessary to fund the correction of deferred maintenance throughout the Department may range from \$7 to \$16 billion. A portion of this deferred maintenance estimate may relate to heritage assets.

This amount is by necessity an estimate, as the actual cost of deferred maintenance will not be known until further work is performed. The estimate is an approximation due to many factors, such as unforeseen conditions during construction which were not anticipated relating to differing soil conditions, high water table, unknown conditions under floors, behind walls, and above ceilings; unanticipated economic bidding conditions; weather conditions due to the time of year a contract is awarded; planning, design, and programming costs related to establishing the size and scope of the project; and development of the program requirements. Further studies may result in either upward or downward adjustment of these amounts.

NOTE 9. LOANS AND INTEREST RECEIVABLE

Direct loans and loan guarantees made during and after fiscal year 1992 are accounted for in accordance with the requirements of the Credit Reform Act of 1990, and are referred to as credit reform loans. Under credit reform, loans are comprised of two components. The first component is borrowed from Treasury with repayment provisions. The second component is for the subsidized portion of the loan and is funded by congressional appropriation. The Act provides that the present value of the subsidy costs associated with the direct loans and loan guarantees be recognized as a cost in the year the direct or guaranteed loan is disbursed. While this component is not subject to repayment, the loan program receives annual appropriations to fund any increases in subsidy due to interest rate fluctuations and changes in default rate estimates.

Prior to the Credit Reform Act, funding for loans was provided by congressional appropriation from the general or special funds. These loans, referred to as liquidating loans, are reported net of an allowance for estimated uncollectible loans or estimated losses.

The Bureau of Indian Affairs, the Bureau of Reclamation and the National Park Service administer loan programs.

The Bureau of Indian Affairs (BIA) provides direct and guaranteed loans to Indian tribes and organizations, Indian individuals, and Alaska Natives for economic development purposes. The BIA loan program includes the Indian Direct Loan Program and Indian Loan Guarantee Program under Credit Reform and a Liquidating Fund for loans made prior to 1992. For more information on the BIA loans, see the Bureau of Indian Affairs annual report.

The Bureau of Reclamation's loan programs provide Federal assistance to organizations wishing to construct or improve water resources development in the western States.

The National Park Service has a single loan with a balance of \$6.1 million due from the Wolf Trap Foundation for the Performing Arts. The monies received for repayment of this loan may be retained until expended by the Secretary of the Interior in consultation with the Foundation for the maintenance of structures, facilities and equipment of the park.

Loans and Interest Receivable

(dollars in thousands)	1998	1997
Direct and Guaranteed Loans		
Credit Reform Loans	\$ 179,894	\$ 150,594
Liquidating Loans	99,043	188,681
Total Direct and Guaranteed Loans	278,937	339,275
Allowance for Doubtful Accounts	(138,172)	(160,066)
Loans, Net of Allowance for Doubtful Accounts	140,765	179,209
Other Interest Receivable from the Public	27,746	13,662
Total Loans and Interest Receivable	\$ 168,511	\$ 192,871

NOTE 10. RESTRICTED ASSETS

The Land and Water Conservation Fund, the Historic Preservation Fund, and the Reclamation Fund are included in the financial statements of Interior. However, no fund assets are available for use by Interior until appropriated by Congress.

The Land and Water Conservation Fund and the Historic Preservation Fund are administered by the National Park Service. In addition, the Land and Water Conservation Fund receives a portion of the royalties and lease payments earned by the Federal government from oil and gas extracted from Federal lands on the Outer Continental Shelf. In addition, this fund receives monies from sales of Federal assets by the General Services Administration and other sources. Through fiscal year 1997, the Historic Preservation Fund received \$150 million per year from the Federal government's oil and gas royalties and lease revenues. At the end of fiscal year 1997, the law requiring the transfer of these funds expired and has not been renewed.

The Reclamation Fund is comprised of certain revenues received by the Bureau of Reclamation and the Department of Energy (Western Area Power Administration) from various sources including power/water sales, construction/operations and maintenance repayments, oil/mineral royalties, and sale of public lands. The Reclamation Fund is a financing resource to the Bureau of Reclamation and the Western Area Power Administration to the extent that previous year funds are appropriated by Congress to fund programs and operations. The Reclamation Fund Assets include Fund Balance with Treasury as well as Accounts Receivable.

The balances in these accounts and annual year appropriations out of these accounts at September 30, 1998 and 1997 are as follows:

Restricted Assets

(dollars in thousands)	1998	1997
Conservation Funds		
Land and Water Conservation Fund	\$ 11,829,600	\$ 11,861,426
Historic Preservation Fund	2,316,447	2,210,278
Reclamation Fund	3,287,931	3,078,129
Total Assets - Conservation and Reclamation Funds	\$ 17,433,978	\$ 17,149,833

NOTE 11. DEFERRED REVENUE

Unearned revenue is recorded as deferred revenue until earned. The majority of the deferred revenue represents the cost of construction of capital assets reimbursable to the Bureau of Reclamation in the future, through water repayment contracts with water and other facility users. The repayments are recognized as revenue, including interest if applicable, when the annual amounts become due each year.

NOTE 12. NOTES PAYABLE TO TREASURY

Interior's debt to Treasury consists of (1) the helium production fund and (2) borrowings to finance the credit reform loan programs established under the Indian Financing Act of 1964.

Notes Payable to Treasury

(dollars in thousands)	1998	1997
Helium Fund	\$ 1,349,204	\$ 1,357,204
Credit Reform Borrowings	94,273	78,304
Total Notes Payable to Treasury	\$ 1,443,477	\$ 1,435,508

A. Helium Fund - Bureau of Land Management

The Helium Fund was established in the late 1950's and early 1960's to ensure that the government had access to a dependable supply of helium, which at that time was considered to be a critical defense commodity. Start up capital was loaned to the helium program, with the expectation that the capital would be repaid with the proceeds of sales to other government users of helium. However, subsequent changes in the market price of helium and the need of government users for the commodity made the repayment of the capital, and subsequent accrued interest, impractical. Given the intra-governmental nature of the loan, unless the loan is forgiven, the funds for repayment to Treasury must come from the U.S. Treasury, either in the form of appropriations to the helium fund to repay the loan or in the form of appropriations to other government users of helium to pay the higher prices necessary to permit loan repayment.

The Helium Privatization Act of 1996, enacted October 9, 1996, directs the privatization of Interior's helium refining program. Under this law, Interior will cease producing, refining and marketing refined helium within 18 months of enactment. In addition, the sale of Interior's stockpile of helium will commence no later than January 1, 2005 (see also Note 18, Discontinuation of Helium Program).

Net Worth Debt reported in the table below reflects the amount recorded by Treasury for the net worth capital and retained earnings of the Helium Fund, plus any monies expended thereafter by Interior from funds provided in the Supplemental Appropriation Act of 1959 for construction of a helium plant at Keyes, Oklahoma. Additional borrowing from Treasury represents funds borrowed for the acquisition and construction of helium plants and facilities and other related purposes including the purchase of helium. These amounts were due 25 years from the date the funds were borrowed. However, as funding has not been received to repay the amounts due, the amounts could not be repaid.

Interest on borrowing is compound interest on the debts described above, at rates determined by the Secretary of the Treasury taking into consideration the current average market yields of outstanding marketable obligations of the United States having maturities comparable to investments authorized. The interest rate was deter-

mined at the time of each borrowing. With the passage of the Helium Privatization Act of 1996, no further interest is being accrued on this debt.

Notes Payable to Treasury from the Helium Fund

(dollars in thousands)	1998	1997
Principal:		
Net Worth Debt	\$ 37,343	\$ 37,343
Additional Borrowing from Treasury	251,650	251,650
Total Principal	288,993	288,993
Interest:		
Beginning Balance	1,068,211	1,076,211
Repayments	(8,000)	(8,000)
Ending Balance	1,060,211	1,068,211
Notes Payable to Treasury - Helium Fund	\$ 1,349,204	\$ 1,357,204

B. Loans from Treasury under Credit Reform

The Bureau of Indian Affairs and the Bureau of Reclamation have borrowed funds from Treasury in accordance with the Credit Reform Act of 1990 to fund loans under various loan programs. These amounts are repaid to Treasury as loan repayments are received from customers (see also Note 9, Loans and Interest Receivable).

NOTE 13. CONTINGENT LIABILITIES

The U.S. Department of the Interior is party to various administrative proceedings, legal actions, and tort claims which may ultimately result in settlements or decisions adverse to the Federal government. Interior has accrued liabilities where losses are determined to be probable and the amounts can be estimated. Other significant contingencies exist where a loss is reasonably possible, or where a loss is probable but an estimate cannot be determined. In some cases, once losses are certain, payments may be from the Judgment Fund maintained by Treasury rather than from amounts appropriated to Interior for Departmental operations.

A. Environmental Hazards

The U.S. Department of the Interior is subject to Federal, state, and local environmental laws and regulations regarding air, water, and land use, the storage and disposal of hazardous materials, and the operations and closure of facilities at which environmental contamination resulted. The major Federal laws covering environmental contamination as related to Interior are the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) and the Resource Conservation and Recovery Act (RCRA). Responsible parties, including Federal agencies, are required to clean up releases of hazardous substances.

Interior is the Federal agency with oversight responsibility for the Nation's national parks, wildlife refuges, and public domain lands, which comprise approximately one-fifth of the Nation's land mass. In this role, Interior is faced with many hazardous waste clean-up situations. The hazards include, among others, chemical hazards such as drums of toxic chemicals and soil and water contaminated by chemicals, and physical hazards such as open mine shafts.

Interior has an active program to find and monitor its hazardous sites, secure the affected areas, and begin clean-up of priority areas. However, the vast expanse of Interior lands prevents an acre by acre review, so the exact total

number of sites and a firm statement of cleanup costs are not determinable. Once a site has been identified, it may take several years to perform an evaluation of the site and determine the potential cost of remediation.

In 1998 and 1997, Interior recognized an estimated liability of \$275 million and \$223 million, respectively, for sites where the Department either caused contamination or is otherwise related to it in such a way that it may be legally liable for cleanup of the hazard, and the environmental cleanup liability is probable and reasonably estimable. This estimate includes the expected future clean-up costs, or for those sites where future liability is unknown, the cost of study necessary to evaluate cleanup requirements. Interior's total contingent liability for environmental cleanup of sites, including those where liability is considered probable and reasonably estimable, may be over \$338 million. The estimated liability excludes estimates of future mineral site restorations, discussed below, for which Interior will voluntarily undertake remediation without legal responsibility to do so.

In addition to the limited number of cases discussed above where Interior may have created or contributed to the hazards, other hazardous conditions exist on public lands for which the Department might fund clean up. These costs, which are not included in contingent liabilities, may result from:

- legal mining activities by others over the past two centuries and prior to current strict environmental clean up and restoration laws;
- legal mining activities subject to current standards, but where the responsible party cannot be found, has declared bankruptcy, or otherwise cannot be compelled to remove the hazard;
- illegal activities, including active and abandoned narcotics laboratories, hazardous materials dumping, and illegal mining; and
- transportation spills, landfills, pipelines, and airports.

B. Indian Trust Funds

The Secretary of the Interior is entrusted with the management of the monies and lands held in trust by the United States Government for Indians and Indian Tribes.

At the direction of Interior and the Bureau of Indian Affairs, a national accounting firm conducted a five-year project to reconcile tribal trust fund account activity over the 20 year period beginning in 1972. The report of this reconciliation indicates that while there is no evidence that funds have been lost or stolen, the method of record keeping was not sufficient to reconstruct all activity or to permit a complete reconciliation of the tribal trust accounts. Documentation to support the accuracy of some transactions could not be located. Interior has presented to Congress a report that outlines proposed legislative settlement options for resolving disputed balances in tribal trust accounts. Consultations with Tribes are continuing in an effort to resolve the issue.

The reconciliation project and Interior's report to Congress did not address similar issues regarding trust accounts held for individual Indians. In 1997, certain parties brought a class action lawsuit against the Secretary of the Interior, the Assistant Secretary for Indian Affairs, and the Secretary of the Treasury alleging breach of trust with respect to the United States' handling of Individual Indian Money (IIM) trust fund accounts. Counsel for the plaintiffs and the Government have not yet resolved this matter.

No estimate is made at this time regarding any financial liability that may result from the resolution of the tribal reconciliation, the individual Indian class action lawsuit and any other related claims. However, it is likely that any settlement will be paid out of funds appropriated by Congress for that purpose.

C. Other Contingent Liabilities

There are numerous claims filed against the Department and its bureaus with adjudication pending. As of September 30, 1998 and 1997, \$396 million and \$342 million, respectively, has been accrued in the financial statements for cases in which payment has been deemed probable and for which the amount of potential liability has been estimated, including certain judgments that have been issued against Interior and which have been appealed. This reflects an adjustment of \$156 million for a case that was won on appeal. This case was reflected as a contingent liability on prior year financial statements. Cash settlements are expected to be paid out of the Judgment Fund maintained by Treasury rather than from operating resources of Interior. However, in suits brought through the Contract Disputes Act of 1978, the Department is required to reimburse the Judgment Fund from current agency appropriations.

No amounts have been accrued in the financial records for claims where the amount or probability of judgment is uncertain. Three bureaus are defendants in certain litigation where damage awards being sought could amount to \$1 billion or more; however, the ultimate outcome of these cases cannot be predicted at this time. Sufficient information is not currently available to determine if the ultimate resolution of these proceedings, actions, and claims will materially affect Interior's financial position or results of operations.

D. Undelivered Orders

Undelivered Orders represent the intent to purchase goods or services for which money has been set aside or obligated for payment. The total balance of Undelivered Orders was over \$3 billion as of September 30, 1998.

NOTE 14. UNEXPENDED APPROPRIATIONS

Unexpended Appropriations consist of obligated funds, unobligated funds, and unavailable authority. Obligated funds represent amounts designated for payment of goods and services ordered but not received, or for goods received and not yet paid for. Unobligated funds are generally available for current operations; however, there may be restrictions placed on the use of these amounts. Unobligated funds include amounts made available for multiple fiscal years and no-year appropriations that are available for an indefinite period of time. Unavailable authority includes amounts appropriated to the Department in prior fiscal years, which may not be used for current operations.

Unexpended Appropriations

(dollars in thousands)	Unobligated			1998	1997
	Obligated	Available	Unavailable		
Natural Resources:					
National Park Service	\$ 582,108	\$ 10,367	\$ 346,831	\$ 939,306	\$ 864,961
U.S. Fish and Wildlife Service	694,192	435,953	191,597	1,321,742	1,329,179
Bureau of Land Management	184,621	170,857	-	355,478	374,266
Bureau of Reclamation	319,704	191,028	2,577	513,309	365,035
Office of Surface Mining	266,338	43,841	10,681	320,860	345,597
Minerals Management Service	61,012	4,710	4,280	70,002	61,639
Total Natural Resources	2,107,975	856,756	555,966	3,520,697	3,340,677
Science	193,137	14,430	23,442	231,009	217,555
Indian Affairs	544,216	484,286	34,270	1,062,772	1,007,743
Other Programs	422,494	184,128	536,889	1,143,511	612,076
Total Unexpended Appropriations	\$ 3,267,822	\$ 1,539,600	\$ 1,150,567	\$ 5,957,989	\$ 5,178,051

NOTE 15. OPERATING EXPENSES

By law, Interior, as an agency of the Federal government, is dependent upon other government agencies for centralized services. Some of these services, such as tax collection and management of the public debt, are not directly identifiable to Interior and are not reflected in the Department's financial condition and results. However, in certain cases, other Federal agencies incur costs that are directly identifiable to Interior operations, including payment of claims and litigation by Treasury's Judgment Fund, and the partial funding of retirement benefits by the Office of Personnel Management. In fiscal year 1997, in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 4, "Managerial Cost Accounting," Interior began recognizing identified costs paid for the Department by other agencies as expenses of Interior. The funding for these costs is reflected as imputed financing sources on the Statement of Changes in Net Position. Expenses paid by other agencies on behalf of Interior were \$386 million and \$282 million, respectively, in 1998 and 1997 and are included in the table below.

Operating Expenses

(dollars in thousands)	Natural Resources	Science	Indian Affairs	Other Programs	1998	1997
Salaries and Benefits	\$ 2,498,253	\$ 652,487	\$ 409,689	\$ 186,817	\$ 3,747,246	\$ 3,880,812
Contractual Services	1,200,644	197,451	889,074	44,093	2,331,262	2,071,764
Grant, Subsidies and Contributions	1,101,866	64,881	430,117	295,639	1,892,503	2,021,479
Acquisition of Non-Capitalized Property	278,248	41,122	83,210	-	402,580	221,809
Rent, Communication and Utilities	216,113	89,431	25,862	44,785	376,191	382,889
Supplies and Materials	249,720	41,336	39,353	-	330,409	344,851
Travel and Transportation	159,014	41,206	32,867	-	233,087	212,270
Acquisition of Stewardship Property	118,033	-	-	-	118,033	74,345
Printing & Reproduction	16,835	4,667	736	-	22,238	26,498
Other expenses	126,446	220	178,968	149,841	455,475	325,533
Intra-Segment & Intra-Departmental Eliminations	(59,985)	-	-	(244,705)	(304,690)	(289,393)
Total	\$ 5,905,187	\$ 1,132,801	\$ 2,089,876	\$ 476,470	\$ 9,604,334	\$ 9,272,857

The Department of Interior's operating and other expenses and exchange revenues are reported in the governmentwide consolidated financial statements in the following budget functional classifications:

Budget Functional Classifications

	Operating and Other Expenses	Revenue
Natural Resources	73.2%	84.3%
Community and Regional Development	20.5%	14.8%
General Government	4.0%	0.8%
Transportation	1.8%	0.0%
Education and Training	0.5%	0.1%
	100.0%	100.0%

NOTE 16. COMPARATIVE DATA

Audited comparative data for fiscal year 1997 has been presented in order to provide an understanding of changes in financial position and operations of Interior. Prior Period Adjustments are used to reflect in the current period the retroactive impact of newly adopted accounting standards and policies, and the correction of accounting errors that occurred in prior periods.

In fiscal years 1997 and 1998, Interior adopted several new Federal accounting standards including SFFAS No. 4, "Managerial Cost Accounting" (partially adopted in 1998); SFFAS No. 5, "Accounting for Liabilities of the Federal Government" (1997); SFFAS No. 6, "Accounting for Property, Plant and Equipment (1997 and 1998), and SFFAS No. 7 "Revenue and Other Financing Sources" (1997). Accordingly, Interior has posted a number of prior period adjustments reflecting the adoption of these accounting standards.

In addition, several Interior bureaus have reviewed historic property records and have implemented new property accounting systems and procedures, resulting in adjustments to reported property and accumulated depreciation balances. Property adjustments identified in 1998 include (1) the correction of an error in which the value of certain land had been included in depreciable property, plant, and equipment accounts, and (2) the correction of certain construction-in-progress accounts where assets had not been removed from the in-progress account upon completion. In addition, property adjustments were made to remove certain heritage assets under construction from construction-in-progress accounts to correspond with a literal interpretation of SFFAS No. 6. The Department intends to seek a re-examination of this accounting standard.

To comply with SFFAS No. 7, beginning in fiscal year 1998, royalty collections transferred to the Bureau of Reclamation are reported on the Statement of Changes in Net Position instead of the Statement of Net Cost of Operations.

Prior Period Adjustments

(dollars in thousands)	1998	1997
Changes in Accounting Policy and Adoption of New Accounting Standards		
Initial Recognition of Unfunded Workers' Compensation Liability	\$ 405,651	
Initial Recognition of Contingent and Environmental Liabilities		\$ 284,841
Accounting for Property	264,631	119,381
Restatement of Equity Accounts		61,683
Adjustments to Property	(34,192)	(297,097)
Other Changes	(124,966)	(27,564)
Total Prior Period Adjustments	\$ 511,124	\$ 141,244

NOTE 17. CUSTODIAL AND INTRA-DEPARTMENTAL ACTIVITY

Interior collects, on behalf of the U.S. Government, amounts on offshore lease sales, mineral rents and royalties and miscellaneous collections resulting from money received in error from mineral industry payors. By law, custodial revenues are transferred to the U.S. Treasury, National Park Service Conservation Funds, States, Bureau of Reclamation, Indian Tribes and agencies, and Minerals Management Service Offshore Program, and other Federal agencies. In 1998, this amounted to \$5.8 billion, a small decrease compared to the 1997 total of \$6.2 billion. The Statement of Custodial Activity summarizes the collections on behalf of the Federal government.

At the end of fiscal year 1997, the law authorizing the transfer of custodial revenue to the Historical Preservation Fund of the National Park Service expired. The increase in collections pending transfers on the Statement of Custodial Activity includes \$150 million that was transferred to the Historical Preservation Fund after the expiration of the law and is to be returned to the Department of the Treasury.

Due to the nature of Interior's operations and the appropriations language authorizing the collection and use of certain receipts, there are several instances where various revenues earned or collected by the Department are first reported as Revenue or Custodial Collections and Transfers Out, are later appropriated to the Department for use, and then are recognized as Appropriated Capital Used on the Statement of Changes in Net Position. For example:

- In 1997 and 1998, Appropriated Capital Used includes approximately \$210 million of Abandoned Mine Land revenues recognized as Non-Exchange Revenue in prior years.
- Conservation Fund Revenues each year consist primarily of oil and gas revenues collected by the Minerals Management Service reported as Collections of Custodial Revenue.
- Other Financing Sources on the Statement of Changes in Net Position include approximately \$423 million of custodial oil and gas revenues transferred to the Bureau of Reclamation.
- Conservation Fund Transfers are primarily made available for use within the Department, including the Everglades Restoration Fund (administered by the Office of the Secretary) and the National Park Service.

NOTE 18. INDIAN TRUST FUNDS (UNAUDITED)

The Secretary of the Interior has fiduciary responsibility for approximately \$2.9 billion dollars held in trust on behalf of over 300,000 American Indian tribes and individual Indian accounts. Approximately 350 tribes have an interest in the \$2.5 billion Tribal Fund which accounts for 86% of the Indian Trust Funds. The remainder of the trust funds (\$479 million) are in about 300,000 individual Indian accounts and other special trust funds, including the Alaska Native Escrow Fund. The Individual Indian Monies (IIM) Fund is primarily a deposit fund for individuals as well as estates which have a fiduciary interest in the trust funds. A major portion of the Tribal Fund consists of judgment awards while IIM Fund income is derived from royalties on natural resource depletion, land use agreements, enterprises having a direct relationship to the trust resources, per capita payments, and investment income.

The assets held in trust for Native Americans are owned by the trust beneficiaries and are not Federal assets. Therefore, these amounts are not reflected in the Consolidated Financial Statements of the Department included in this report.

A summary of the Tribal and Other Special Trust Funds and individual Indian assets, Trust Fund Balances and Changes in Trust Fund Balances is presented on the following page. These amounts do not include trust land managed by the Department. An audit report issued by an independent public accountant has been published covering fiscal year 1997 Indian Trust Fund financial statements. The auditors expressed a qualified opinion on these balances due to significant differences between the cash and overnight investment balances reported by the trust funds and those reported by the Department of Treasury, which prevented these amounts from being audited. In addition, certain trust fund beneficiaries disagreed with trust fund balances and have filed or are expected to file claims against the Department regarding these amounts. For more information, see Note 13, "Contingent Liabilities".

Tribal and Other Special Trust Funds
Combined Statement of Assets and Trust Fund Balances - Cash Basis
as of September 30, 1998 and 1997
(dollars in thousands)
UNAUDITED

	1998	1997
ASSETS		
Current Assets		
Cash with U.S. Treasury	\$ 16,132	\$ (743)
Investments	2,443,916	2,403,109
TOTAL ASSETS	\$ 2,460,048	\$ 2,402,366
TRUST FUND BALANCES, Held for Indian Tribes and Other Special Trust Funds.	\$ 2,460,048	\$ 2,402,366

Tribal and Other Special Trust Funds
Combined Statement of Changes in Trust Fund Balances - Cash Basis
for the period ending September 30, 1998 and 1997
(dollars in thousands)
UNAUDITED

Receipts	\$ 521,725	\$ 619,770
Disbursements	(465,398)	(453,014)
Receipts in Excess of Disbursements	56,327	166,756
Trust Fund Balances - Beginning of Year	2,403,721	2,235,610
Trust Fund Balances - End of Year	\$ 2,460,048	\$ 2,402,366

Statement of Assets and Trust Fund Balances - Modified Cash Basis
as of September 30, 1998 and 1997
(dollars in thousands)
UNAUDITED

	1998	1997
ASSETS		
Current Assets		
Cash with U.S. Treasury	\$ (15,124)	\$ (6,813)
Investments	494,312	505,848
TOTAL ASSETS	\$ 479,188	\$ 499,035
TRUST FUND BALANCES, Held for Individual Indian Monies Trust Funds	\$ 479,188	\$ 499,035

Statement of Changes in Trust Fund Balances - Modified Cash Basis
for the years ending September 30, 1998 and 1997
(dollars in thousands)
UNAUDITED

Receipts	\$ 313,600	\$ 548,280
Disbursements	(354,119)	(547,806)
Receipts in Excess of Disbursements	(40,519)	474
Trust Fund Balances - Beginning of Year	519,707	498,561
Trust Fund Balances - End of Year	\$ 479,188	\$ 499,035

NOTE 19. DISCONTINUATION OF HELIUM PROGRAM

The Helium Privatization Act of 1996, enacted October 9, 1996, directs the privatizing of Interior's Federal Helium Refining Program. Under this law, Interior will cease the production, refining, and marketing of refined helium within 18 months of enactment. Interior will continue to store, transport, and withdraw crude helium and maintain and operate crude helium storage facilities in existence on the date of enactment. Interior may also enter into agreements with private parties for the recovery and disposal of helium on Federal lands and may grant leasehold rights to any such helium. The sale of stockpile crude helium will commence no later than January 1, 2005, and will continue until January 1, 2015, at which time the helium reserves should be reduced to 600 million cubic feet.

NOTE 20. FINANCING

SFFAS No. 7, "Accounting for Revenue and other Financing Sources", which became effective in fiscal year 1998, presents the conceptual framework for the Schedule of Financing disclosure presented here. As this is the first year the Department is presenting the information, comparative statements have not been presented.

The intent of the Schedule of Financing is to facilitate the understanding of the financial net cost of operations in relation to the obligation of budget authority. Because the accrual-based measures used in the Statement of Net Cost differ from the obligation-based measures used in the Statement of Budgetary Resources, this information is provided to highlight the differences.

The Schedule of Financing consists of four sections: (1) budgetary and nonbudgetary resources used to fund activities; (2) resources that do not fund the net costs of operations; (3) components of net costs of operations that do not require resources during the reporting period; and (4) costs for which financing sources are yet to be provided. This schedule has been prepared on a combining rather than a consolidated basis; consequently, intra-entity transactions have not been eliminated.

Schedule of Financing

(dollars in thousands)	1998
Obligations and Nonbudgetary Resources:	
Obligations Incurred	\$ 11,437,920
Spending Authority for Offsetting Collections and Adjustments	(2,280,599)
Subtotal	9,157,321
Imputed Financing	385,684
Exchange Revenue Not in the Budget	(628,514)
Non-Exchange Revenue and Other Financing Sources	517,137
Resources from Unfilled Customer Orders	183,323
Donations Not in the Budget	15,288
Other Financing Sources	13,633
Total Obligations as Adjusted, and Nonbudgetary Resources	\$ 9,643,872
Resources That Do Not Fund Net Cost of Operations:	
Transfers to Treasury and Other Agencies	(741,206)
Costs Capitalized	(571,067)
Prior Period Adjustments	(501,844)
Change in Goods and Services Ordered But Not Yet Received	(487,399)
Total Resources That Do Not Fund Net Cost of Operations	(2,301,516)
Costs That Do Not Require Resources:	
Depreciation	335,074
Loss on Disposition of Assets	38,553
Cost of Goods Sold	11,680
Bad Debt Expense	6,733
Other Expenses That Do Not Require Budgetary Resources	(135,699)
Total Costs That Do Not Require Resources	256,341
Financing Sources Yet to Be Provided	705,427
Net Cost of Operations	\$ 8,304,124

NOTE 21. WORKING CAPITAL FUNDS

Interior has four working capital funds which are established by law to finance a continuing cycle of operations, with the receipts from the operations available for use by the funds without further action by Congress. The four working capital funds are established in the Bureau of Reclamation, Office of the Secretary, Bureau of Land Management, and U.S. Geological Survey, and operate as revolving funds. The costs of providing services and operating the funds are fully recovered from customers. The major working capital fund customers are Interior bureaus and offices and other Federal agencies; however, some services are provided to States, and non-government entities. Some of the significant services provided to customers consist of central reproduction, telecommunications, aircraft services, supplies, publications, training, computer processing and related activities, engineering and technical services, and certain cross-servicing activities such as payroll, personnel, and financial and accounting services. The services provided by the working capital funds are usually those which may be performed more advantageously on a reimbursable basis. In addition, Interior manages the Interior Franchise Fund which is part of the Franchise Fund Pilot program which operates under special appropriation authority established consistent with authorities allowed under the Government Management Reform Act of 1994.

The following condensed information about assets, liabilities, and net position of the Interior working capital funds is summarized for the fiscal years ended September 30, 1998 and 1997. The financial information presented includes intra-Departmental transactions.

U. S. Department of the Interior
Supplemental Statement of Financial Position
Combined Working Capital Funds
as of September 30, 1998
(dollars in thousands)

	Bureau of Reclamation	Bureau of Land Management	U.S. Geological Survey	Departmental Offices	Interior Franchise Funds	TOTAL
ASSETS						
Fund Balance with Treasury & Cash	\$ 82,076	\$ 23,624	\$ 50,078	\$ 27,474	\$ 3,166	\$186,418
Accounts Receivable	4,906	-	5,796	7,763	16,359	34,824
Property Plant & Equipment	47,339	54,662	1,271	20,157	-	123,429
Other Assets	196	1,183	(6)	530	-	1,903
TOTAL ASSETS	\$ 134,517	\$ 79,469	\$ 57,139	\$ 55,924	\$ 19,525	\$346,574
LIABILITIES AND NET POSITION						
Liabilities to the Public						
Accounts Payable and Other	\$ 20,075	\$ 637	\$ 1,876	\$ 9,739	\$ -	\$32,327
Liabilities to Federal Agencies						
Amounts Payable to Treasury and Other	280	767	351	(557)	3,741	4,582
Other Liabilities to Federal Agencies	-	1	53,258	8,056	16,011	77,326
Total Liabilities	20,355	1,405	55,485	17,238	19,752	114,235
Net Position						
Cumulative Results of Operations	114,162	78,064	1,654	38,686	(227)	232,339
Total Net Position	114,162	78,064	1,654	38,686	(227)	232,339
TOTAL LIABILITIES AND NET POSITION	\$ 134,517	\$ 79,469	\$ 57,139	\$ 55,924	\$ 19,525	\$346,574

U. S. Department of the Interior
Supplemental Statement of Financial Position
Combined Working Capital Funds
as of September 30, 1997
(dollars in thousands)

	Bureau of Reclamation	Bureau of Land Management	U.S. Geological Survey	Departmental Offices	Interior Franchise Fund	TOTAL
ASSETS						
Fund Balance with Treasury and Cash	\$ 100,330	\$ 21,603	\$ 35,067	\$ 30,343	\$ 4,106	\$191,449
Accounts Receivable	5,816	264	10,295	6,563	2,533	25,471
Property, Plant, and Equipment	39,262	49,330	1,047	18,014	-	107,653
Other Assets	161	350	-	644	-	1,155
TOTAL ASSETS	\$ 145,569	\$ 71,547	\$ 46,409	\$ 55,564	\$ 6,639	\$325,728
LIABILITIES AND NET POSITION						
Liabilities to the Public						
Accounts Payable and Other	\$ 15,894	\$ 556	\$ 1,973	\$ 13,657	\$ -	\$ 32,080
Liabilities to Federal Agencies						
Amounts Payable to Treasury and Other	2,265	5	6	4,242	2,649	9,167
Other Liabilities to Federal Agencies	3,727	-	29,430	6,935	4,120	44,212
Total Liabilities	21,886	561	31,409	24,834	6,769	85,459
Net Position						
Cumulative Results of Operations	123,683	70,986	15,000	30,730	(130)	240,269
Total Net Position	123,683	70,986	15,000	30,730	(130)	240,269
TOTAL LIABILITIES AND NET POSITION	\$ 145,569	\$ 71,547	\$ 46,409	\$ 55,564	\$ 6,639	\$325,728

**U. S. Department of the Interior
Supplemental Statement of Operations
Combined Working Capital Funds
for the year ended September 30, 1998
(dollars in thousands)**

	Bureau of Reclamation	Bureau of Land Management	U.S. Geological Survey	Departmental Offices	Interior Franchise Funds	TOTAL
Expenses						
Operating Expenses	\$ 280,665	\$ 7,360	\$ 48,485	\$ 91,556	\$ 21,923	\$449,989
Depreciation and Amortization	9,380	7,013	201	801	-	17,395
Net Loss (Gain) on Disposition of Assets	350	(1,057)	15	(30)	-	(722)
Bad Debt Expense	17	-	-	-	-	17
Other Expenses	11,194	63	2	1,265	-	12,524
Total Expenses	301,606	13,379	48,703	93,592	21,923	479,203
Revenues						
Sales of Goods and Services to the Public	17,769	674	-	22,893	1	41,337
Sales of Goods and Services to Federal Agencies	254,310	18,224	49,742	71,888	21,825	415,989
Other Revenues	111	1,396	-	-	-	1,507
Total Revenues	272,190	20,294	49,742	94,781	21,826	458,833
NET COST OF (PROFIT FROM) OPERATIONS	\$ 29,416	\$ (6,915)	\$ (1,039)	\$ (1,189)	\$ 97	\$ 20,370

**U. S. Department of the Interior
Supplemental Statement of Operations
Combined Working Capital Funds
for the year ended September 30, 1997
(dollars in thousands)**

	Bureau of Reclamation	Bureau of Land Management	U.S. Geological Survey	Departmental Offices	Interior Franchise Fund	TOTAL
Expenses						
Operating Expenses	\$ 289,947	\$ 17,295	\$ 48,483	\$ 85,042	\$ 3,515	\$444,282
Depreciation and Amortization	3,547	-	155	289	-	3,991
Net Loss (Gain) on Disposition of Assets	484	(746)	-	1,173	-	911
Bad Debt Expense	-	-	-	-	-	-
Other Expenses	-	1	10	289	-	300
Total Expenses	293,978	16,550	48,648	86,793	3,515	449,484
Revenues						
Sales of Goods and Services to the Public	35,256	-	-	1,390	1	36,647
Sales of Goods and Services to Federal Agencies	276,184	16,037	47,363	85,201	3,385	428,170
Other Revenues	50	3,136	1,726	-	-	4,912
Total Revenues	311,490	19,173	49,089	86,591	3,386	469,729
NET COST OF (PROFIT FROM) OPERATIONS	\$ (17,512)	\$ (2,623)	\$ (441)	\$ 202	\$ 129	\$ (20,245)

Stewardship Assets and Investments

STEWARDSHIP ASSETS AND INVESTMENTS

Introduction

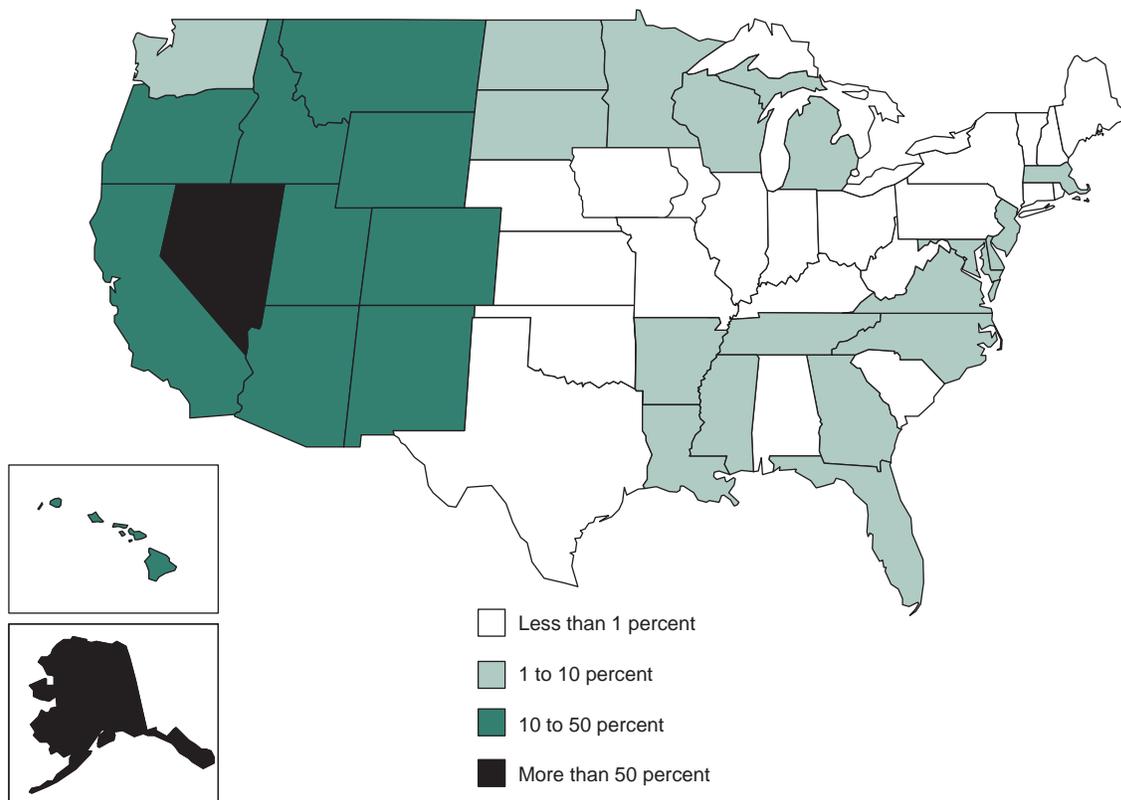
The Department of the Interior serves as steward for approximately 429 million acres of America’s public lands and for the natural and cultural resources associated with these lands. The Department also supervises mineral leasing and operations on over 564 million acres of mineral estate that underlie both Federal and other surface ownerships. These stewardship assets are valued for their environmental resources, their recreational and scenic values, the cultural and paleontological resources they contain, their vast open spaces, and the resource commodities and revenue they provide to the Federal government, States, and counties.

Stewardship Lands

Most of the public lands under the purview of Interior management were once a part of the 1.8 billion acres of public domain lands acquired by the United States between 1781 and 1867. Land currently managed by Interior represents about 19 percent of America’s land surface and approximately 66 percent of all federally owned land (*Figure 55*). Each of America’s 50 States, the Pacific Islands, Guam, and Puerto Rico contain lands that are managed by the Department of the Interior.

Figure 55

Percentage of Each State's Acreage Managed by Interior
(as of September 30, 1998)



Use of Stewardship Lands

Interior-administered lands include the National Wildlife Refuge System, the National Park System, and the vast expanses of public land managed by the Bureau of Land Management (BLM). In addition, the Bureau of Indian Affairs (BIA) manages a nominal acreage of stewardship land. The Fish and Wildlife Service (Service or FWS) manages lands primarily to conserve and protect fish and wildlife and their habitat. The National Park Service (Park Service or NPS) manages lands to conserve, preserve, protect, and interpret the nation's natural, cultural, and recreational resources. The Bureau of Land Management is guided by the principles of multiple use and sustained yield in managing its public lands. Congress has defined multiple use as management of the public lands and their various resource values so they are utilized in the combination that will best meet the present and future needs of the American people. The resources and uses embraced by the multiple use concept include mineral development; natural, scenic, scientific, and historical values; outdoor recreation; range; timber; watersheds; and wildlife and fish habitat.

Types of Stewardship Lands

Figure 56 shows the acreage of Interior stewardship lands by land type. In addition to the 88 million acres shown for the National Wildlife Refuge System, there are approximately 4.9 million additional acres within the system that are not federally owned; these are managed by the Fish and Wildlife Service cooperatively through agreements with landowners and other partners. The National Park System also contains lands that are not federally owned—approximately 6 million acres owned by state and local governments and private landowners. The National Park Service has no management responsibility for this land except in cases where cooperative agreements with landowners authorize direct Federal land management.

America's parks, refuges, and other public lands consist of rangelands; forestlands; riparian areas and wetlands; lakes, reservoirs, and streams; grasslands; swamps; marshes; and seashores, as well as mountaintops, glaciers, barren mountains, sand dunes, playas, and deserts.

Management Units of Interior Stewardship Lands

There are unique management requirements associated with approximately 59 percent of the lands managed by the Department of the Interior because of their congressional or administrative designations. These management units are shown in Figure 57. The acreage included in these units is a subset of Interior's 429-million-acre total.

Condition of Stewardship Lands

Public Lands Managed by the Bureau of Land Management: The Bureau of Land Management assesses the condition of the lands it manages based on the land type and the multiple use and sustained yield goals identified through its land use planning process. Figure 58 shows condition by land type. In adhering to its

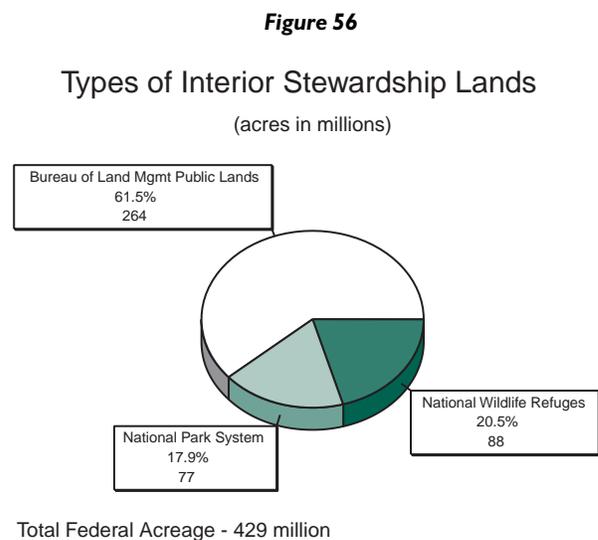


Figure 57

Management Units of Interior Stewardship Lands					
Bureau of Land Management Public Lands					
<u>Management Unit</u>	<u>Number</u>	<u>Federal</u> <u>Acres</u>	<u>Non-Federal</u> <u>Acres</u>	<u>Total Acres</u>	<u>Miles</u>
National Wild and Scenic River Segments	34	956,688	0	956,688	2,038
National Wilderness Areas	136	5,243,012	0	5,243,012	-
Wilderness Study Areas	622	17,298,430	0	17,298,430	-
National Conservation Areas	8	11,692,190	0	11,692,190	-
National Scenic Area	1	101,000	0	101,000	-
National Recreation Area	1	1,000,000	0	1,000,000	-
National Historic Trails	8	-	-	-	3,530
National Scenic Trails	2	-	-	-	568
National Recreation Trails	26	-	-	-	429
Outstanding Natural Area	1	100	0	100	-
Herd Management Areas	201	33,168,712	0	33,168,712	-
National Monument	1	1,900,000	0	1,900,000	-
Areas of Critical Environmental Concern	739	13,110,029	0	13,110,029	-
Research Natural Areas	152	347,214	0	347,214	-
National Natural Landmarks	43	599,042	0	599,042	-
National Back Country Byways	64	-	-	-	3,518
Globally Important Bird Areas	2	56,500	0	56,500	-
BLM Special Management Area Subtotal	2,041	85,472,917	0	85,472,917	10,083
National Multiple Use Lands	-	178,148,368	0	178,148,368	-
Bureau of Land Management Subtotal	2,041	263,621,285	0	263,621,285	10,083
National Wildlife Refuge System					
<u>Management Unit</u>	<u>Number</u>	<u>Federal</u> <u>Acres</u>	<u>Non-Federal</u> <u>Acres</u>	<u>Total Acres</u>	<u>Miles</u>
National Wildlife Refuges	516	87,495,000	2,919,000	90,414,000	-
Refuge Coordination Areas	50	197,000	121,000	318,000	-
Waterfowl Production Areas	199	704,000	1,856,000	2,560,000	-
National Fish Hatcheries and Other Fish Facilities	83	14,000	6,000	20,000	-
Fish and Wildlife Service Subtotal	848	88,410,000	4,902,000	93,312,000	-
National Park System					
<u>Management Unit</u>	<u>Number</u>	<u>Federal</u> <u>Acres</u>	<u>Non-Federal</u> <u>Acres</u>	<u>Total Acres</u>	<u>Miles</u>
International Historic Site	1	22	23	45	-
National Battlefields	11	11,803	1,254	13,057	-
National Battlefield Parks	3	8,033	981	9,014	-
National Battlefield Site	1	1	0	1	-
National Historic Sites	74	19,410	4,635	24,045	-
National Historic Parks	38	114,452	48,262	162,714	-
National Lakeshores	4	145,421	83,519	228,940	-
National Memorials	28	7,979	194	8,173	-
National Military Parks	9	35,058	3,183	38,241	-
National Monuments	73	1,898,104	166,955	2,065,059	-
National Parks	54	49,179,435	2,520,515	51,699,950	-
National Preserves	16	21,405,495	2,374,201	23,779,696	-
National Recreation Areas	19	3,360,942	362,955	3,723,897	-
National Reserves	2	10,630	22,477	33,107	-
National Rivers	6	311,930	112,865	424,795	-
National Wild and Scenic Rivers	9	72,355	147,337	219,692	-
National Scenic Trails	3	155,634	68,899	224,533	-
National Seashores	10	477,559	116,979	594,538	-
Parks (other)	11	37,608	1,277	38,885	-
Parkways	4	163,605	7,646	171,251	-
National Park Service Subtotal	376	77,415,476	6,044,157	83,459,633	-
Department of the Interior Total					
<u>Management Unit</u>	<u>Number</u>	<u>Federal</u> <u>Acres</u>	<u>Non-Federal</u> <u>Acres</u>	<u>Total Acres</u>	<u>Miles</u>
Total Interior Management Units	3,265	251,298,393	10,946,157	262,244,550	10,083
Total Interior Stewardship Lands	-	429,446,761	10,946,157	440,392,918	-

Figure 58

Condition of Bureau of Land Management Public Lands				
Rangeland	Forest and Woodlands	Riparian Areas	Wetlands	Aquatic Areas
<u>Alaska</u>	Productive 91%	<u>Alaska</u>	<u>Alaska</u>	<u>Alaska</u>
Late seral All	Needing restoration 9%	Properly functioning 91%	Properly functioning 98%	Good
<u>Lower 48 States</u>		Functioning at risk Trace	Functioning at risk Trace	
Potential natural community 5%		Nonfunctional 1%	Nonfunctional Trace	<u>Lower 48 States</u>
Late seral 29%		Unknown 8%	Unknown 2%	Poor
Mid seral 38%		<u>Lower 48 States</u>	<u>Lower 48 States</u>	
Early seral 12%		Properly functioning 36%	Properly functioning 41%	
Unclassified 16%		Functioning at risk 35%	Functioning at risk 13%	
		Nonfunctional 9%	Nonfunctional 2%	
		Unknown 20%	Unknown 44%	

mandate for multiple use and sustained yield, the BLM’s land management programs include significant efforts to restore riparian wetlands; preserve significant cultural and natural features; create opportunities for commercial activities; protect endangered species; develop opportunities for recreation and leisure activities; protect public health, safety, and resources; manage wild horses and burros; manage wildlife habitat and fisheries; administer mining laws; manage rangelands; oversee forest management, development, and protection; and manage wilderness and wild and scenic rivers.

National Wildlife Refuge System Lands: Stewardship lands managed by the Fish and Wildlife Service include refuges, fish hatcheries, wilderness, National Natural Landmarks, wild and scenic rivers, and other special designations. These lands are used and managed in accordance with the explicit purpose of the statutes that authorize their acquisition or designation and that direct their use and management. The Service conducts activities to manage stewardship lands so that fish, wildlife, and plants that depend on these lands for habitat are benefitted over both the short- and long-term. Lands placed in the land conservation systems managed by the Service are protected in perpetuity as long as they remain in the National Wildlife Refuge System and the National Fish Hatcheries System. As new acquisitions enter these conservation systems, lands are managed to maintain their natural state, to mitigate adverse effects of actions previously conducted by others, or to enhance existing conditions to improve benefits to fish and wildlife resources. The Service safeguards the stewardship values of the lands it administers through management actions taken on individual refuges and hatcheries; however, such actions take into consideration the needs and purposes of entire conservation systems. These conservation systems provide integrated habitat and life support for permanent resident populations as well as migratory populations needing temporary stopover sites to rest, breed, and feed and to survive their nationwide and, in some cases, worldwide seasonal migrations. While some individual units of stewardship lands can be improved at any time during their management cycles, the condition of the stewardship lands as a whole, which are protected by inclusion in both the National Wildlife Refuge System and the National Fish Hatcheries System, is sufficient to support the mission of the Service and the statutory purposes for which these conservation systems were authorized.

National Park System Lands: The National Park Service stewardship lands are used and managed in accordance with the statutes authorizing their acquisition or directing their use and management. The Park Service conducts various activities to preserve and protect land resources, and to mitigate the effects of activities conducted previously on or near parks that adversely affect the natural state of the land. While individual units of the stewardship lands can be improved, the condition of these assets as a whole is sufficient to support the mission of the Park Service.

Net Change in Stewardship Land Acreage from 1997 to 1998

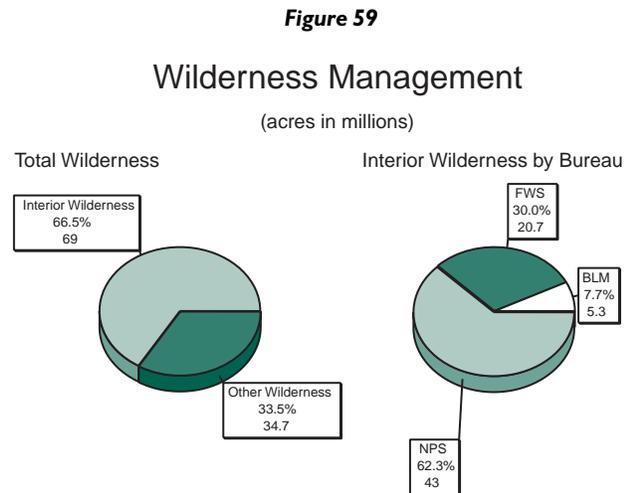
Federally owned lands under the jurisdiction of the Department of the Interior at the end of 1998 decreased by approximately 32,000 acres from 1997. This represents a net decrease of 0.007 percent, which resulted from the net effect of acquisition, disposal, exchange, withdrawal, and restoration transactions.

Natural Heritage Assets

National Wilderness Preservation System

The National Wilderness Preservation System was created by the Wilderness Act of 1964. A wilderness area is an area designated by Congress to assure that increasing populations, expanding settlement, and growing mechanization do not occupy and modify all areas of the United States. Designations ensure that certain lands are preserved and protected in their natural condition. In contrast to those areas where humans and their works dominate the landscape, wilderness is where the earth and its community of life are untrammelled by human beings, where humans themselves are visitors who do not remain.

America’s wilderness system encompasses approximately 103.7 million acres. The Department of the Interior manages almost 66.5 percent of this wilderness system—255 areas comprising almost 69 million acres (Figure 59).



National Wild and Scenic Rivers System

For a river to be eligible for the National Wild and Scenic Rivers System, it must be in a free-flowing condition and, to a remarkable degree, it must possess one or more specific values: scenic, recreational, geologic, fish and wildlife, historic, cultural, or other similar values. Suitability is based upon the extent of public lands in the immediate environment of the river and on the funds required for acquisition, development, and management, as well as local or state interest in acting to protect and manage the river. Wild and scenic eligibility studies are presented to Congress with a Presidential recommendation. Congress then decides whether or not to add the river to the National Wild and Scenic Rivers System.

There are 154 rivers containing 178 river segments included in the National Wild and Scenic Rivers System. Each mile of each designated segment is classified as either wild, scenic, or recreational. The total system covers 10,831 river miles. Fifty-four percent of the river miles in the National Wild and Scenic Rivers System are managed by Interior (Figure 60).

National Natural Landmarks

National Natural Landmarks are management areas having national significance as sites that exemplify one of a natural region’s characteristic biotic or geologic features. The site must have been evaluated and found to be one of the best known examples of that feature. These areas must be located within the boundaries of the United

States or on the Continental Shelf and are designated by the Secretary of the Interior. To qualify as a National Natural Landmark, an area must contain an outstanding representative example(s) of the Nation's natural heritage, including terrestrial communities, aquatic communities, landforms, geological features, habitats of native plant and animal species, or fossil evidence of the development of life on earth.

The Fish and Wildlife Service and the Bureau of Land Management each manage 43 National Natural Landmarks; these Landmarks total about 4.1 million acres. The National Park Service manages 18 National Natural Landmarks in 16 units of the National Park System.

Paleontological Sites

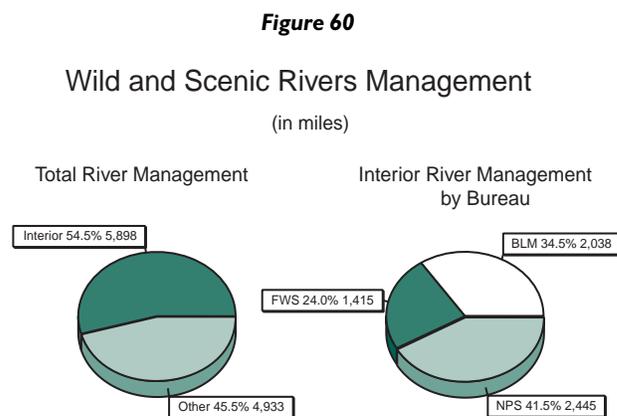
Since the early 1800s, professional and amateur paleontologists have made discoveries that helped launch the new scientific discipline of paleontology in America, filling our Nation's museums of natural history with the remains of spectacular creatures that have captured the public's imagination. Today, the public lands continue to provide paleontological resources that fuel scientific discovery and evoke public wonder. Interior bureaus manage these fragile and nonrenewable resources as a public trust not only to assure preservation of their scientific values, but also to see that their educational and recreational values are realized.

While all Interior bureaus take paleontological resources into account on public lands, the Bureau of Land Management is specifically responsible for over 50 specially designated areas, including Research Natural Areas, Areas of Critical Environmental Concern, and National Natural Landmarks, totaling nearly 300,000 acres that are managed wholly or in part for their outstanding paleontological values. In addition, the Fish and Wildlife Service has identified paleontological resources in 10 Wildlife Refuges, with paleontological research being conducted by the scientific community at these sites. Two active Fish and Wildlife Service sites are the Charles M. Russell National Wildlife Refuge in Montana and the McKay Creek National Wildlife Refuge in Oregon. Fossils have also been located in over 120 National Park Service areas. These fossils collectively reveal a story ranging from Precambrian algae in Glacier National Park to Ice Age mammals in the Alaskan parks.

The Department of the Interior manages a number of publicly accessible and interpreted paleontological sites such as the Cleveland-Lloyd Dinosaur Quarry, the Trilobite Trail, the Trail Through Time, and Dinosaur National Monument. To meet public demands for recreational opportunities, the Bureau of Land Management also makes many public lands available for collecting invertebrate fossils and limited amounts of petrified wood.

Condition of Natural Heritage Assets

Natural heritage assets represent a subset of stewardship lands. As such, the condition of these natural assets is as good as or better than that described for each land type under the Stewardship Lands section of this report.





Grand Teton National Park (photo by Deb Carey).

Net Change in Natural Heritage Assets from 1997 to 1998

Figure 61 shows net changes in selected natural heritage designations from 1997 to 1998.

Figure 61

Net Change in Selected Natural Heritage Designations From Fiscal Year 1997 to Fiscal Year 1998			
Special Management Area	Net Change in Number	Net Change in Total Acres	Net Change in Total Miles
National Wild and Scenic Rivers		+4,864	+16
Wilderness Areas		-8,351	
Wilderness Study Areas		-722,119	
National Conservation Areas		+2,416	
Santa Rosa Mountains Scenic Area		+35,720	
National Historic Trails	-1		-60
National Scenic Trails			+66
Herd Management Areas	+2	+960	
Grand Staircase-Escalante National Monument		+185,000	
Areas of Critical Environmental Concern	+43	+2,738,447	
Research Natural Areas	+52	+20,765	
National Back Country Byways	-5		

Cultural Heritage Assets

The Department of the Interior is steward for a large, varied, and scientifically important body of cultural heritage assets (*Figures 62 and 63*). These resources include archaeological sites, historical structures, cultural landscapes, and various objects. Many are listed on the National Register of Historic Places, acknowledging their importance to American history. Some are National Historic Landmarks that are exceptional in illustrating the heritage of the United States.

Interior's heritage assets come from public or acquired lands, historic properties under Interior's management, and donations. The Department has a responsibility to inventory, preserve, and interpret these resources for the benefit of the American public. The Department does not normally dispose of such property. Interior bureaus have information on the numbers and types of resources and their condition. Not all resources have been inventoried and, for many resources, adequate condition information is lacking.

Figure 62

Types of Cultural Heritage Assets	
Type	Description
National Register of Historic Places	The National Register of Historic Places is America's official listing of sites important to history and prehistory. Properties listed in the National Register include districts, sites, buildings, structures, and objects that are significant in American history, architecture, archaeology, engineering, and culture. These resources contribute to an understanding of the historical and cultural foundations of the Nation.
Historic Structures	Historic structures are constructed works consciously created to serve some human activity or purpose. Structures are historic because they individually meet the criteria of the National Register of Historic Places or are contributing elements of sites or districts that meet National Register criteria. As such, historic structures are significant at the national, state, or local level and are associated with the important people and history of this nation. Structures that do not meet National Register criteria may be considered historic due to management responsibilities established by legislation or through management planning processes. Such structures include moved, reconstructed, or commemorative structures as well as structures that have achieved significance within the last 50 years.
National Historic Landmarks	National Historic Landmarks are districts, sites, buildings, structures, or objects possessing exceptional value in commemorating or illustrating the history of the United States. The Historic Sites Act of 1935 authorizes the Secretary of the Interior to designate National Historic Landmarks as the Federal government's official recognition of the national importance of historic properties. These places possess exceptional value or quality in illustrating or interpreting the heritage of the United States in history, architecture, archaeology, technology, and culture as well as possessing a high degree of integrity of location, design, setting, materials, workmanship, feeling, and association.
Cultural Landscapes	A cultural landscape is a geographic area, including both natural and cultural resources, associated with an historic event, activity, or person. Cultural landscapes are complex resources that range from large rural tracts covering several thousand acres to formal gardens of less than an acre. The Department of the Interior recognizes four cultural landscape categories: historic designed landscapes, historic vernacular landscapes, historic sites, and ethnographic landscapes. These landscapes individually meet the criteria of the National Register of Historic Places, are contributing elements of sites or districts that meet National Register criteria, or have value to associated communities.
Archaeological Sites	Archaeological sites are locations that contain the remains of past human activity of various sorts. Archaeological sites include prehistoric structures, middens, and roadways, such as those found on many of the lands managed by the Department of the Interior in the Southwest. Sites also include the ancient earthen mounds in the midwestern and southern parts of the nation, many of them managed by Interior bureaus. Other archaeological sites come from historic times and are associated with the settlement of the United States by Euroamericans, African-Americans, and Asian Americans.
World Heritage Sites	The preservation of a common world heritage is the objective of the international Convention Concerning the Protection of the World Cultural and Natural Heritage. This international agreement, signed to date by more than 150 nations, was adopted by the General Conference of the United Nations Educational, Scientific, and Cultural Organization (UNESCO) in 1972. Its primary mission is to (a) define and conserve the world's heritage by drawing up a list of sites whose outstanding values should be preserved for all humanity, and (b) to ensure protection through a closer co-operation among nations.

Figure 63

Number, Net Change, and Condition of Cultural Heritage Assets			
Type of Asset	Number of Assets	Net Change in Assets 1997 to 1998	Condition
Bureau of Land Management			
National Register of Historic Places	248 Listings	+7	Acceptable
	3,625 Contributing Properties	+324	
Archaeological and Historical Properties	220,800 Properties	+8,300	Acceptable
National Historic Landmarks	22 Landmarks	-	Acceptable
Fish and Wildlife Service			
National Register of Historic Places	93 Listings	-	Unclassified
Historical Structures	188 Structures	-	Unclassified
Archaeological and Historical Properties	11,000 Properties	-	Unclassified
National Historic Landmarks	9 Landmarks	-	Unclassified
National Park Service			
National Register of Historic Places	1,246 Listings	-	Unclassified
Historical Structures	23,167 Structures	+3,169	Good 43.1% Fair, Poor, or Unknown 56.9%
National Historic Landmarks	178 Landmarks	+35	Unclassified
Cultural Landscapes	1,593 Landscapes	+718	Good 33% Fair 46% Poor 21%
Archaeological Sites	60,000 Sites	-	Good 4% Poor 4% Unclassified 92%
World Heritage Sites	18 Sites	-	Unclassified
Bureau of Reclamation			
National Register of Historic Places	61 Listings	-	Unclassified
Bureau of Indian Affairs			
National Register of Historic Places	31 Listings	-	Unclassified
Other Bureaus			
National Register of Historic Places	9 Listings	-	Unclassified

Museum Property

Department of the Interior museum collections total approximately 110 million museum objects (Figure 64). Disciplines represented include art (39,000), ethnography (100,000), archaeology (60 million), documents (41 million), history (3.4 million), biology (1.4 million), paleontology (4 million), and geology (50,000). In

Figure 64

1998 Cataloged Interior Museum Collection Data					
	Where Collections Are Held			Number of Objects Cataloged	Cataloging Backlog
	Within Interior	Other Institutions	Total		
Bureau of Indian Affairs	617,773	64,188	681,961	0	681,961
Bureau of Land Management	5,900,229	17,942,184	23,842,413	2,181,064	21,661,349
Bureau of Reclamation	3,487,188	3,540,296	7,027,484	1,960,745	5,066,739
Fish and Wildlife Service	841,615	3,604,121	4,445,736	1,200,000	3,245,736
National Park Service	70,757,522	2,637,964	73,395,486	31,018,410	42,377,076
Indian Arts and Crafts Board	19,805	0	19,805	13,747	6,058
Interior Museum	1,846	2,917	4,763	1,600	3,163
Minerals Mgmt Service	54	0	54	0	54
U.S. Geological Survey *	63	1	64	63	1
Interior Totals	81,626,095	27,791,671	109,417,766	36,375,629	73,042,137

* USGS data does not include Biological Resources Division museum collection

past years, we reported documents in number of linear feet rather than in number of objects. The 41 million documents reported this year equals 25,762 linear feet of archival documents (up from 24,750 linear feet reported in 1997). The growth is due primarily to improved reporting rather than to new acquisitions. Numbers are relatively stable for all disciplines as bureaus continue to refine their estimates. Department of the Interior museum collections are important for both their intrinsic value and for their associations with Federal lands and resources managed by Interior bureaus. The assemblage of historic structures for which the Department of the Interior is responsible is the tangible evidence of where we have been and what we have done as a Nation and is a most compelling testimony of our rich, multi-ethnic heritage; the cultural landscapes are significant at the national, State, or local level and are associated with the important people and history of this Nation; and the archaeological sites are most important for the unique information they contain about the past and for the sense of commemoration they can express for the people and events with which they are associated.

For the first time, Interior has a Departmentwide baseline data on the number of items cataloged and on the backlog of uncataloged collections. The number of objects reported as cataloged is a minimum number based on available data. Additional collections at non-Federal repositories may have been cataloged, but precise data are not available in all cases. Information on accessions, deaccessions, and conditions are incomplete. Available information is provided below in individual bureau discussions.

Highlights for 1998 include improved public access to collections, continued documentation of our collections, improved preventive conservation practices, and renewed planning for collections management in all bureaus. New visitor centers were opened by the Bureau of Land Management (National Historic Oregon Trail Interpretive Center, Flagstaff Hill, Oregon), Bureau of Reclamation (New Melones Visitor Center, California, Guernsey Museum at Guernsey Lake, Wyoming; and an exhibit on “Hoover Dam: the World War II Years”), and Fish and Wildlife Service (National Conservation Training Center, Shepherdstown, West Virginia). The National Park Service installed major exhibits in 10 parks and historic furnishings in three parks. The NPS also initiated world wide web exhibits using park collections. Other bureaus maintain web exhibits as well.

The Branch of Museum Services in the Department’s National Business Center is the operations branch of the Interior Museum Program; it operates the Interior Museum, interprets our headquarters building, and provides Departmentwide training and technical assistance to bureaus and offices. The Office of Acquisition and Property Management is the policy branch that develops Departmentwide policies and strategies and provides oversight for the museum programs in all Interior bureaus and offices. Trends in 1998 include increased focus on planning and accountability, increased use of partnerships to improve long-term management of collections, increased public access to the collections, and coordination among Interior museum collections managers.



Museum exhibit on Native American culture at the U.S Fish and Wildlife Service’s National Conservation Training Center in Shepherdstown, West Virginia (photo by FWS).

Figure 65

1998 Interior Museum Property		
Entity	Property Information	Other Information
Bureau of Indian Affairs	<ul style="list-style-type: none"> The Bureau of Indian Affairs reports 681,961 museum objects: 617,773 artifacts at 106 units in the Bureau and more than 64,188 artifacts in 29 non-Federal institutions. 	<ul style="list-style-type: none"> BIA's current focus is on establishing a bureau infrastructure for addressing its backlog in establishing accountability and preventive conservation of collections. Data on 1998 accessions and condition are not available.
Bureau of Land Management	<ul style="list-style-type: none"> The Bureau of Land Management manages most of its collections through partnerships with 189 non-Federal repositories. Total collection size was last estimated at nearly 24 million objects from the public lands; survey numbers need to be revised. 17,942,184 objects are reported to be at the non-Federal repositories, and 5,900,229 objects have been reported in Bureau facilities 	<ul style="list-style-type: none"> Data on 1998 accessions and conditions at non-Federal repositories are not available, although more than 30,000 new catalog records were completed at the Anasazi Heritage Center in Colorado. BLM funded five projects through its Museum Partnership Program, and issued Bureau guidance on managing its paleontology resources, worked with the U.S. Army Corps of Engineers to locate portions of its collections in non-Federal institutions, and partnered with the National Park Service to assess museum collections at a Helium Plant in Amarillo, Texas, formerly operated by the U.S. Bureau of Mines.
Bureau of Reclamation	<ul style="list-style-type: none"> The Bureau of Reclamation reports more than 7,027,306 million museum objects, of which 3,487,188 are in bureau facilities and 3,540,118 are in non-Federal institutions. 	<ul style="list-style-type: none"> Data on accessions and condition are not available. BOR maintained web sites for its art collection and for artifacts from the Central Arizona Project. BOR completed 91 of 108 scheduled action items and drafted comprehensive bureau collections management policies. Requests for exhibit and research loans were processed, and a project on paleontology collections at the Idaho Museum of Natural History was partially funded. Through its compliance with the Native American Graves Protection and Repatriation Act, BOR inventoried 1450 human remains and 61,100 funerary objects at 25 institutions. These items originated at 178 archaeological sites.
Fish and Wildlife Service	<ul style="list-style-type: none"> The Fish and Wildlife Service collections consist of more than 4.4 million objects, of which 841,515 are managed at 135 bureau units, and 3,604,123 are managed at 210 non-Federal institutions. FWS also manages seized and forfeited wildlife specimens and products, which are lent to zoos and other institutions for educational use, and the National Eagle Repository in Denver, CO, which distributes eagle parts and feathers to Indian tribes. 	<ul style="list-style-type: none"> FWS issued comprehensive bureau policies and standards for managing its museum collections, and appointed a FWS Heritage Committee to guide documentation and preservation of FWS history. Assessment of collections in non-Federal institutions led to development of Memoranda of Understanding with institutions in Oregon, Idaho, North Dakota, Montana, and Alaska.
National Park Service	<ul style="list-style-type: none"> National Park Service collections total 73,395,486 million objects, of which 37,988,486 are archival items. Of the total, 70,757,522 objects are housed at 335 park units. 136 non-Federal institutions house 2,637,964 NPS museum objects. 	<ul style="list-style-type: none"> In 1997 (the most recent data available), cataloged 1.7 million items and corrected 1,848 preservation and protection deficiencies in 225 parks. Acquired 1,288,477 items through gifts, exchanges, purchases, field collections, and transfers. Deaccessioned 2,609 items. At current funding levels for correcting deficiencies, 95 percent of the standards will be met in 2046, and backlog cataloging will be completed in 2021. In 1998, completed its migration to enhanced collections management software that will aid the effort. As of 1997, 54% of NPS objects and 32 percent of NPS archives are cataloged. Drafted conservation and archives strategies to address priority needs and provided training in museum basics, collections management software, and management of digital data. NPS conservation survey and treatment needs are estimated at \$47.5 million.
U.S. Geological Survey	<ul style="list-style-type: none"> In fiscal year 1997, 800,000 scientific specimens were transferred from FWS. The U.S. Geological Survey manages a small collection of 63 objects at its National Center. One item is in a non-Federal institution. 	<ul style="list-style-type: none"> Improved lighting of its two large oil on glass paintings that are displayed at the National Center, and continued to assess the Biological Resources Division museum property that was recently transferred from FWS. Survey data on the biological collections have not yet been reported by USGS.
Minerals Management Service	<ul style="list-style-type: none"> The Minerals Management Service maintains a small collection of 54 objects in its administrative offices. 	<ul style="list-style-type: none"> There were no accessions or deaccessions during the year. MMS completed cataloging worksheets and digital photography in preparation for data entry when collections management software is available.
Indian Arts and Crafts Board	<ul style="list-style-type: none"> The Indian Arts and Crafts Board holds 19,805 museum objects at four internal facilities. 	<ul style="list-style-type: none"> Catalog records were transferred from SNAP for DOS to SNAP for Windows collections management software, and training on the new system was completed for IACB staff. Use of interns has accelerated progress on collection documentation projects. A partnership with the State Department's Art-in-Embassies program was initiated.
Department of the Interior Museum	<ul style="list-style-type: none"> The Department of the Interior Museum collections contain 4,763 objects: 1,846 of which are in the Main Interior Building and 2,917 are at a repository managed by the National Park Service. 	<ul style="list-style-type: none"> In 1998, Interior Museum staff improved management of its archives, installed safety glass and improved lighting in 42 exhibit cases, increased its environmental monitoring program through a radio telemetry system, processed exhibit loans, and began planning for major exhibits scheduled for 1999 in conjunction with the Department's 150th anniversary.

All Interior bureaus are working toward compliance with the Department's policies and standards by implementing bureau-specific plans. All bureau plans were revised in 1998 to better reflect current resources available to address the backlog of work that remains to be done. Beyond basic accountability, the Department encourages increasing public access to and use of museum collections in support of Interior's missions.

Library Collections

Interior's natural resources library is composed of two collections. The general collection consists of approximately 950,000 holdings dealing with the broad range of matters related to the Department's mission to use and conserve natural resources and to meet its trust responsibilities toward American Indians and Alaska Natives. The law collection has approximately 100,000 holdings related to natural resources and Native American laws.

The U.S. Geological Survey library collection covers all aspects of the earth science and related interdisciplinary subjects. The collection is intended to be as comprehensive as possible in its coverage of worldwide literature. Holdings include extensive sets of State and foreign geological survey publications, as well as publications from geological and other scientific societies, from universities and institutions, and from other government agencies throughout the world. Special collections include the George F. Kurt collection of books on gems and minerals, the Alvison collection of Russian geology, minerals and mining, extensive photographs taken during USGS field work, and field notebooks and additional material relating to USGS projects. The USGS library contains 1.6 million books and periodicals and 1.3 million non-book items for a total of 2.9 million items. During 1998, 10,000 units were added and 8,000 units were withdrawn from the USGS library collection. Approximately 35 percent of the collection is in good condition, 40 percent is in fair condition, and 25 percent is in poor condition. There is no deferred maintenance related to the library collection.

National Park Service libraries contain 1.2 million books and reports and 4.5 million non-book items for a total of 5.7 million items. The NPS estimates that 10 percent of the library collections are in good condition, 40 percent are in fair condition, and 50 percent are in poor condition. Data are not available on the number of acquisitions and withdrawals for 1998.

Investment in Research and Development

The U.S. Geological Survey Research and Development program was authorized by the March 3, 1897 legislation that created the USGS to provide for the examination of geological structures, mineral resources, and products within and outside the national domain. Earth science research, development, and information is responsible for saving lives and property, safeguarding human health, enhancing the economic vitality of the Nation and its people, assessing resources, characterizing environments, and predicting the impact of contamination.

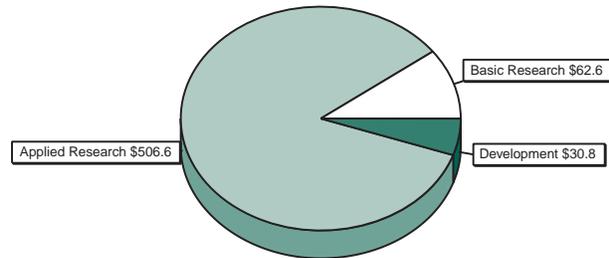


"Hoover Dam: The World War II Years exhibit" (photo by Emme Woodward).

USGS provides the credible, objective, and unbiased information needed by managers of the Nation’s natural resources and resources, including resource managers in Interior. This information aids in solving critical societal problems through research, investigation, application of state-of-the-art geographic and cartographic methods. USGS research assesses and predicts biological consequences of various policies and management practices. Interior’s investment in research and development for the fiscal year ending September 30, 1998, is shown in *Figure 66*.

Figure 66

Investment in Research and Development
(in millions)



Investment in Human Capital

The Bureau of Indian Affairs administers its trust responsibility for education with the long-range goal of promoting healthy Indian communities through life-long learning. This goal is achieved by providing quality educational opportunities from early childhood throughout life, with consideration given to the mental, physical, emotional, spiritual, and cultural aspects of the person served.

Cost includes employee retirement benefits, health benefits, life insurance, and Federal Employee Compensation Act benefits.

The U.S. Geological Survey also accomplishes research and development for other Federal and State agencies under reimbursable agreements. These reimbursable agreements comprise an additional \$160 million—\$9 million in basic research, \$145 million in applied research, and \$6 million in development.

Through various BIA programs, a significant investment in education has been made to help brighten the future of American Indians and Alaska Natives. In addition, Reclamation, Park Service, and the Fish and Wildlife Service provide residential education and job training for disadvantaged youth through the Job Corps program. In 1998, a total of \$546.5 million was expended for American Indian, Alaska Native, and Job Corps education programs (*Figure 67*).

Figure 67

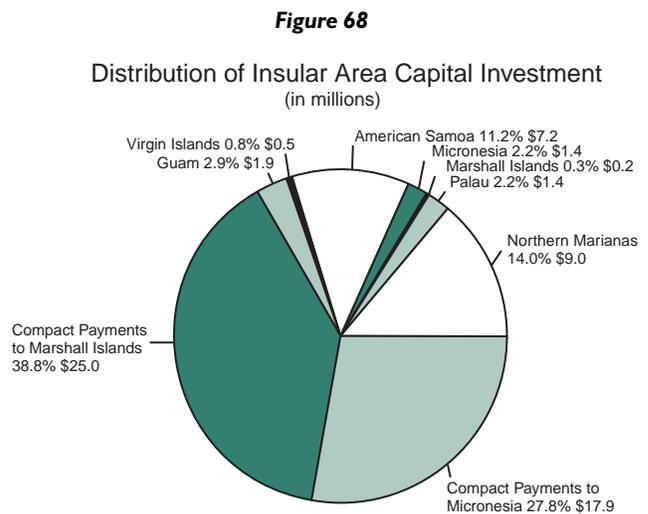
Interior Investment in Human Capital		
Program	Expenses (in millions)	Program Description
Undergraduate Scholarships	\$28.0	Program provides funding for undergraduate scholarship grants
Adult Education	2.4	Program provides opportunities for adult Indians and Alaska Natives to earn their General Equivalency Diploma
Public and Preschool Attendance	17.0	Program provides funding for eligible Indian students to attend public schools and preschool programs
Tribally Controlled Community Colleges	31.0	Program provides funding for community colleges chartered by Tribal governing bodies and governed by local boards of regents
Post Secondary Education	12.7	Program provides funding to the Haskell Indian Nations University and the Southwestern Indian Polytechnic Institute
Other Education	1.4	Program provides funding to Tribal priority education programs
Special Scholarships	1.1	Program provides funding for graduate school and law school scholarships
School Operations	390.1	Program provides funding to BIA-operated, grant-operated, and contract-operated elementary and secondary schools
School Construction and Maintenance	9.5	Program provides funding for school replacements, additions, and repairs
School Storm Damage Repair	1.0	Program provides supplemental funding for school repair resulting from storm damage
Program Management	4.0	Program provides funding for general management
Job Corps	48.3	Program provides funds to train disadvantaged youth
Total	\$546.5	

Investment in Non-Federal Physical Property

The Office of Insular Affairs provides capital improvement grants to U.S. insular areas to assist the islands in developing more efficient and effective government. The capital investment in non-federal physical property in the islands include transportation, schools, water, sewer and power plants, hospitals and solid waste facilities. In 1998, a total of \$64.5 million was expended for capital improvements in the insular areas. *Figure 68* shows the distribution of Interior's capital investment in the insular areas.

The Bureau of Indian Affairs and the Federal Highway Administration jointly administer the Indian Reservation Roads program (IRR), which involves construction and maintenance of approximately 49,000 miles of IRR, of which 24,000 miles are owned by BIA and an additional 25,000 miles are non-BIA owned public roads. In 1998, approximately \$214 million was expended on 1,544 projects in this program. These projects reflected road construction and road maintenance work on 4,013 miles of roads and 5,825 bridges.

The National Park Service also incurs non-federal physical asset expenditures. During fiscal year 1998, the NPS identified over \$71 million in non-federal physical asset expenditures, of which \$59.1 million were incurred during fiscal years prior to 1998. Of the \$71 million, approximately \$32.2 million was used for major renovations at Independence Hall, which is owned by the City of Philadelphia, Pennsylvania.



Bureau Highlights



National Park Service Highlights

Introduction

With its variety of sights and sounds available to the inquisitive visitor, the National Park Service (Park Service or NPS) takes great pride in preserving the Nation's collective shared natural, cultural, and historical heritage. In its 82nd year of existence, the National Park System remains the premier park system of the world. Its parks are visited by approximately 275 million visitors a year and are served by nearly 25,000 dedicated employees of the National Park Service and over 100,000 volunteers.



Avenue of the Flags at Mount Rushmore National Museum displays flags of all States, territories, and possessions of the United States (photo by Kathy Poole).

Dedicated to Mission

Park Service Mission

"To 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."

In response to eight decades of expanding and changing responsibilities, the Park Service's National Leadership Council reaffirmed the NPS commitment to preserve the Nation's heritage through the wise stewardship of the national parks and monuments and by providing partnerships and assistance programs to others by adopting a comprehensive mission statement in the NPS Strategic Plan.

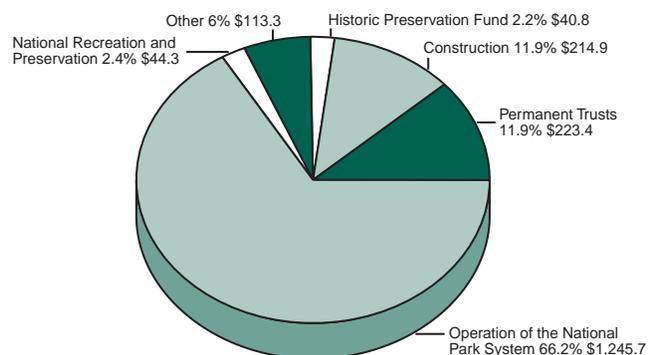
As articulated in the Strategic Plan, the mission goals of the Park Service fall into four primary categories: (1) preserve park resources; (2) provide for the public enjoyment and visitor experience of parks; (3) strengthen and preserve natural and cultural resources and enhance recreational opportunities managed by partners; and (4) ensure organizational effectiveness. The broad spectrum of responsibilities associated with the Park Service's mission goals reflects the diversity of NPS programs and activities. By involving all levels of employees as well as customers and stakeholders in the strategic plan process, the National Park Service has produced a vision appropriate for the next millenium.

NPS Funding

The NPS receives most of its funding from congressional appropriations. In addition, there are a number of permanent, indefinite appropriations and trust funds that automatically become available to the NPS without the need of action by Congress through the appropriations process.

1998 NPS Budget Authority

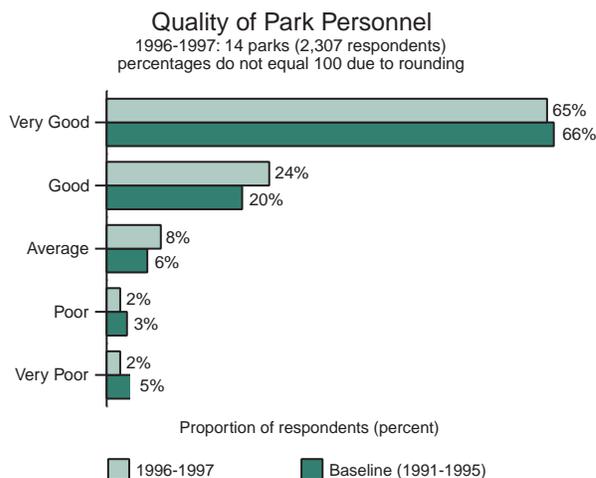
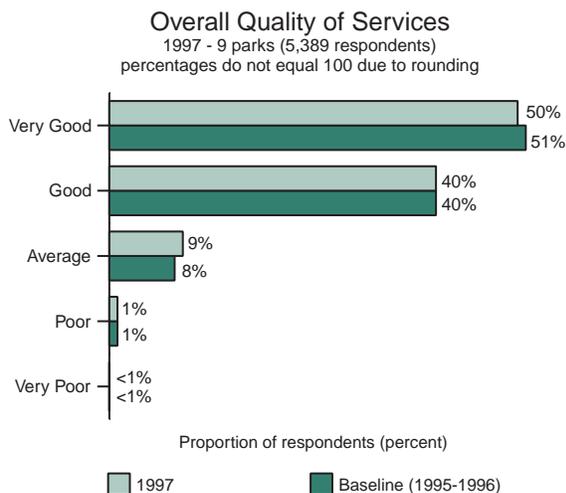
(in millions)



Total Budget Authority - \$1,882.4

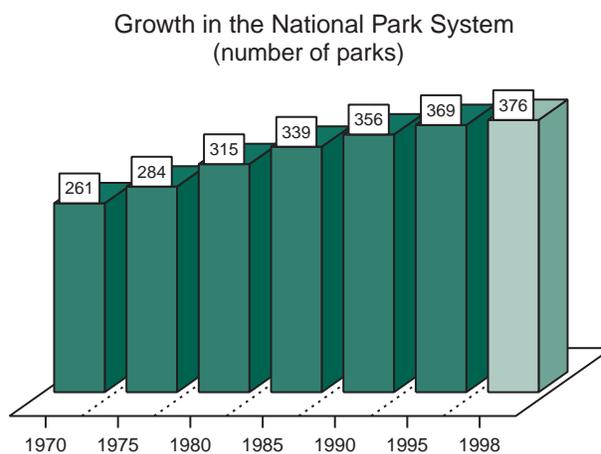
NPS Staffing

In 1998, the Park Service used 19,421 full-time equivalents (FTEs), a 3.2 percent increase in use over the previous fiscal year. The growth in personnel, which is entirely at the park level, was a result of increased park funding provided in 1998 coupled with the huge increase in funding available through the Recreation Fee Demonstration Program. The FTE count equates to an on-board strength of nearly 25,000 employees during the summer months when visitation is at its peak.



1998 Highlights

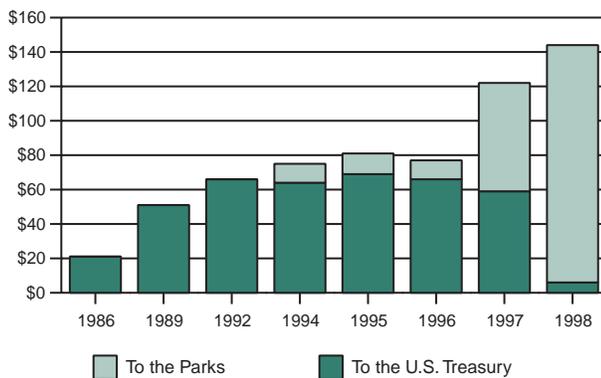
The National Park Service furthered its commitment to the people and the parks in 1998. Revenue from the Recreation Fee Demonstration Program continued to provide money to the parks for backlogged health and safety projects and other critical resource requirements. Exciting partnerships between NPS and interested parties provided additional revenues for park improvements. An initiative addressing vanishing archaeological and historical treasures in southwestern parks was launched. Progress continued to be made in identifying, evaluating, and determining the significance of cultural resources in all units of the National Park System, and the Park Service continued to develop appropriate technologies to share its information with the public.



Recreation Fee Demonstration Program

The collection of admission and recreational use fees in the National Park System has a long history. In 1908, Mount Rainier National Park was the first park to admit automobiles and collect an auto permit fee at an annual cost of \$5. By 1915, Crater Lake, Glacier, Yosemite, Sequoia, Mesa Verde, and Yellowstone National Parks had initiated fees. In 1916, the year the National Park Service was established, per visit fees ranged from \$2 at Glacier to \$10 at Yellowstone. This long tradition of entrance and use fees has been accepted by the park visitor. NPS makes use of the point of contact of fee collection, usually at the park entrance, to provide crucial park information and orientation. At present, 204 of the 376 park units collect entrance fees and/or user fees.

National Park Service Recreation Fee Collections: Where the Fees Go (\$ in millions)



cretionary distribution to parks across the National Park System. In 1998, recreation fee revenues to the National Park Service totalled over \$137 million.

Preservation through Partnerships

General Electric (GE) announced a \$5 million donation to the Edison National Historic Site in West Orange, New Jersey, on July 14, 1998. At a national television broadcast from the park that day, GE Chairman Jack Welch spoke of the debt GE and other corporations owe to the great inventor. The partnership with GE will allow the NPS to fully restore Building #5 at the site, enabling visitors to reach the second and third floors of that building for the first time. Previously closed to the public, those floors contain the spaces in which early motion pictures and sound recordings were made. First Lady Hillary Rodham Clinton visited the site that day as part of the first tour in her Millennium Project. The Millennium Project is Mrs. Clinton's effort to preserve America's historic treasures before the turn of the next century.



First Lady Hilary Rodham Clinton, GE Chairman Jack Welch, and Park Service Director Bob Stanton with Superintendent of Edison National Historic Site Maryanne Gerbaukas on the third floor of Mr. Edison's Main Lab Building (photo by Edison NHS).

Vanishing Treasures

The Vanishing Treasures Initiative is designed to address the severe deterioration of ancient and historic ruins in the Southwest. With \$1 million provided in 1998, six emergency projects were funded, along with eleven permanent positions at eight parks. Projects were undertaken at Aztec Ruins National Monument, Chaco Culture National Monument, parks in the Flagstaff unit (Wupatki, Walnut Canyon, and Sunset Crater National Monuments), Tonto National Monument, Tumacacori National Monument, and Salinas Pueblo Missions National Monument.

Museum Collections

The NPS mission goal to preserve park resources includes several specific activities to preserve natural, cultural, and historic objects. One program relates to the NPS museum collections that reflect the Nation's heritage. The collections of the National Park Service comprise over 35 million archaeological, ethnological, historical, biological, paleontological, and geological objects and nearly 38 million manuscript and archival documents. The number of items maintained by the NPS has grown in the past year by over 2 million. To date, 54 percent of the objects and 32 percent of the manuscript and archival documents are cataloged and available for use. Collections from over 300 units of the National Park System are maintained in parks, at six NPS cultural resource centers, and at 136 non-Federal repositories.



Park Service stabilization workers repaired an interior room of Arizona's Wupatki National Monument as part of the Park Service Vanishing Treasures Initiative (photo by Monty Roessel).



Bureau of Indian Affairs Highlights

Introduction

The Bureau of Indian Affairs (BIA) is the primary agency of the Federal government charged with the responsibility to administer Federal Indian policy and to discharge the Federal trust responsibility for American Indian Tribes, Alaska Natives, and tribal organizations. Federal Indian policy and the trust responsibility are derived from the special legal and political relationship between the Tribes and the Federal government. Across the Nation, there are 558 Federally recognized American Indian and Alaska Native Tribes. While the Tribes are as different as the lands they occupy, each retains inherent governmental authority derived from their original sovereignty.

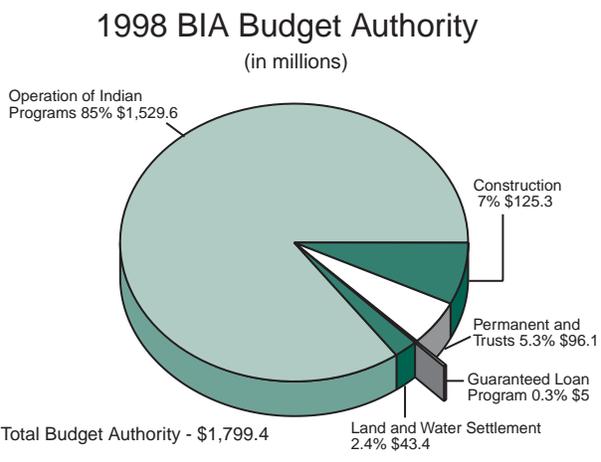
BIA Mission

"To fulfill trust responsibilities and promote self-determination on behalf of Tribal Governments, American Indians, and Alaska natives."

Today, the BIA provides services directly, or through self-determination contracts, grants, and compact agreements with Tribes, to more than 1.2 million American Indians and Alaska Natives in 31 States. The scope of BIA programs is extensive, covering virtually the entire range of State and local government services, including:

- elementary, secondary, and post-secondary education
- social services
- law enforcement
- judicial courts
- business loans
- tribal government support
- forestry, agriculture, and rangelands development
- water resources
- fish, wildlife, and parks
- roads and housing
- adult and juvenile detention facilities
- irrigation and power systems
- land and heirship records

More important, BIA's programs are funded and operated in a highly decentralized manner, with more than 90 percent of all appropriations expended at the local level and an increasing amount controlled by Tribes and tribal organizations under contracts or self-governance compacts. In addition, BIA administers more than 43 million acres of tribally-owned land, over 11 million acres of individually owned land held in trust status, and 443,000 acres of federally owned land.



The BIA's most basic responsibilities are fulfilling its trust obligations and facilitating tribal self-determination. However, while the protection of trust resources is a fundamental responsibility, tribal communities struggling to meet the basic needs of their communities must compete for the same limited resources BIA uses to protect trust resources. The BIA's success relies on judiciously balancing these competing needs.

Indian Self-Determination and Self-Governance

Consistent with the Government Performance and Results Act (GPRA), a primary objective of the BIA is to support the sovereignty, self-determination, and self-governance of federally recognized Indian Tribes. The Indian Self Determination and Education Assistance Act of 1974 (Public Law 93-638, as amended) authorizes tribal governments and organizations to operate Federal programs under contract, grant, and compact agreements. Under these agreements, Tribes deliver program services to their members and have the flexibility to reallocate program resources to meet their local needs and priorities. The number of Tribes operating Federal programs under self-determination contract or grant agreements has increased significantly over the past six years, from an estimated 317 Tribes in 1991 to 449 Tribes in 1995. In 1996, a large number of those Tribes chose to convert from contract and grant agreements to the more flexible self-governance compact agreements; 34 percent of all Tribes, including most of the Alaska Native villages, entered into compact agreements. In 1998, 37 percent of the Tribes were under compact agreements.



Jalesa Lee Eriacho climbs a wall while parents Alex and Dawn watch proudly (photo by Eastern Navajo Mountain High Program).

In 1998, BIA obligated \$1.107 billion to Tribes and tribal organizations under self-determination contracts, grants, and compacts, accounting for 50.1 percent of all obligations. For the Operation of Indian Programs and Construction accounts, the total obligations under contracts, grants, and compacts have continued to grow reaching more than \$957 million in 1998 and comprising 54.6 percent of the total obligations.

Tribal Services

BIA continues to make progress on the Delegation of Authority Initiative. This initiative delegates authority for the administration of non-construction contracting under the Indian Self-Determination and Education Assistance Act to the lowest level of BIA. Presently, there are 46 agencies and 2 field offices authorized to administer self-determination contracts under a delegation of authority from Area Directors. Fiscal year 1998 was a year for consolidation and planning for the strengthening and expansion of the initiative. Efforts will continue in 1999, focusing on providing increased training on BIA policies, practices, procedures, and regulations.

Education

Nearly one-third of BIA's annual appropriations in the Operation of Indian Programs account support Indian education. These funds provide elementary and secondary education and residential programs for Indian students not served by public and sectarian schools; residential care for some Indian students attending public schools; and special services to meet the needs of Indian students in such areas as early childhood development, bilingual education, counseling, and guidance. Johnson-O'Malley Education Assistance Grants provide special education programs for Indian students attending public and private schools. BIA also operates two post-secondary schools—Haskell Indian Nations University and Southwestern Indian Polytechnic Institute—and provides financial support to 25 Tribally Controlled Community Colleges (TCCCs). Scholarship programs assist Indian students in pursuing undergraduate and graduate degrees at public and private colleges and universities. Adult education programs are also available for high school equivalency diplomas.

Elementary and Secondary Education:

About 90 percent of all Indian elementary and high school students attend public or private schools, with the remaining 10 percent attending BIA-funded schools. During the 1997-98 school year, BIA's school operations programs supported 185 schools; these schools served more than 50,000 students. The BIA directly operated 79 of these facilities, while the Tribes operated 106 facilities under self-determination grants and contracts. Most school operations funds are allocated by three program formulas: Indian School Equalization Program (ISEP), Student Transportation, and Administrative Cost Grants for the tribally operated schools. ISEP supports the basic instructional activities of the schools, with funds being allocated according to weighted student units (WSUs). Students are assigned weights that reflect the relative costs of different grade-levels and special education programs.



"Circle Time" - A teacher reads a story in a Navajo classroom (photo by Ramah Navajo FACE Program)

Since the 1993-94 school year, BIA schools have had an average growth rate of approximately 3 percent in the number of students and 3.5 percent in the number of weighted student units. The annual ISEP allocations have increased an average of about 2.9 percent per student and 2 percent per WSU. The ISEP formula program has kept pace with recent increases in service population and has partially covered inflationary cost increases.

Since the 1993-94 school year, BIA schools have had an average growth rate of approximately 3 percent in the number of students and 3.5 percent in the number of weighted student units. The annual ISEP allocations have increased an average of about 2.9 percent per student and 2 percent per WSU. The ISEP formula program has kept pace with recent increases in service population and has partially covered inflationary cost increases.

In the 1997-98 school year, 95.5 percent of BIA-funded schools met State, regional and/or BIA academic standards. State and regional accreditation requirements usually exceed the academic standards that BIA has established as a minimum criteria for its funded schools. Among the BIA's special education programs, the Family and Child Education (FACE) Program has received national and international recognition since it was initiated in 1991. FACE provides educational training to preschool children, their parents, and school staff. More than 1,800 families participated in this program at 22 school sites during the 1997-98 school year.

Post-Secondary Education: The Haskell Indian Nations University in Lawrence, Kansas, and the Southwestern Indian Polytechnic Institute in Albuquerque, New Mexico, provide a variety of educational opportunities for Indian students at the college level to prepare them to enter four-year colleges and universities. These national institutions attract Indian students from throughout the United States. TCCCs are chartered by tribal governing bodies, governed by local boards of regents, and promote educational goals that are compatible with the needs of the Tribe and its members. In 1998, there were 25 TCCCs eligible for Federal assistance. Most funds are distributed based on the number of enrolled students and their credit hours. Some Tribes supplement the Federal grant for their TCCC through their Tribal Priority Allocations (TPA) funding.

Scholarships: Undergraduate scholarship assistance is provided through funds available in TPA. In TPA, the Tribes set funding priorities for the various programs based on local needs and priorities. The scholarship programs may be administered by the BIA's agency or area offices or operated by the Tribes under self-determination contracts, grants, or self-governance compacts. While all Indian students attending accredited post-secondary institutions are eligible to apply, the amount of an award is based on each student's certified financial aid requirement for Title IV Federal assistance, such as the Pell Grant and National Direct Student Loan Program.

Adult Education: Tribes also support continuing adult education through the TPA program. Tribal members are encouraged to attend courses that prepare individuals for the General Education Development examination, and that provide employment skills such as drivers training, typing and computer literacy, as well as basic skills such as household budgeting and State and Federal tax forms preparation. In 1998, the Tribes allocated \$2.7 million to support adult education.

Economic Development

The BIA provides financial assistance to American Indian Tribes, Alaska Natives, and individuals for the establishment, acquisition, or expansion of business enterprises on or near American Indian reservations, or land held by Alaska Natives incorporated under the provisions of the Alaska Native Claims Settlement Act, as amended. This financial assistance helps Tribes, corporations, and individuals achieve greater economic self-sufficiency in their communities and expands employment opportunities for tribal members and Alaska Natives. Financial assistance is made available through the Indian Loan Guaranty Program as authorized by the Indian Financing Act of 1974 (P.L. 93-262), as amended.

In 1998, the BIA awarded and subsidized 31 new loan guarantees for a cost to the government of approximately \$3.5 million. BIA's subsidy provided leverage for a total of \$26.8 million of private sector funding for businesses that created or sustained 415 jobs. American Indian Tribes and Alaska Native Villages received 86 percent of the total capital provided for various businesses, including oyster farming, convenience stores, medical clinics, apartments to rent, and manufacturing facilities. Individual Indians received the remaining 14 percent of total capital for a travel agency, a restaurant, a trucking company, and a fishing vessel, and other businesses.

Law Enforcement

In 1998, the groundwork was laid by the BIA and the Department, the Department of Justice, and the Administration, to begin a major initiative to halt the escalating crime rates in Indian country through increased staffing levels and increased appropriations. An Executive Committee for Indian Country Law Enforcement Improvement was appointed, consisting of tribal leaders and officials from BIA and the Department of Justice. The Committee issued a detailed report in October 1997, which was primarily based on tribal leader testimony at consultation sessions. It became clear that Indian communities lack basic police services other American communities take for granted. To begin focusing on avenues for alleviating the problem, a solid partnership was established with the Department of Justice in 1998 to focus on improving the delivery of services to Indian communities. This partnership serves as the primary foundation for the Presidential Initiative on Law Enforcement in Indian country. It has brought attention to the need for significant improvements in the delivery of basic law enforcement services. In 1998, a total of approximately \$80 million was appropriated for law enforcement in Indian country, providing appropriations for 203 law enforcement programs across the Nation.



Harvesting greens in a bio-intensive demonstration garden (photo by Ramah Navajo FACE Program)

Trust Lands and Resources Management

The BIA's trust lands and resources management programs protect, develop, and enhance the management of over 56 million acres of Indian trust lands, including all ownership interests and rights to surface and subsurface resources, for the benefit of Tribes and their members.

Forest Resources Management and the President's Forest Plan: A major responsibility of the BIA is maintaining Indian trust forestlands in a perpetually productive state. The BIA assists Tribes and individual Indian forest landowners in managing, developing, and protecting their forest resources through the use of sound ecosystem, silvicultural, and economic principles. These activities provide employment for and revenue to the Indian owners. The BIA is responsible for presale, contract compliance, and other administrative activities associated with the sale of forest products. During 1998, an estimated 650 million board feet of timber with a value of \$130 million was harvested. The application of silvicultural treatments to Indian commercial forests land is necessary to maintain these lands at their full productive level. Forest development activities include preparing sites for reforestation, planting tree seedlings, and maintaining optimal stocking levels (timber stand improvement) to protect forest health. During 1998, an estimated 15,000 acres were planted and approximately 65,000 acres were improved.

Long-range forest management planning is essential for maintaining Indian forests in a perpetually productive state while harvesting timber resources to achieve tribal economic development goals. Planning is an ongoing process that responds to changing tribal needs. One hundred ninety-one Indian reservations require forest management plans. During 1998, 10 forest management plans were completed and an estimated 6 forest management plans expired. The total number of current plans increased to an estimated 75.

BIA participation in the President's Forest Plan has two main components: ecosystem restoration projects and timber harvest initiatives in the Pacific Northwest and Northern California regions. Ecosystem restoration projects improve the quality of fish and riparian habitats in watersheds and streams. During 1998, approximately 175 miles of streams were enhanced and an estimated 70 jobs were created for displaced forest workers. The harvesting of additional timber from Indian forests increased wood supplies for the domestic and export markets and helped the Northwest commercial economy recover from the court-ordered restrictions on timber harvests on Federal lands. During 1998, Indian Tribes received an estimated \$50 million from the additional 100 million board feet of timber that was harvested. Approximately 20 additional jobs were created on or near Indian reservations.

Agricultural and Rangeland Management: The BIA provides technical assistance to the Tribes and over 125,000 Indian operators and producers on improving agriculture and rangeland management practices. Indian irrigation and power systems also support the agricultural and rangeland economies. With about 85 percent of Indian trust lands in active production, Indian operators and producers use about 45 percent of the irrigated acreage, 30 percent of the dry farming acreage, and 75 percent of the rangelands. The remaining lands are leased to non-Indian operators and producers, with emphasis placed on further development of Indian agricultural resources.

Mineral Resources Management: The BIA provides technical assistance and information through geological and economic studies and marketing and training programs to support Indian landowners seeking to manage and develop their mineral resources. The program has been especially active in promoting the production of oil, coal, precious metals, granite, gypsum, sand and gravel, and natural gas resources on Indian lands nationwide that have been identified through four phases of mineral assessment studies. Nationwide revenues from mineral royalties, rents, and other revenues on Indian lands increased from \$166.8 million to \$213.8 million during calendar year 1997. Revenues during the second quarter decreased by \$5.0 million due to a drop in oil prices.

The BIA administered 3,771 mineral leases, licenses, permits, and applications on 1.9 million acres of Indian lands. Indian minerals agreements, and leases continue to have a higher average royalty rate than Federal on-shore leases due to geotechnical studies performed prior to leasing, availability of large blocks of land, and effective negotiations by the major oil and gas-producing Tribes.

Environmental and Cultural Resources Management: The BIA is responsible for environmental and cultural resources management on 56 million acres of Trust lands. The BIA and the Environmental Protection Agency (EPA) have signed a Compliance Assistance Project Memorandum of Understanding, under which EPA will pay to have environmental audits performed at four to six BIA facilities and BIA will undertake corrective actions. The audits will count toward the BIA's progress in meeting a Departmental mandate to institute an auditing program and conduct baseline audits of 100 percent of facilities by the end of 2002. The BIA has formed a workgroup, composed of BIA staff from various parts of BIA and tribal representatives, to develop its ongoing audit program. Major accomplishments during 1998 were achieved in the area of Natural Resource Damage Assessment and Restoration (Restoration Program) on Indian lands. For example, the Washoe Tribe of California and Nevada has taken the responsibility as the Lead Administrative Trustee and the BIA is about to assume the role as Authorized Official, at the Leviathan Mine Site. A Multiple Response and Restoration Program Agreement was established with the responsible party, and remedial action and damage assessment activities are in progress. A nationwide review of Superfund sites in Indian country was also accomplished and work to determine an Restoration Program position at these locations is ongoing.

Real Estate Services: The BIA has significant responsibilities for the management and administration of 56 million acres of tribally owned land and land owned by individual Indians. Major functions include leasing and permitting, lease compliance, rights of way, land acquisition and disposal, preparation and administration of probates, and land records. These activities provide Indian landowners with essential data and assistance to support the management and development of their surface and subsurface land resources, consistent with the trust management role of the Federal government. Trust land leasing activities are a major part of the real estate program and provide a major source of income to owners.

The General Allotment Act of 1887 transferred Indian lands in 40, 80, and 160-acre parcels to individual tribal members and families and opened the remainder of tribally owned lands to non-Indian settlement, resulting in checkerboard patterns of Indian and non-Indian ownership. Over 100 million acres of the Indian trust land base was lost between 1887 and 1934 when enactment of the Indian Reorganization Act of June 18, 1934, stopped further allotment of tribal lands. As the land allotted to individual Indians passed from generation to generation, ownership often has been divided among an increasing number of heirs. It is common for as many as 100 to 300 individuals to hold undivided interests in a single allotment. This division of ownership interest is referred to as fractionation. Currently, it is estimated that there over one million fractionated interests, with many of these interests at two percent or less. Secretary Babbitt submitted a draft bill "...to reduce the fractionated ownership of Indian lands..." to the Congress recommending that the bill be enacted. If enacted, this legislation will reduce further fractionation of ownership in Indian allotments.

Facilities Management

The BIA's Facilities Management and Construction program covers the construction, renovation and repair, maintenance, and operation of educational facilities, residential dormitories, law enforcement, employee quarters, utility and telecommunications systems, and site maintenance. It also oversees the leasing of space for BIA operations where BIA-owned facilities are not available. The management and administration of the BIA's facility program involves many diverse functions that were transferred from the Department to BIA in October 1997. The BIA's Facilities Management and Construction Center is responsible for managing BIA's facilities programs, which includes construction, repair, and operations and maintenance for buildings and other related

facilities such as utility systems, roads, and grounds needed to carry out BIA-funded programs and functions. In 1998, the BIA made tremendous progress in reducing the unobligated balance in its construction projects, mainly because of an increasing emphasis on tribal contracting and grants for projects. The unobligated balance at the end of 1998 was the lowest in seven years—71.1 percent of funds totalling \$158.3 million were obligated.

Deferred Maintenance

In 1998, the BIA began an assessment of its deferred maintenance on a nationwide basis. It was found that over \$8.8 billion was required to meet the maintenance needs of its buildings, schools, detention centers, roads, and bridges. This is in sharp contrast to the \$359.5 million appropriated to BIA in 1998 for these maintenance needs.



Learning computer keyboard skills (photo by Bureau of Indian Affairs)



Fish and Wildlife Service Highlights

Introduction

Since before recorded history, fish and wildlife resources in the United States have been an integral part of human life. We know that the earliest Americans depended on fish and wildlife for both life sustenance and spiritual nourishment. The kinship of aboriginal Americans to these resources is seen today in their religious and cultural activities. The sea turtle is viewed as the symbol of eternal life with the great creator. Salmon and other anadromous fishes were and still are celebrated as symbols of the renewal of life. Wildlife served as the spiritual connection with one's ancestors and the creator of all life.

FWS Mission

"To conserve, protect, and enhance fish and wildlife and their habitats for the continuing benefit of the American people."

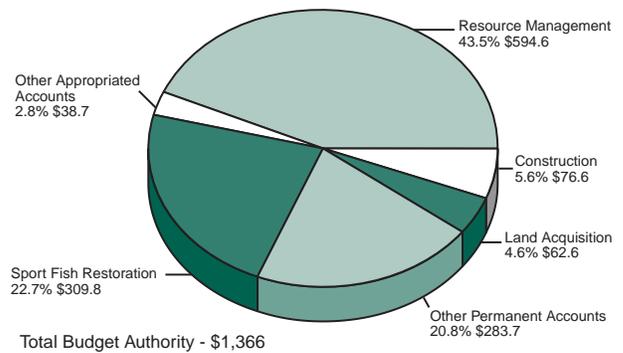
When settlers came to America, they found a land teeming with wildlife. Like Native Americans, they depended on the land's rich wildlife heritage for food and clothing. The new settlers fully intended that freedom to hunt for food and to secure water for life would be the right of all, regardless of heritage or status. The framers of our Constitution recognized this and placed great emphasis on natural rights and natural laws. Because of the American ideal to respect fish and wildlife as a resource available for the use and enjoyment of all, it is revered as a public trust resource—a resource deserving the public's attention and participatory guidance.

The U.S. Fish and Wildlife Service (Service or FWS) has the privilege of being the primary agency responsible for the protection, conservation, and renewal of these resources for this and future generations. As such, the Service provides expert leadership for fish and wildlife conservation that will help provide a healthy environment for fish and wildlife as well as people and that will help Americans understand, conserve, and enjoy the outdoors.

The Work of the Service

By law and treaty, the Service has national and international management and law enforcement responsibilities for migratory birds, threatened and endangered species, fisheries, and many marine mammals. Committed to the conservation of species throughout the Nation and the world, the Service recognizes that human involvement in conservation action is critical to the sustainability of wildlife populations and their habitats. The goal of the Service is to work with the Federal, State, tribal and global communities to form partnerships that conserve fish and wildlife, regardless of political boundaries. For this reason, the work of the Service grows more complex and critical every day.

1998 FWS Budget Authority
(in millions)



Partnerships

Partnerships ensure a unified approach in conserving aquatic and terrestrial environments for the continuing benefit of recreational, commercial, and subsistence interests. In a broader context, these cooperative management efforts benefit aquatic and terrestrial species that depend on healthy aquatic ecosystems. The result is a greater commitment to conservation through internal teamwork and external partnerships.



Plant study (photo by FWS).

To benefit fish and wildlife habitat, the Service forges partnerships among government agencies, private entities, or individuals to restore habitat, improve conservation planning, and provide wetlands data. For example, Habitat Conservation Plans (HCPs) allow the development of private land while protecting threatened and endangered species and their habitats. Habitat Conservation Plans allow the Service to work with industry, States, communities, and individuals to balance the need for economic growth with the need to protect habitats for vulnerable species. Another important component of habitat protection is the concept of integrated pest management (IPM). Many cooperative IPM efforts bring the Service together with State and local agencies to determine the most effective methods to control vector-borne diseases while minimizing harm to wetlands species and their habitats. In addition, the Service, as part of the Department's National Irrigation Water Quality Program, enters into agreements with State and local water development commissions to eliminate contaminated water and improve poor quality habitat and the biological health of affected species while meeting the needs of the agricultural community. Further, the Federal Aid in Sport Fish Restoration and the Federal Wildlife Restoration Programs, both administered by the Service, have been mainstays of State fish and wildlife resource management efforts and have resulted in significant conservation of fish and wildlife populations and restoration of habitat throughout the Nation.

Many of the Nation's and the world's native fish and wildlife populations are declining or are at historic low levels due to habitat degradation, introduction of nonindigenous species, poor land management practices, or urbanization. In partnership with other Federal, State, tribal, and international governments, as well as a variety of private interests, the Service is contributing to the restoration, enhancement, and protection of nationally and internationally significant fish and wildlife resources and ecosystems. Service biologists contribute technical expertise and resources to cooperative efforts that result in on-the-ground conservation actions that benefit fish and wildlife species throughout the world. For example, the Service contributes to Partners in Flight regional conservation plans that offer local land managers and other decisionmakers a "road map" of actions that need to be taken to preserve the rich diversity of bird life in the United States. In addition, work with international partners in the North American Waterfowl Management Plan has resulted in a long-term strategy to protect and restore habitat throughout the continent for waterfowl and other wildlife that use wetlands. Further, the Service supports the Convention on International Trade in Endangered Species (CITES), which has resulted in the recognition that international commercial trade in live plant and animal specimens can lead to disastrous introductions of alien species into new habitats, resulting in the decline of resident populations. CITES work brought added protection to the sturgeon through the cooperation of the major caviar exporting countries of Russia and Iran. The United States, once one of the largest ivory consumers in the world, demonstrated its concern for African elephants through the African Elephant Conservation Act sponsored by CITES.

Stewardship

As a land manager, the Service provides stewardship for lands in all 50 States, some of the Pacific Islands, the Virgin Islands, Guam, and Puerto Rico. The Service manages over 93 million acres in the National Wildlife Refuge System (NWRS), which includes 516 refuge units, 199 Waterfowl Production Areas, and 50 coordination areas. Lands managed within the NWRS are used to conserve and manage fish, wildlife, and plant resources for the benefit of present and future generations. The habitat protected is as diverse as the wild things living there. Service stewardship lands protect tundra, grasslands, deserts, forests, rivers, marshes, swamps, and remote islands—virtually every type of habitat and landscape found in the United States. The fish and wildlife that live on refuges are the heritage of a wild America. The Service watches over 700 kinds of birds, 220 mammals, 250 reptiles and amphibians, and 200 kinds of fish. They come as flocks, herds, coveys, gaggles, schools, pairs, and loners. More than 255 threatened and endangered species are found on Service lands, and it is on refuges and in hatcheries that they often begin their recovery and hold their own against extinction.



FWS employee with with red wolf pups (photo by George Gentry).

Stewardship of the Nation's fishery and aquatic resources, through the National Fish Hatchery System (NFHS), has been a core responsibility of the Service for over 120 years. Although the Service does not own all the lands and facilities in the NFHS, the Service participates in managing units within the NFHS, which is composed of National Fish Hatcheries, Fish Health Centers, and Fish Technology Centers. Lands and facilities within the NFHS comprise 67 hatcheries located within 34 States and 16 other fish facilities located throughout the United States.

Recreation and Training

In addition to conservation, restoration, and management of fish and wildlife resources and their habitats, the NWRS and the NFHS provide recreational opportunities to the public, including fishing, hunting, hiking, and birdwatching. Because of the public's growing interest in fish and wildlife and natural resource conservation, the Service is responding with increased emphasis on environmental education. The Service strives to ensure that its employees deliver consistent, effective conservation messages to the public and the conservation community. Through its new National Conservation Training Center in West Virginia, the Service has trained thousands of conservation professionals representing over 100 different organizations and 20 countries.

The Service has a proud tradition of working with its partners throughout the Nation and the world to effect solutions that benefit fish and wildlife resources and the habitat upon which they depend for survival. In 1998, as in every other year before, the Service has enjoyed the increasing support of the Congress, the President, and the American public so that we can all work to benefit our natural heritage. We look forward to continuing to build and nurture new and existing cooperative programs so that fish and wildlife management remains a useful and productive tool for conserving our valued fish and wildlife resources for future generations.



Bureau of Land Management Highlights

Introduction

The BLM of Land Management (BLM) manages 264 million acres of public lands—about one-eighth of the land area of the United States—and approximately 300 million additional acres of subsurface mineral estate. The BLM manages more public land acreage than any other Federal agency, putting the BLM in a unique position to manage and protect our Nation’s priceless natural and cultural heritage.

BLM Mission

"To sustain the health, diversity, and productivity of the Nation's public lands for the use and enjoyment of present and future generations."

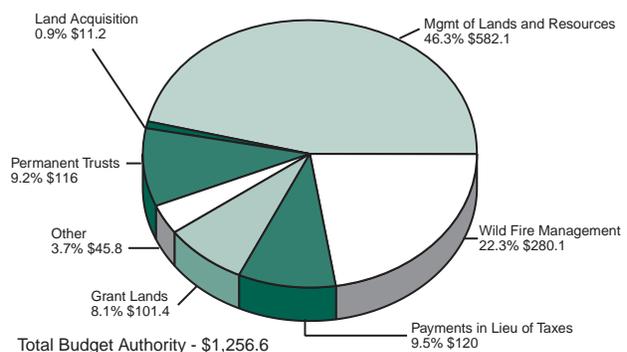
The lands administered by the BLM are some of the most ecologically and culturally diverse and scientifically important Federal lands. The BLM is responsible for protecting and preserving paleontological, archaeological and historical sites; wild free-roaming horses and burros; wilderness and wilderness study areas; wild and scenic rivers; rare, vulnerable, and representative habitats, plant communities, and ecosystems; and numerous other outstanding natural and cultural areas.

Providing Opportunities for Environmentally Responsible Recreation

Studies indicate that 94.5 percent of the U.S. population participates in some form of outdoor recreation. These studies also reveal that the demand for recreation will continue to expand as America’s population increases. Visitation to BLM public lands in 1997 (the most recent year for which data is currently available) was 61 million visits, resulting in nearly 72 million visitor days of recreation use.

The BLM public lands provide visitors with a vast array of recreational opportunities. These include hunting, fishing, camping, hiking, boating, hang gliding, off-highway vehicle driving, mountain biking, birding, and visiting natural and cultural heritage sites. The BLM administers 205,000 miles of fishable streams, 2.2 million acres of lakes and reservoirs, 6,600 miles of floatable rivers, over 500 boating access points, 64 National Back Country Byways, 300 Watchable Wildlife sites, and thousands of miles of multiple use trails used by motorcyclists, hikers, equestrians, and mountain bikers.

1998 BLM Budget Authority
(in millions)



The BLM’s Recreation Fee Demonstration Program increased from 10 projects in 1997 that collected \$419,000, to 67 fee projects in 1998 that collected \$3.5 million. The BLM also worked hard to provide electronic recreation information to the public, participating in the award-winning *recreation.gov* site and playing a lead role in the Public Land Information Center websites. Additionally, the BLM produced a CD-ROM “People of the Past,” which helps people better understand the value of, and the need to protect, cultural resources. Finally, the BLM continued working with Western gateway communities to develop a common strategy for sustainable tourism and related economic development.

Providing Opportunities for Environmentally Responsible Commercial Activities

The public lands provide myriad opportunities for commercial activities. Commercially valuable natural resources include energy and mineral commodities, forest products, grazing forage, and special uses such as rights-of-way for pipelines and transmission lines. The BLM recognizes the Nation's need for a domestic source of energy, minerals, food, timber, and fiber from the public lands.

During 1998, the public lands produced 31 percent of the Nation's coal, 11 percent of its natural gas, and 5 percent of its oil. These lands also produce a large portion of the Nation's fertilizer minerals, mineral materials, gold, silver, and other metals.

Timber production and livestock grazing are also important uses of the public lands. Approximately 260 million board feet of timber were sold from the public lands, most (97 percent) coming from Oregon. Livestock grazing on the public lands is central to the livelihood and culture of many local communities. In 1998, the BLM authorized livestock grazing for more than 17,000 operators on about 164 million acres public land in 16 western States, providing 10.1 million animal unit months of grazing.

Other commercial uses include rights-of-way and other permits and leases. This year over 5,000 rights-of-way actions were processed, resulting in 2,719 grants issued to companies to use public lands for roads, pipelines, transmission lines, and communication sites. Many of these provide for the basic infrastructure of society, meeting the needs of local cities and towns.

As the table to the right shows, the estimated 1998 market value of production occurring on the public lands was \$11.8 billion, 99 percent of which was derived from energy and minerals. The direct and indirect economic impact of all commercial activities amounted to \$26.3 billion. Of the total of \$ 1.3 billion in annual revenues derived from BLM-managed lands, energy and minerals generated over \$ 1.2 billion from mineral royalties, rents, bonuses, sales, and fees. States share in a large portion of the revenues collected.



Monitoring water quality helps the BLM ensure that land health standards are being met (photo by BLM).

BLM Market Value of Production (\$ in millions)			
Public Land Commercial Activity	1998 Value	1998 Output Impact	1998 BLM Revenue Generated
Oil and Gas Leasable Minerals	\$6,241	\$11,483	\$787
Coal Leasable Mineral	2,826	7,348	321
Other Leasable and Salable Minerals	1,358	3,531	83
Locatable Minerals *	1,204	3,130	30
Grazing	95	410	14
Timber	107	365	72
Realty	18	43	10
TOTAL	\$11,849	\$26,310	\$1,317

Note: Table does not include the economic value of commercial and non-commercial recreation activities on the public lands.

* BLM does not collect locatable minerals production data. The production value was estimated from the 1995 estimate and adjusted for productions patented out of the public lands in subsequent years.

Preserving Our Cultural Heritage

The BLM is steward for the Federal government's largest, most varied, and scientifically most important body of archaeological and historical resources—an estimated 4 to 4.5 million cultural properties. These range in age from various early human occupation sites such as the 11,700-year-old Mesa Site in the Brooks Range to the remains of Spanish period exploration and settlement, as well as more recent historic sites documenting westward migration.

In 1998, the BLM continued its efforts to protect our Nation's cultural heritage by inventorying 507,491 acres for cultural resources, recording 7,687 properties, and issuing or continuing in effect a total of 570 study or management permits (excluding permits for paleontological collecting). To date, the BLM has inventoried a total of 13.4 million acres and recorded 220,809 cultural resource properties. Of these, 248 are listed on the National Register of Historic Places, with 22 listed as National Historic Landmarks, helping assure that these properties will be protected and preserved for future generations.

Preserving Our Natural Heritage

A total of 739 Areas of Critical Environmental Concern totaling almost 13.1 million acres have been designated nationwide on the public lands to protect important historical, cultural, scenic and natural areas or to identify areas where hazards to human life and property exist. About 7 million of these acres have been designated to protect biological resource values.

The BLM continued its stewardship of 136 Congressionally designated wilderness areas (5.2 million acres) and its management of 622 wilderness study areas (over 17 million acres). The BLM also continued to manage 34 Wild and Scenic River segments totaling 2,038 miles, including 392 miles of the Fortymile River in Alaska, the longest designated river in the National Wild and Scenic Rivers system.



Environmental education is an ongoing priority for the Bureau of Land Management (photo by BLM).

In addition, the BLM exercised stewardship responsibilities for eight National Conservation Areas (11.7 million acres), eight National Historic Trails, two National Scenic Trails, 26 National Recreation Trails, one National Scenic Area (101,000 acres), one National Recreation Area (1 million acres), 43 National Natural Landmarks (600,000 acres), 152 Research Natural Areas (347,000 acres), five World Heritage sites, three Biosphere Reserves, and two Globally Important Bird Areas (56,500 acres).

The BLM also continued to move forward in managing the Grand Staircase-Escalante National Monument. This Monument, which was created by Presidential Proclamation September 18, 1996, is a dramatic, multi-hued landscape that is rich in both natural and human history. In 1998, the BLM completed its Draft Management Plan for the Monument. In 1999, the BLM will complete a public review period and then issue the final version of the Management Plan.

In 1998, the BLM undertook several paleontological projects that resulted in the recovery of some of the most complete fossil specimens ever found, the identification of new species, and the recovery of new exhibit materials. These included a project in New Mexico with the New Mexico Army National Guard, the Bureau of Indian

Affairs, and the New Mexico Museum of Natural History to recover what may be the most complete Pentaceratops skull and the most complete skeleton of a carnivorous dinosaur yet found in New Mexico.

Wild Horses and Burros

More than 44,000 wild horses and burros in approximately 200 herd management areas roam the Western public lands; most are found in Nevada. The BLM seeks to ensure a healthy, viable population of wild horses and burros within the limits of available public land resources.



Public lands and their many resources represent a priceless legacy for future generations (photo by BLM).

In 1998, a total of 6,389 wild horses and burros were removed from the range, while 7,844 animals were adopted through BLM's popular Adopt-A-Horse or Burro program. The remaining animals are still in our facilities awaiting adoption. The Adopt-A-Horse or Burro program is very active in the continental United States; approximately 100 adoptions are held across the country each year.

Reducing Threats to Public Health, Safety, and Property

The BLM's stewardship responsibilities include protecting public lands and facilities from unauthorized uses, illegal dumping, unsafe conditions, vandalism, theft, and wildfires. These challenges are met by making prevention a priority, while also maintaining BLM's traditional level of response capability and responsiveness.

The 1998 fire season was affected by the unusual El Nino weather pattern. A mild winter followed by a very wet spring delayed the start of most BLM wildland fire suppression operations, as fuels did not begin to cure until late June over much of the West. Overall, fire activity was below normal on BLM lands. The BLM did significantly increase prescribed fire and hazardous fuel treatment to reduce fuel accumulations that contribute to unnaturally large wildfires.

In 1998, the BLM discovered 131 sites on public land where releases of hazardous substances were suspected, almost double the number found in 1997. Close to half of the new discoveries were at inactive mines and mill sites, where environmental problems ranged from unstable tailings to abandoned drums and dynamite. Other discoveries on public land included fuel and chemical spills, trespass dumping of pesticide containers, illegal drug labs, and an errant test missile.

Land, Resource, and Title Information

The BLM has extensive historical and current information about land ownership, use, and condition in the United States. The agency performs cadastral surveys and produces information to support a variety of land management activities for a number of agencies. Historical data on patented lands, along with information on mineral estate, resource conditions, and permits or leases on Federal lands are provided on a daily basis.

The BLM responds to thousands of requests for information every year and has improved customer access and use of this information. Cadastral survey information for 24,412 townships and over 2 million General Land Office land title records have been converted to digital form and are more readily accessible to decision makers as well as the public through the use of Internet and Geographic Information System technologies.

The public is performing online Internet searches for information and subsequently downloading digital data or filing requests for historical information directly with BLM offices. As one example, the BLM's General Land Office Records website (*www.gloreCORDS.blm.gov*), during its first five months, recorded almost 400,000 visitors who looked at more than 5 million pages of records. During one week alone, visitors to this site electronically requested 500 copies of patent records from BLM's Eastern States Office.

Economic and Technical Assistance

BLM-managed public lands generate substantial revenue from multiple use activities, much of which is returned in direct payments to the States and counties of origin. These payments are distributed to local governments to pay for such things as schools, roads, and employee salaries.

Each year, the BLM calculates and sends the Payments in Lieu of Taxes (PILT) to counties. These payments are intended to offset property tax shortfalls (under a congressional formula) occurring in counties with tax-exempt Federal lands administered by the BLM and other agencies. In 1998, a total of \$118.8 million in PILT payments were made.

Restoring and Maintaining the Health of the Land

Working with others to restore and maintain the health of the land is the foundation for everything the BLM does. Livestock grazing, timber harvesting, hunting, fishing, and other benefits from the public lands can be sustained over time only if the lands are healthy.

The *Standards for Rangeland Health and Guidelines for Livestock Grazing Management*, developed in the mid-1990s with the assistance of 24 broadly constituted Resource Advisory Councils and approved by the Secretary of the Interior, are being used to help identify the causes of resource problems so that effective corrective actions can be taken. Livestock operators and BLM managers can work together effectively to achieve healthy rangelands.



The wealth of resources on America's public lands is an asset belonging to all of us (photo by BLM).

In 1998, the BLM completed ecological site inventories on over 1 million acres. This information improves BLM's understanding of the potential for these rangelands.

The Emergency Fire Rehabilitation Program responds quickly to prevent additional resource damage following wildfires on range and forest lands. In 1998, the BLM implemented 52 emergency fire rehabilitation projects in Colorado, Idaho, Nevada, Oregon, and Utah to protect over 84,000 acres from degradation at a cost of over \$5 million.

In its ongoing efforts to eradicate invasive weeds on our Nation's public lands, the BLM cooperated with county, Federal, State, and private partners to treat approximately 127,000 acres of land to prevent and control the spread of noxious weeds and invasive plants and to improve the health of vegetation communities.

In 1998, the BLM developed or maintained 1,200 on-the-ground projects designed to restore riparian-wetland areas to proper functioning condition. As just one example, BLM's Farmington Field Office increased the

success of riparian cottonwood pole plantings by using intensive soil mapping and soil testing techniques to select planting areas and by installing protective fencing around each tree. The BLM also revised management prescriptions to improve riparian-wetland conditions on 820 miles of streams and 8,900 acres of wetland areas.

These are just a few examples of the hundreds of initiatives undertaken by the BLM to restore and maintain the health of the land.

Promoting Collaborative Management

The BLM completed the fourth round of appointments of citizens to 21 of its Resource Advisory Councils in cooperation with the Governors of western States, continuing an innovative, collaborative approach for addressing natural resource management issues. The Volunteer Program also continues to be successful, making an enormous contribution to BLM's efforts and successes. Bureauwide, volunteers worked a total of 1,149,000 hours for a monetary value to the BLM of \$14.4 million in 1997 (most recent year for which data is available).

Implementing the Government Performance and Results Act

In 1998, the BLM began implementing the Government Performance and Results Act throughout the agency. Using the 1997 BLM Strategic Plan, the BLM used input from its field offices to establish long-term performance targets, resulting in a Multi-Year Performance Plan. The Multi-Year Plan's long-term targets for accomplishment resulted in annual goals and targets that are documented in BLM's Annual Performance Plans.

In February 1998, the BLM sent forward its fiscal year 1999 Annual Performance Plan to the President and Congress containing a set of goals and performance measures that the agency will use to assess its progress. The BLM publishes its annual reports in February to show what the BLM has accomplished for the money it has received, following the conclusion of each fiscal year.

Customer Service

In 1998, the BLM surveyed use-authorization customers for oil and gas, rights-of-way, land acquisitions and exchanges, grazing permits, and recreation permits. The 1998 survey indicated that several programs were doing better in terms of service quality since the baseline survey in 1995. For example, the grazing permittees were 7 percentage points more satisfied with service delivery, while oil and gas lessees were 10 percentage points more satisfied with communication and coordination and 38 percentage points more satisfied with the Bureau's efforts to maintain the health of the land.



The BLM continues to actively incorporate the concept of universal access into all of its programs, activities, and facilities (photo by BLM).



U.S. Geological Survey Highlights

Introduction

The U.S. Geological Survey (USGS) is a natural science organization that is recognized worldwide as scientifically credible, objective, and demonstrably relevant to society's needs. The USGS provides the Nation with reliable information to describe and understand the Earth. This information is used to minimize loss of life and property from natural disasters; manage water, biological, energy, and mineral resources; enhance and protect the quality of life; and contribute to wise economic and physical development. USGS conducts research in four major science disciplines—biology, geology, hydrology, and cartography—through which it develops and applies innovative means to solving problems in resource management.

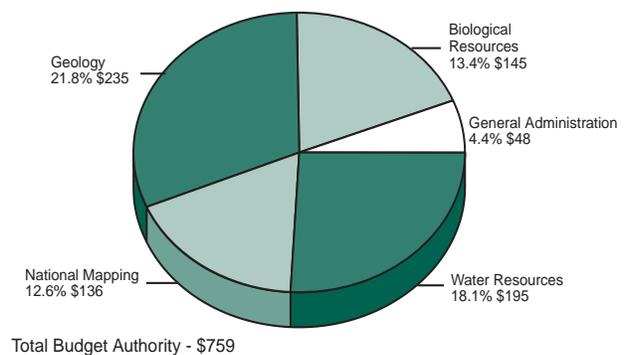
USGS Mission

"The U.S. Geological Survey provides the Nation with reliable, impartial information to describe and understand the Earth."

The USGS has an important and essential role in building and rebuilding the Nation in the 21st century as we did in the 19th and 20th centuries, but the role will be different and it will change with time. We have become the Nation's chief natural science agency for a reason and a purpose—to provide the kind of science that will serve the citizen and help the Nation adapt to a rapidly changing world; to be the agency that can help this Nation find, protect, develop, and enjoy the natural resources that are essential for building and living in the next century; and to be an agency that can help significantly reduce the risks from natural hazards. The new USGS motto, "science for a changing world," appropriately reflects the importance of looking forward and being sensitive to the changing needs of society.

USGS budget authority supports activities that cover a broad range of physical, chemical, and biological systems. This diversity of disciplines gives the USGS great strength in dealing with the problems facing society that the agency is being called upon to address. Increasingly, the USGS is being recognized for science that is interdisciplinary in scope and highly relevant to the issues important to the Nation. The USGS is striving to increase this interdisciplinary approach to address issues with an integrated manner, particularly in making scientific data sets integratable with one another.

1998 USGS Budget Authority
(in millions)



U.S. Geological Survey Programs

The National Mapping Program - The mission of the National Mapping Program is to meet the Nation's need for basic geospatial data, ensuring access to and advancing the application of these data and other related earth science information for users worldwide.

Water Resources Investigations - Water Resources Investigations has the principal responsibility within the Federal government for providing the hydrologic information and understanding needed by others to achieve the best use and management of the Nation's water resources.

Biological Research - Biological Research's mission is to work with others to provide the scientific understanding and technologies needed to support the sound management and conservation of our Nation's biological resources. A fundamental part of this mission is embodied in the deep commitment to make data and information on the Nation's biological resources more accessible to more people.

Geologic Hazards, Resources, and Processes - The Geologic Hazards, Resources, and Processes programs have science goals designed to address pressing issues facing the Nation in the next decade. In general, these goals focus on understanding human interaction with the natural environment and build upon long-term USGS investments in basic research into the fundamental geologic processes controlling how the Earth works.



Summer campers learn how to use USGS topographical maps (photo by USGS).

Principal USGS Themes

The USGS has identified four principal theme areas—Hazards, Natural Resources, Environment, and Information Management—to more effectively communicate how USGS earth science information contributes to public policy issues.

Hazards

Hazards are unpreventable natural events that, by their nature, may expose our Nation's population to the risk of death or injury and may damage or destroy private property, societal infrastructure, and agricultural or other developed land. USGS activities in the hazards theme area deal with describing, documenting, and understanding natural hazards and their risks. A key accomplishment in 1998 was:

- *Alerting the Nation of Potential Landslide Hazards Associated with El Nino Weather Effects* - The distribution of El Nino-induced precipitation and temperature anomalies for 1997-1998 was predicted by USGS using its computerized national landslide susceptibility map in conjunction with national climate outlook maps produced by the National Oceanic and Atmospheric Administration (NOAA). This combination of USGS and NOAA information indicated where and when rainfall- and snowmelt-induced landsliding might have occurred during the 1997-1998 winter and spring. This information, which was frequently updated and refined and made available on the Internet at <http://geohazards.cr.usgs.gov>, indicated broad regions of the Nation that increased potential for landslides during the El Nino climatic episode.

Natural Resources

The natural resources of our Nation are its land, water, minerals, and energy. These renewable and nonrenewable resources are needed to sustain life and to maintain and enhance our economic strength. USGS activities in the natural resources theme area inventory the occurrence and assess the quantity and quality of natural resources. A key accomplishment in 1998 was:

- *Helping to Mitigate Acid Mine Runoff* - USGS scientists are applying their knowledge and expertise to develop environmentally acceptable and cost-effective treatment processes for acidic, metal-laden drainage from abandoned coal mines. Field tests of the technology are currently being conducted in cooperation with the National Park Service, the Freshwater Institute, and the Pennsylvania State Department of Environmental Protection. Field tests include establishing the effects of the treatment process on acid-sensitive aquatic invertebrates and fish. Treating only a portion of the stream with super-treated effluent reduces the need for large, expensive equipment and decreases the costs of all aspects of the treatment process

Over 400,000 abandoned mines are found on Federal lands. In addition, many more are adjacent to Federal lands or are affecting water quality and biological resources under Federal stewardship. Defunct mines have contaminated public and private lands with more than 50 billion tons of untreated mine waste. In the Appalachian coal region, acid mine drainage has degraded more than 8,000 miles of streams and has left some aquatic habitats virtually lifeless. The cleanup and remediation of abandoned mine sites will require a huge investment of taxpayers' dollars. In West Virginia alone, the coal industry is spending approximately \$1 million each day to treat acid mine drainage.

Environment

Our Nation's environment—air, water, soil, and plant and animal life—is constantly changing as natural processes and human actions affect it. USGS activities in the environment theme area include studies of natural physical, chemical, and biological processes as well as addressing the results of human actions; the goal is to provide the understanding and scientific information needed to recognize and mitigate adverse impacts and to sustain the environment. A key accomplishment in 1998 was:

- *Studying Air Pollution in and around Mt. Rainier* - Recent studies by USGS scientists and students have shown that Mt. Rainier National Park is the most polluted area of Washington State in terms of tropospheric (the inner layer of the atmosphere) ozone. Ongoing cooperative work between USGS scientists and the National Park Service will provide an early warning to future changes in air quality and the health of sensitive plant species in Mt. Rainier National Park. Ozone, a colorless gas, is formed from nitrogen oxides and organic compounds, common components of fossil fuel emissions, in the presence of sunlight. It is highly toxic to both humans and vegetation at very low concentrations. Pollutants produced in the Seattle-Tacoma metropolitan area are transported eastward toward the Cascade Range, where Mt. Rainier is directly in the path of the pollutant plume. Weekly average concentrations of ozone are actually higher in the Mt. Rainier regions than they are in the Seattle area, with the highest exposures at high elevations up to 8,000 feet. Ozone synthesis is enhanced by warm, sunny weather, so rural residents, recreational visitors, and alpine vegetation are exposed to potentially harmful levels of ozone during the summer when park visitation is highest and plants are metabolically active. As the human population of the Seattle-Tacoma region continues to increase and more motorized vehicles crowd local highways, air pollution levels can be expected to increase as well.

Information Management

Information management is both a strategy, driven by customer needs, and an infrastructure, shaped by technology, for handling and distributing information. Information management crosses disciplinary and administrative boundaries. USGS information management activities organize, catalog, archive, maintain, and disseminate earth and biological science data and information so that all potential users are aware of and can acquire the information. A key accomplishment in 1998 was:

- *The National Atlas of the United States of America* - The new National Atlas of the United States is an ambitious, government-wide partnership led by the USGS that aims to make geographic information more readily accessible to individual Americans. The National Atlas is designed to promote greater geographic awareness through the development and delivery of products that provide easy to use, map-like views of our natural and societal landscapes. It will include products designed to stimulate children and adults to visualize, comprehend, and even marvel at the complex relationships between environments, places, and people. The National Atlas is intended to serve the interests and needs of a diverse populace in many ways—an essential reference, a framework for information discovery, an instrument of education, an aid in research, and an accurate and reliable source for scientific information.



USGS scientists working on air quality monitoring in Mt. Rainier National Park (photo by USGS).

The USGS and its partners delivered their first new National Atlas products in 30 years during 1998. These included:

- an online, interactive mapping system that allows citizens to make and explore their own maps within their favorite Internet browser;
- information pages on the Internet that describe this project and its opportunities for business partnerships;
- an interactive mapping engine for the interagency *recreation.gov* web site;
- innovative and redesigned National Atlas paper maps; and
- complete, consistent, and authoritative digital map layers that can be downloaded and used to explore information gathered at a national level.



Bureau of Reclamation Highlights

Introduction

The Bureau of Reclamation (Reclamation or BOR) is the largest supplier and manager of water in the 17 western States, delivering water to 31 million people for agricultural, municipal, industrial, and domestic uses. Reclamation is the nation's second largest producer of hydroelectric power, generating nearly \$1 billion in annual power revenues; its multipurpose projects also provide substantial flood control, recreation, and fish and wildlife benefits.

BOR Mission

"To manage, develop, and protect water and related resources in an environmentally and economically sound manner in the interest of the American people."

Over the past 95 years, Reclamation has developed safe and dependable water supplies and hydroelectric power to foster settlement and economic growth in the West. In recent years, Reclamation has moved from development to management of these resources. Reclamation is investing in the future by placing greater emphasis on water conservation, recycling, and reuse; developing partnerships with customers, States, and Tribes; finding ways to bring competing interests together to address diverse water needs; transferring title and operation of some facilities to local beneficiaries; and achieving a higher level of responsibility to the taxpayer.

Water and Energy Management and Development

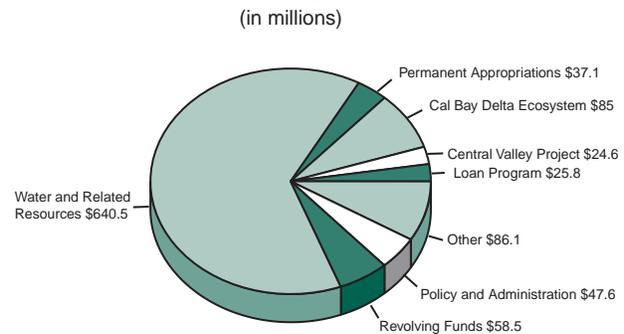
Competition for finite water resources requires maximizing the efficient use of developed water supplies. Greater efficiency enhances the delivery of water to existing uses and, in some circumstances, will make water available for other water needs consistent with applicable Federal, State, and Tribal law and other requirements. Almost 29.8 million acre-feet of water was delivered under all contracts in 1998.

Increasing Water Availability

Reclamation approved 85 water transfers involving approximately 136,000 acre-feet of Central Valley Project water in 1998. Most of these transfers are for agricultural purposes and helped water districts meet short-term water management goals. Reclamation is developing a water transfer clearinghouse to further facilitate efficient water use.

Water recycling projects are being constructed or studied in Texas, Utah, New Mexico, Arizona, California, and Nevada. The reclamation and reuse of municipal, industrial, domestic, and agricultural wastewater and naturally impaired groundwater and surface water are important ways to extend scarce water supplies.

1998 BOR Budget Authority



Total Budget Authority - \$1,005.2

The number of districts Reclamation assisted in developing or implementing water conservation measures increased from 138 in 1997 to 160 in 1998.

Completing Projects

Reclamation completed a total of three water supply and energy projects in 1998. All remaining construction on the Bonneville Unit of the Central Utah Project, for which Reclamation is responsible, was completed in 1998. The Central Utah Project was authorized by the Congress in 1956. Construction on the Bonneville Unit features began in 1966. Completed facilities include six dams, eight major diversion dams, and 65 miles of aqueducts, tunnels, and pipelines.



Tracy pumping plant and fish facility (photo by Reclamation).

Fulfilling Obligations to Indian Tribes

During 1998, Reclamation provided technical assistance of about \$5.5 million to approximately 81 Tribes. For example, the Commissioner's office provided emergency assistance to the Pueblo of San Ildefonso (New Mexico) to locate a supplemental well to back up their two existing wells that supply domestic water to more than 200 homes.

Reclamation participated in Interior's program to resolve Indian water rights claims through settlement when feasible. Reclamation expended approximately \$1.3 million for studies and investigations in support of negotiation and implementation teams, as well as providing leadership and staff support.

Maintaining and Protecting Water Quality

Reclamation has several efforts underway to maintain and protect the quality of water in the rivers of the West. Under the Colorado River Basin Salinity Control Program, Reclamation began its third bid solicitation process for projects to control salinity in the Colorado River Basin under new basinwide authorities, with costs ranging from \$25 to \$35 per ton. The salinity program now has nine projects underway in Utah, Colorado, and New Mexico. The program will meet its long-term goal to keep costs below \$50 per ton (compared to \$70 per ton previously).

Research and Technology Transfer

The Research and Technology Transfer Program has emphasized activities in the areas of water and environmental resources and facilities and infrastructure resources. Partnering with outside entities is an integral component of the program. In 1998, the overall program was leveraged approximately 1.3 times through contributions from outside partners. Examples of major program accomplishments include development and application of database and computer modeling technologies to improve decisionmaking for water resources, award of 19 cost-shared contracts to develop more cost-effective methods to desalinate water, and development of unique biocontrol pest management methods.

Facility Operations

Currently, Reclamation manages and operates 348 reservoirs (with a total storage capacity of 245 million acre-feet), 59 hydroelectric powerplants, and more than 300 recreation sites. Hydropower generation availability of nonseasonal units increased from 84.6 percent in 1997 to 89.7 percent in 1998. The industry average is 90 percent.

Facility Maintenance and Rehabilitation

Reclamation's maintenance and rehabilitation program is critical to preserving Reclamation facilities, meeting Reclamation's mission, and protecting the Federal investment. Reclamation continues to strive to attain a three percent or lower forced outage rate for Reclamation's hydropower generating units. The percent of time facilities were out of service in 1998 was 1.07 percent, compared to 2 percent in 1997.

Throughout the 17 western States, Reclamation has 457 dams and dikes, of which 362 would endanger people if a failure occurred. Reclamation places great reliance on dam safety activities to manage these risks. Specific dam safety activities include monitoring structural performance, developing and testing emergency plans, training dam operators, aggressively inspecting and evaluating facilities to detect developing problems, and implementing risk reduction modifications. Most of these dam safety activities are funded by the \$76.7 million Dam Safety Program.

A new Reclamation Security Officer is working with regional security coordinators to provide program and technical guidance to protect the public, employees, and Reclamation infrastructure. In its continuing effort to improve and upgrade the security of the Federal facilities and structures it manages, Reclamation expended approximately \$3 million in security assessments, upgrades, and training for its employees during 1998, as well as completing 102 security assessments of its facilities throughout the 17 western States.

Land Management and Development

Reclamation manages approximately 8.6 million acres of Federal land, made up of approximately 2.2 million acres of acquired land and 5.8 million acres of withdrawn land. In addition, Reclamation has easements on another 600,000 acres of land.

Recreation management activities promote partnerships intended to enable facilities to be turned over to non-Federal entities for operation and maintenance and to bring facilities into legal compliance with the Americans with Disabilities Act. More than 19 partnerships have been formed with various groups throughout the West to improve recreational opportunities.



Construction of Mni Wiconi rural water project in South Dakota (photo by Reclamation).

Resource management plans provide a comprehensive framework for managing, developing, and protecting water and related resources in a given area, including recreation, fish, and wildlife. Resource management plans are being developed in several States, including at least 11 plans in Idaho, Oregon, Washington, New Mexico, and Utah.

Reclamation has 55 properties listed in the National Register of Historic Places, along with approximately 2,375 unevaluated archaeological and historical sites.

Fish and Wildlife Management and Development

In 1998, Reclamation continued to work with the National Fish and Wildlife Foundation to fund on-the-ground efforts to recover sensitive plant and wildlife species, restore riparian and wetland habitats, improve water quality, control noxious weeds, and conserve endangered fish. The foundation encourages the formation of partnerships between Federal agencies, Tribes, local governments, non-profit organizations, and individual land-owners to accomplish this work.

Reclamation contributed \$1.4 million during 1998 to help fund a variety of conservation projects. Reclamation's funds were matched by non-Federal challenge funds and contributions from other Federal agencies.

Watershed management studies have been underway in many watersheds throughout the West for several years. For example, the State of California and Federal Government Bay-Delta Program (CALFED) process is developing a strategy that would deliver water for agricultural and urban needs while also providing adequate supplies for the environment, including the needs of fish, wildlife, and endangered species. The Bay-Delta Advisory Council provides an equal role for representatives from the environmental community, water users, and people from the business community.



Reclamation employees volunteered to participate in CAST (Catch a Special Thrill) program for kids (photo by Reclamation).

Efforts continued on the Lower Colorado River Multi-Species Conservation Program. Several Federal and non-Federal entities entered into an agreement in 1997 to cooperate in seeking solutions that will help accommodate water, power, and environmental needs on the Lower Colorado River. The program will address approximately 100 species and their habitats, including aquatic, wetland, riparian, and upland environments.



Minerals Management Service Highlights

Introduction

The Minerals Management Service (MMS) manages the Nation's natural gas, oil, and other mineral resources on the Outer Continental Shelf (OCS), and collects, accounts for, and disburses revenues from offshore Federal mineral leases and onshore mineral leases on Federal and Indian lands. Although it is a relatively small bureau (approximately 1,700 employees located in 20 cities across the United States), activities of the MMS provide major economic and energy benefits to the Nation, its taxpayers, the States, and the Indian community—benefits that have both national and local significance.

MMS Mission

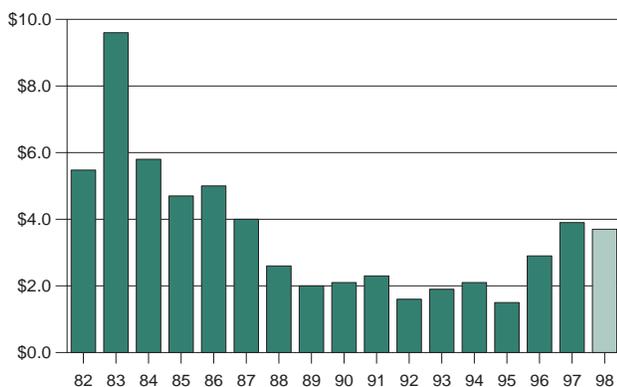
"To manage the mineral resources on the Outer Continental Shelf in an environmentally sound and safe manner and to timely collect, verify, and distribute mineral revenues from Federal and Indian lands."

Since 1982, approximately \$98 billion in revenues from mineral activities on Federal lands has been distributed by the MMS to the U.S. Treasury, States, Tribes and Indian allottees. A portion of the revenues distributed to the U.S. Treasury goes into accounts that support the Land and Water Conservation Fund. The largest recipient of funds collected by the MMS is the General Fund of the U.S. Treasury. Since 1982 the Treasury has received over \$61 billion in MMS collections.

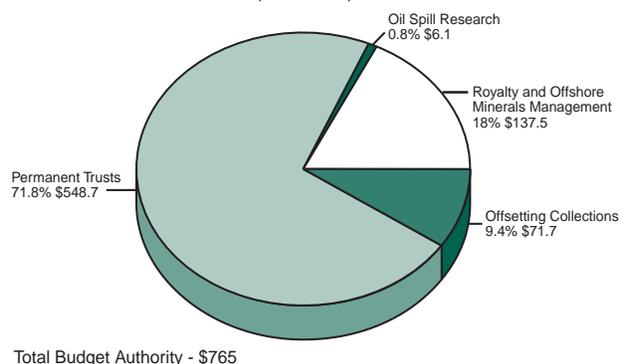
The OCS continues to play a significant role in our Nation's energy picture. The MMS administers 42 million acres of the OCS under lease, which supplies approximately 27 percent of the natural gas and approximately 20 percent of the oil produced in the United States. As of the end of 1998, the OCS had produced about 133 trillion cubic feet of natural gas and about 12 billion barrels of oil. It is projected that production will continue to increase dramatically, resulting in hundreds of millions of dollars annually for the U.S. Treasury.

While development of offshore mineral resources has already meant billions of dollars in revenues to the United States, the MMS is extremely concerned with safety and environmental concerns—striving to provide domestic energy while protecting sensitive coastal and marine environments.

Fiscal Year Disbursements to the U.S. Treasury (in billions)



1998 MMS Budget Authority (in millions)



Managing for Results (Program and Mission Goals)

The MMS has identified two major programmatic goals, called “Goal Categories”, which are directly linked to its mission and are based on legislative mandates. The two Goal Categories are to (1) provide for safe and environmentally sound mineral development on the OCS and ensure that the public receives fair value, and (2) provide timely, accurate, and cost-effective mineral royalty collection and disbursement services. These Goal Categories, in turn, support the goals of the Department, reflect stakeholder input, and provide a framework for MMS operations.

Ensuring safe Outer Continental Shelf mineral development

The MMS inspects drilling and production facilities using both annual and unannounced inspections, requires that offshore workers receive adequate training on safety and pollution prevention operations, participates as a member of an industry effort to promote voluntary use of Safety and Environmental Management Plans (SEMPs), participates in the International Regulators Forum, holds Annual Performance Reviews with offshore industry operators, and reviews and approves many of the actions required by industry to explore and develop resources. The MMS operates a civil penalty program to deal with operators who do not comply with safety requirements.

During 1998, MMS encouraged and assisted OCS operators in developing and implementing the Safety and Environmental Program to reduce the risk of accidents and pollution from OCS operations by incorporating safety management practices into all facility activities, and by establishing clear safety goals and management tools for achieving them. The MMS also worked with industry to develop SEMP performance measures and conducted two outreach workshops.

Ensuring environmentally sound OCS mineral development

The MMS contracts for studies and research needed to make informed environmental decisions about OCS activities. This research is coordinated with others involved in or impacted by OCS activities (coastal States, U.S. Geological Survey, U.S. Fish and Wildlife Service, National Oceanic Atmospheric Administration, and National Marine Fisheries Service). Staff perform environmental assessments at both pre-lease and post-lease stages. During 1998, the MMS:

- Developed and implemented a deep water environmental strategy consisting of a comprehensive set of initiatives, such as environmental studies of deep water issues, technical papers on deep water technology, and an environmental assessment of potential deep water impacts. These efforts were aided a \$4 million budget increase and industry cooperative support in planning and co-funding deep water spill research.
- Played a key role in the Federal government’s International Year of the Ocean (YOTO) initiative. The YOTO provides governments, organizations, and individuals an opportunity to raise public awareness of the role the ocean plays in our lives and to initiate changes needed to sustain marine resources. The MMS was named as one of the four Federal members of the public-private sector YOTO Steering Committee and had the lead on writing the interagency YOTO discussion paper, “*Ocean Energy and Mineral Resources.*”
- Researched the development of day/night airborne detection devices for spills. These devices have the potential to provide the Nation with advanced oil spill response capabilities for ocean and shoreline cleanup. The oil spill financial responsibility rule was completed and approved. This rule is critical to ensuring that financial resources are available to respond to a major spill and mitigate the impacts.

The long-range trend in oil spillage over the last three decades is one of dramatic improvement. During most of the last 20 years, the annual spill ratio has hovered around a mark of 5-10 barrels for every 1,000,000 barrels handled on the OCS. Larger spills on the OCS have become very infrequent and in most cases are due to circumstances beyond the agency's control (e.g., hurricanes or anchor dragging).

Ensuring that the public receives fair value for OCS mineral development

The MMS acquires geologic and geophysical data on Federal lands for the cost of reproduction. This data is the basis for resource assessments, royalty relief determinations, Environmental Impact Statement preparation, and other management decisions. A major effort has been to convert older geologic and geophysical data into digital format in order to be usable with 3-D seismic workstations. The MMS also incorporates this data into its mathematical and statistical models for determining fair market value, information on economics, petroleum engineering, and improvements in development technologies. In 1998:

- Three OCS oil and gas lease sales were held in the Central Gulf of Mexico, the Beaufort Sea, and the Western Gulf of Mexico. These leases had over \$1.3 billion in high bids.
- New procedures for ensuring receipt of fair market value on OCS oil and gas leases were fully implemented. These changes, which included a number of new rules for acceptance of selected tracts, were made following a review of bidding activity in OCS sales. The new bid rules rely on market-determined factors to ensure receipt of fair market value.

Providing for mineral development on the OCS

To meet its mandated mission to provide domestic energy sources, the MMS prepares and maintains a five-year leasing program that determines the size, timing and location of leasing activity including all associated pre- and post-sale actions to best meet national energy needs. Extensive consultation with other Federal agencies, States and local governments, and other concerned parties is required throughout the entire five-year and individual sale processes. During 1998, the MMS provided staff support to negotiate a continental shelf delimitation agreement to establish the boundary between the United States and Mexico in the Gulf of Mexico beyond the Exclusive Economic Zone (EEZ). Three joint surveys of appropriate boundary points were conducted during the summer of 1998. The EEZ encompasses an area that extends 200 nautical miles from the Nation's shores in which the United States has "exclusive control" over all maritime activities, and natural and mineral resources.



Oil rig (photo by Minerals Management Service).

Improving the timeliness and accuracy of payments to recipients

The MMS is committed to ensuring that all revenue due is paid on time. On-time disbursements are those made by the end of the month following the month of receipt as mandated by statute. However, MMS managers have set a re-engineering “stretch” goal to provide the revenue recipients with access to their money within 24 hours after MMS receives the funds.

Improving the cost effectiveness of mineral royalty collection and disbursement services

The MMS is committed to improving the cost effectiveness of its royalty management services by increasing electronic transmission of information and payments. During 1998, approximately 50 percent of the Royalty Management Program’s production and 80 percent of its royalty data were submitted electronically. The MMS has also aggressively pursued greater electronic reporting by publishing a proposed rule in April 1998 that mandates 100 percent electronic reporting. The MMS plans to issue the final rule in 1999, and will amend the proposed rule to include hardship exclusions.

Improving reporters’ compliance with lease terms, rules, regulations, and laws

The MMS ensures reporters’ compliance by identifying non-payments or late payments of bills, training industry staff on all reporting requirements, and auditing leases and company records. During 1998, the MMS:

- Reengineered a new royalty management design concept to provide a better understanding of properties, markets served, and the production environment, and to increase confidence in the accuracy of royalty payments.
- Began pilot testing of “Royalty-in-Kind” (RIK). Under RIK, the Federal government takes its share of minerals produced on Federal lands as a share of the actual product rather than as a cash royalty that is a percentage of sales value. RIK is an innovative, but still unproven, approach to Interior’s responsibilities that has been under active consideration by the MMS since 1994. The MMS began developing three pilots to test RIK: (1) a crude oil pilot in Wyoming, (2) a small natural gas pilot with the State of Texas for leases in which the United States and Texas share revenue, and (3) a larger natural gas pilot in the Gulf of Mexico. In July 1998, the MMS issued an Invitation for Bid to accept crude from certain leases in Wyoming and announced the accepted bidders in August.

Providing Indian Tribes with increased opportunities for education and for assuming functional responsibilities with respect to the Royalty Management Program

Educational opportunities include participating in the royalty internship program, taking part in joint audit work, or accessing online royalty data. Assumption of functional responsibilities includes participation in the co-op audit program and entering into self-determination or self-governance contracts. During 1998, the MMS offered a number of opportunities, including monitoring royalties and accounts on-line, learning the royalty collection processes through a new internship program for tribal employees, and handling royalty audit work through cooperative agreements. All of these efforts are aimed at helping Tribes prepare to assume royalty management services.



Office of Surface Mining Highlights

Introduction

The Office of Surface Mining Reclamation and Enforcement (OSM) ensures that coal mines are operated in a manner that protects citizens and the environment during mining, that the land is restored to beneficial use following mining, and that the effects of past mining are mitigated by aggressively pursuing reclamation of abandoned coal mines. The Surface Mining Control and Reclamation Act (SMCRA) provides the means for restoring abandoned coal mines through collection of a tonnage-based reclamation fee assessed on current coal production.

OSM Mission

"To carry out the requirements of the Surface Mining Control and Reclamation Act (SMCRA) in cooperation with States and Tribes."

Currently, 24 States have regulatory programs in place and OSM continues to work with Indian Tribes to enable them to assume primacy. Twenty-three States and three Tribes administer approved abandoned mine land reclamation programs. These primacy States are successfully implementing their approved regulatory programs. OSM's role has evolved to establishing policy direction and guidance, providing grants to primacy States and Tribes, conducting oversight activities in accordance with SMCRA, and administering and operating programs on Federal and Tribal lands and in States that have not assumed primacy.

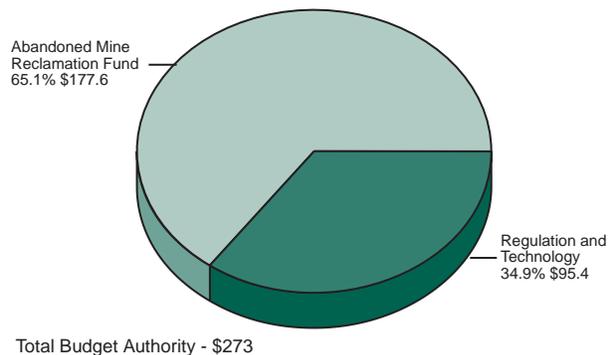
Abandoned Mine Lands

Abandoned Mine Land (AML) reclamation programs allow OSM to aggressively accelerate the restoration of abandoned mine sites adversely affected by past coal mining practices. These abandoned mine sites pose significant threats to human safety. OSM directs grants to State and Tribal programs and Federal high-priority projects that support the President's Clean Water Action Plan. States and Tribes use AML funds to address environmental problems at abandoned coal mine sites resulting from past coal mining practices.

Funds for Mine Reclamation

OSM's 1998 budget authority was \$273 million. This budget enables OSM to support the States' mining programs by matching their regulation and enforcement costs dollar for dollar. It also pays 100 percent of the cost for restoring abandoned mines that were left unreclaimed before the SMCRA was passed in 1977. Funds for reclaiming abandoned mines come from tonnage-based reclamation fees paid by America's active coal mines.

1998 OSM Budget Authority
(in millions)



Partnerships

OSM is continuing its efforts to establish partnerships to improve and increase outreach efforts that allow full participation from its stakeholders in addressing common problems. These initiatives will assist OSM in forging a bond and partnership with stakeholders that will endure well into the 21st century. OSM is focusing on several new approaches in implementing the SMCRA. These initiatives include increased emphasis on the Appalachian Clean Streams Initiative to facilitate State and local coalitions to clean up acid mine drainage and improve the environment and quality of life for coalfield citizens. Through this initiative, approximately 80 State and Federal agencies, local soil and water conservation districts, national conservation organizations, private foundations, and coalfield residents have formalized their commitment to work together through a Statement of Mutual Intent.

In 1998, OSM continued to work with stakeholders to improve the surface mining program. Improvements included developing new environmental policies and procedures that provided benefits to coal field citizens, enhanced the environment for all Americans, and provided economic support to the coal industry. In addition, OSM and the States significantly revised OSM's approach to program oversight—instead of emphasizing a review of processes, OSM began focusing on measures and on the ground results. As a result of this management initiative, the OSM/State team received the prestigious Vice President's National Performance Review Hammer Award.

Customer Service

In 1998, OSM continued to increase its outreach efforts to work with all its stakeholders in an open-minded collaborative manner. In January 1998, OSM sponsored the Federal Coal Symposium in Washington D.C. This symposium was the largest event OSM has ever sponsored, as over 250 individuals attended, including stakeholders from government, industry, and environmental and citizens groups. The symposium served as an information sharing opportunity to foster a mutual understanding of current Federal programs affecting the coal industry and the remediation problems stemming from past coal mining practices. Additionally, OSM sponsored regional symposiums in each of its three regions to accommodate stakeholders in those parts of the country.

OSM held public meetings in Washington, D.C. and at 27 separate sessions in various coal field locations across the country to explain its fiscal year 1999 budget and to solicit stakeholders' views on the fiscal year 2000 budget submission. These meetings allowed attendees to gain additional knowledge about OSM program goals and available resources.

Government Performance and Results Act

The GPRA requires agencies to improve planning, eliminate duplicative processes, and involve stakeholders. Although it is a small bureau, OSM is in a perfect position to lead such coordinating/transfer endeavors. OSM deals with State and Federal agencies, administers Federal and private lands, reclaims and protects diverse sites, and enhances technology transfer among many constituents.

Goal: Better Abandoned Mine Land Reclamation - In 1998, 7,201 acres of land and water were reclaimed. While this is a shortfall of 799 acres from the annual goal of 8,000 acres, it represents an increase of 401 acres, or 5 percent, over 1997. In addition, more than 19,000 acres of pre-1977 abandoned mine waste piles have been restored to productive use. Over 2.7 million linear feet of dangerous cliff-like high walls have been eliminated, and more than 20,000 dangerous abandoned portals and hazardous vertical openings have been sealed.

The Office of Surface Mining experienced continuing success with the Appalachian Clean Streams Initiative, although the number of projects started in 1998 decreased compared to 1997. State funding for projects also decreased, from \$4 million in 1997 to approximately \$2.5 million in 1998. Several States were unable to finance new projects with their smaller 1998 allotment; consequently, some States used their 1998 Appalachian Clean Streams grants to continue or expand prior year projects.

Goal: Better Protection - Protecting people, property, and the environment is measured by the number of times incidents occur outside the boundaries of the permitted areas being mined. These are known as offsite impacts and the goal is to have no incidents occur. In 1998, 93 percent of the mine sites were free of offsite impacts. In the future, OSM will be working with States, Tribes, and the coal industry to strive for, and maintain, a minimum number of occurrences.

The OSM is also measuring protection of the environment and people by assuring that the land currently being mined is properly reclaimed. This performance measure is the acreage of land that is released every year by active coal mine operators. This is accomplished through a series of bond releases. In 1998, OSM and the States released 74,237 acres from Phase I bonds, 70,943 acres from Phase II bonds, and 85,301 acres from Phase III bonds.

Goal: Better Operations - The Office of Surface Mining's financial statements were free of any material weaknesses concerning fee compliance, revenue, and grants management services as audited by the Office of the Inspector General. In light of its \$273 million budget and the estimated \$1.3 billion Abandoned Mine Land Fund it administers, OSM is proud of this accomplishment. This is the eighth year in a row that OSM has received an unqualified audit opinion on its financial statements.

The Abandoned Mine Land Fund, which is financed by the coal industry, provides funding to reclaim mined lands left abandoned prior to 1977 and eliminate emergency situations that arise from past mining practices. In 1998, a major portion of these funds provided for the reclamation of 7,201 hazardous acres of abandoned mine land, thus preventing injury to people and minimizing property damage.

In 1998, over 99 percent of coal companies required to report coal tonnage sales under the SMCRA fully complied with reporting requirements. The Office of Surface Mining will continue to work closely with coal companies to ensure that this high level of performance is maintained in the future.



Before and after photos show the successful results of OSM's Cane Creek project (Walker County, Alabama). This project started in July 1997 and was completed in April 1998. Twenty miles of stream were improved, 20 acres of land were graded and reshaped, a pond dam was re-established, and portal and vertical openings were closed (photo by OSM).



Departmental Offices Highlights

Introduction

Departmental Offices provide the executive-level leadership, policy, guidance, and coordination needed to manage the diverse, complex, and nationally significant programs entrusted to the Department of the Interior.

The Secretary of the Interior is responsible for ensuring that the diverse programs and priorities of the Department are conducted effectively and efficiently in accordance with Presidential and Congressional direction. Accordingly, the Secretary of the Interior provides executive-level leadership from the Secretary's Immediate Office. The Secretary coordinates among Interior's nine bureaus and manages significant Departmental initiatives through programmatic Assistant Secretaries.

Departmental Offices Mission

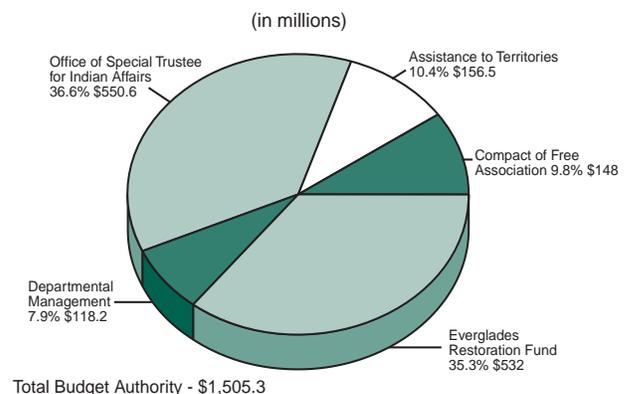
"To provide the executive leadership, policy, guidance, and coordination needed to manage the diverse, complex, and nationally significant programs which are the Department's responsibilities. "

The Assistant Secretary offices are responsible for coordinating activities among bureaus with related, or at times conflicting, missions to ensure that programs are carried out efficient and that critical concerns are addressed in a timely manner. The Department has five Assistant Secretaries: (1) the Assistant Secretary for Land and Minerals Management is responsible for programs administered by the Bureau of Land Management, the Minerals Management Service, and the Office of Surface Mining Reclamation and Enforcement; (2) the Assistant Secretary for Water and Science sets Departmental policy for and provides oversight to the programs of the Bureau of Reclamation and the U.S. Geological Survey; (3) the Assistant Secretary for Fish and Wildlife and Parks provides overall policy direction to the National Park Service and the U.S. Fish and Wildlife Service; (4) the Assistant Secretary for Indian Affairs is the lead official within the Executive Branch on Indian matters; and (5) the Assistant Secretary for Policy, Management, and Budget, provides policy guidance for Interior's administrative activities such as finance, information services, procurement and acquisition, human resources, and budgeting.

Departmental Offices also provide support services used by the bureaus to accomplish their work. These include legal services through the Solicitor's Office, the audits and investigations of the Inspector General, environmental damage assessments, administrative hearings and appeals, and aviation and air safety services.

The Departmental Offices also includes two other significant programs: the Office of Insular Affairs (OIA), which provides for all insular assistance, and the Office of the Special Trustee for American Indians (OST), which manages and discharges the Secretary's responsibilities for the \$3 billion in trust funds for American Indians.

1998 Departmental Offices Budget Authority



Collaborative Projects and Major Initiatives

In 1998, the Departmental Offices continued to guide Interior's efforts to restore the environment, protect our natural resources, promote tribal sovereignty, and use sound science to make informed management decisions.

Major accomplishments spanning the various programmatic areas included completion of significant land acquisition and consolidation efforts in sensitive areas of several Alaska parks, including acquisition of the historic Kennecott mining property; establishment of the Global Disaster Network to provide real-time information to develop response strategies during times of natural disaster; and completion of the purchase agreement with The St. Joe Company and The Nature Conservancy for the acquisition of approximately 50,000 acres of Talisman Sugar Corporations lands within the Everglades Agriculture Area. Other accomplishments included:



Protecting sea turtle nests (photo by FWS).

National Wildlife Refuge System Improvement Act in 1998: The Department and the Congress worked together in a bipartisan effort to implement the Act during 1998. This landmark legislation provided a clear "wildlife first" mission to ensure that the 516 refuges covering over 93 million acres are managed as a national system of related lands, waters, and interests for the protection and conservation of our Nation's wildlife resources.

Endangered Species Act: The Department continued to aggressively implement a more effective Act during 1998 by strengthening partnership activities with other public agencies and private interests; by expanding the involvement of private landowners in habitat restoration and species recovery; by using candidate conservation agreements to keep species off the threatened and endangered list; by developing Habitat Conservation Plans to allow economic development to proceed while protecting species on private lands; and by implementing multi-species recovery plans. Proof that the Act is working came on May 6, 1998, when the Secretary of the Interior proposed that 29 species (or segments of species) be removed from the list or reclassified from endangered status over the next two years. Twenty-one of these delistings/reclassifications, including the American peregrine falcon, the bald eagle, the Columbia white-tailed deer, and the gray wolf, are due to successful recovery efforts implemented under the Act.

Northwest Forest Plan: The President's plan has allowed for sustainable timber production on Federal lands while protecting critical wildlife, fish, cultural resources, aquatic and riparian systems, and socioeconomic resources. Managing scientific information databases and providing access to them has been a major focus over the past year. Through a partnership with Microsoft Corporation, the U.S. Geological Survey has provided the data to establish TerraServer, a web site containing satellite images of the earth. In two months of its availability online, this web site has received over one million hits worldwide.

Restoring Ecosystems: Over the last five years the Administration has implemented three large-scale restoration efforts using new methods, partnerships and renewed public participation. This past year has seen continued progress in restoring three priority watersheds: California's Bay-Delta, the largest estuary on the west coast of North America; the Florida Everglades, to restore natural water flows; and the forests of the Pacific Northwest, to replenish trout, coho, chinook, and sockeye salmon. All these areas will require continued support to protect their vitality for future generations.

Clean Water and Watershed Restoration: Over the last 25 years, the Clean Water Act has stopped billions of pounds of pollution from flowing into the Nation's rivers, lakes, and streams, and has doubled the number of waterways that are safe for swimming and fishing. Yet despite this significant progress, there is still much to be done to fulfill our national commitment to protect the Nation's waters. Under the Clean Water and Watershed Restoration Initiative, Interior has taken the lead to ensure healthy aquatic systems in all the national watersheds. Together with the Department of Agriculture, Environmental Protection Agency, and other Federal agencies, we are developing cooperative partnerships with States, local governments, and the public. To ensure community-based watershed management, Interior is enhancing partnerships with State and local agencies, tribal governments and local communities to protect water quality on a watershed basis. Interior is also developing a strategy for ensuring that its public lands are national models and laboratories for effective watershed planning and control of polluted water.



Collecting sediment samples in Alaska (photo by Jill Parker).

In addition, the Department has pursued initiatives to improve and streamline operations to better support mission objectives. Such initiatives include:

Investing in Maintenance: Interior's public buildings, structures, and other facilities represent a major investment in tax dollars. Ensuring that maintenance and repair of such facilities is funded and implemented efficiently and effectively is an important element in protecting that investment. Inadequately funded maintenance due to reduced budgets, diversion of maintenance funds for emergency responses, and competition for resources from other program needs has led to accelerated facility deterioration. In 1998, Interior completed the first Departmentwide review of facilities maintenance needs and the increasing amount of deferred maintenance. The report, entitled, "*Facilities Maintenance Assessment and Recommendations*", was released to the Congress in February 1998.

Responding to a call for action by Congress, the Department also developed a five-year plan that provides a framework for improved planning and management for maintenance and construction programs, and that better defines accumulated deferred maintenance funding needs. In developing the five-year plan, the Department established uniform criteria for critical health and safety and resource projects, and, using rigorous screening, prioritized the projects based on these criteria. Maintenance and construction projects in the five-year plan are ranked in accordance with established criteria, with greatest emphasis applied to deferred maintenance needs in critical health and safety and resource protection. A Departmental Deferred Maintenance Working Group developed the strategy and guidelines for tracking deferred maintenance and for improving the management of maintenance and construction funds.

For the first time, the Department is using standard definitions for facilities terms and data and, as a result, will be able to present more consistent and credible descriptions of its maintenance and construction needs, capital investments, goals, and priorities. Data developed during formulation of the plan and through the annual updates will provide a greatly improved foundation for making facilities management decisions. Rather than being a static plan, the five-year plan will be updated annually to reflect changes as priority projects and new needs are identified.

Historic Preservation: The celebration of the turn of the century is a true commemoration of our democracy, our rich history, and our unequalled diversity. It is an opportunity to showcase the preservation of the icons of American history and culture for ourselves and for the world. There are a compelling number of documents, sites, structures, and objects of natural scope and significance, regardless of ownership, that need immediate preservation attention. Recognizing that the material culture of our Nation is the touchstone of our history, Interior is working hard to preserve this rich fabric of America's heritage, ensuring that the citizens of the 21st Century have the same opportunity that we did to observe and enjoy the archaeological and historic ruins in the Southwest, objects gathered by the Lewis and Clark expedition, and the laboratory of Thomas Edison, among other American treasures.

Implementing the Government Performance and Results Act (GPRA): Accountability begins with a clear understanding of our mission and a plan to achieve that mission. In 1997, Interior published its first strategic plan under the Government Performance and Results Act, and in February of 1998 the Department submitted its first annual performance plan to Congress along with the President's budget. That plan included performance measures for the Department as well as for individual bureaus within the Department.

The Department has learned over the past year the importance of a clear focus in the plan. Our strategic plan has been streamlined from its original 10 common themes to 5 general goals: (1) protecting the environment and preserving our Nation's natural and cultural resources; (2) providing recreation for America; (3) managing natural resources for a healthy environment and a strong economy; (4) providing science for a changing world; and (5) meeting our responsibilities for American Indians. Interior is now measuring performance in each of these areas.

Building a Diverse Department: During the past year, the Department developed a strategic plan to improve its workforce diversity. The vision of the plan is to establish a Departmental workforce that is reflective of the Nation at all levels and in all occupations; a workplace where the quality of work life is valued, where there is an environment open and accepting of individual differences, and where all employees are encouraged to maximize their potential and to exhibit a commitment to provide quality service to customers. Inherent in this five-year plan is the understanding that managing for diversity entails a comprehensive process for developing a workplace environment that is productive for all employees. Building a truly diverse Department is essential if we are to meet the demands of our mission into the next century. Progress in implementing the plan will be measured over the years to come.

Addressing Year 2000 Computer Issues: Much has been written about the impending disaster that will befall organizations—both public and private—whose computer systems treat a double zero in the "date field" as signifying the year 1900 rather than 2000. Given our reliance on computers, the failure of systems to operate properly can mean anything from minor inconveniences to major problems. The dimensions of this challenge are enormous, but we are well on the way to resolving these issues for the Department. We have corrected and tested 97 percent of our mission critical systems and expect to complete the remaining systems by March of 1999.

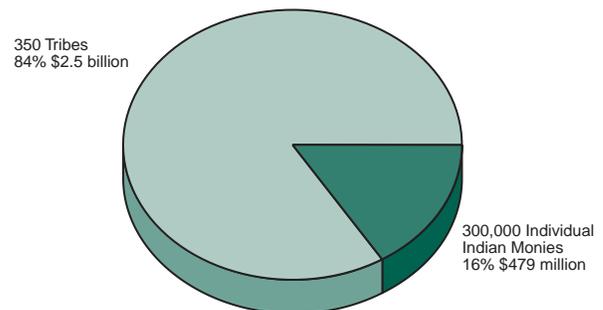
Streamlining Administrative Support: Streamlining administrative support is critical for ensuring that program managers are able to focus their efforts on mission goals. During fiscal 1998, the Department initiated actions to merge the Interior Service Center, the Washington Administrative Service Center and the Denver Service Center into one consolidated operation, the National Business Center. This operation should provide support to the Department, its bureaus, and other customers in the most efficient manner possible. The Department is also moving aggressively to consolidate its travel, purchase, and fleet charge card support under a new relationship with NationsBank.

Creating a Quality Workplace: The quality of the workplace is critical if employees are to do their jobs effectively and efficiently. The Office of the Secretary is providing leadership in this area by setting an example of what is possible with limited resources. During 1998, the Department created a quality of life task force and established a series of projects to improve the quality of the workplace. In Washington D.C., the Main Interior Building health room was reopened to provide employees with easy access to health care, the rooftop terrace was opened so that employees can enjoy the spectacular view of the city during warmer weather, and the gym was renovated in cooperation with the Interior Department Recreation Association. In addition to these improvements, all bureau and office heads were requested to develop quality of life plans for their offices around the country. All employees, regardless of their duty station, are entitled to a safe and satisfying work environment.

Office of the Special Trustee for American Indians

The Office of the Special Trustee for American Indians was authorized by the American Indian Trust Funds Management Reform Act to provide for more effective management of, and accountability for, the proper discharge of the Secretary's trust responsibilities to American Indian Tribes and individual Indians. The Special Trustee is charged with general oversight responsibilities for Indian Trust asset reform efforts Departmentwide to ensure the establishment of policies, procedures, systems, and practices that enable the Secretary to effectively discharge his trust responsibilities.

American Indian Trust Funds
(as of September 30, 1998)



The Office of Trust Funds Management (OTFM), under the direction of the Office of the Special Trustee, manages all trust activities associated with the receipt, accounting, investing, and disbursement of funds for American Indians and Alaska Natives in accordance with public laws, regulations, policies, and procedures. There is a constant value of approximately \$2.9 billion held in trust on behalf of approximately 300,000 American Indian Tribes and Individual Indian Monies (IIM) accounts. The Individual Indian Monies Fund is primarily a deposit fund for individuals as well as estates that have a Federal fiduciary interest. A major portion of the Tribal Fund consists of judgement awards while IIM Fund income is derived from royalties on natural resource depletion, land use agreements, enterprises having a direct relationship to the trust resources, per capita payments, and investment income. The assets held in trust for American Indians are owned by the trust beneficiaries and are not Federal assets.

Indian Trust reform efforts received continued emphasis during 1998. In November 1997, the Department submitted its final report detailing its recommendations on settling disputes of tribal trust fund accounts. The Department recommended a legislative approach that uses information dispute resolution mechanisms. The Administration forwarded legislation implementing the Department's recommendations on April 23, 1998. In July 1998, the Department completed its high-level implementation plan to resolve the decades-old Indian Trust Funds problems. This plan emphasizes acquisition of proven private sector trust management systems.

The Department recently awarded a contract to provide trust accounting services. The contract will provide a commercial off-the-self accounting system to manage the approximately 300,000 individual Indian accounts and 1,700 tribal accounts.

Office of Insular Affairs

The functions and responsibilities of the Secretary of the Interior for U.S.-affiliated insular areas are delegated to the Office of Insular Affairs. These insular areas include the U.S. Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, the Republic of Palau, the Republic of the Marshall Islands the Federated States of Micronesia. The deteriorating economic and fiscal environment in the islands is a major concern. The U.S. Virgin Islands have not recovered from the devastation of Hurricanes Hugo and Marilyn, and were impacted again this year by Hurricane Bonnie. The Virgin Islands government ended 1997 with an annual operating deficit of \$138 million and an anticipated annual operating deficit for 1998 of \$101 million. The Virgin Islands currently owe the Federal Emergency Management Agency \$185 million and have recently issued a \$541 million bond to refinance long-term debt. American Samoa faces similar financial problems, only to a lesser degree. Its accumulated deficit is now more than \$30 million, nearly half of its annual operating budget. Guam and the Northern Mariana Islands, along with the Federated States of Micronesia are all highly dependent on tourism from the Asian markets. They have been significantly impacted by the recessions in Japan and Korea. The Marshall Islands and the Federated States of Micronesia remain highly dependent on United States program and financial assistance under the Compacts of Free Association.

In 1998, a great deal of attention was given to the brown tree snake control program when the Secretary announced this as a major Departmental priority. The brown tree snake is a non-indigenous predator accidentally introduced into Guam that has caused extraordinary ecological and economic impacts. Dispersal of the snake to Hawaii or other insular areas could result in even greater impacts. Consequently, the Department increased significantly the budget for the program from \$600,000 in 1997 to \$1.6 million for 1998.

Office of the Solicitor

The Office of the Solicitor provides legal advice and counsel to the various offices and bureaus of Interior. In 1998, the Office issued important legal opinions that addressed, among other things, the Secretary's authority under the National Park Service Organic Act to protect park resources and values against threats from activities taking place outside park boundaries; played a key role in efforts to restore watersheds and anadromous fish species nationwide; and successfully defended in litigation the Secretary's wilderness reinventory program in Utah, the Secretary's grazing regulations, and oil and gas drilling off the coast of North Carolina pursuant to the Outer Banks Protection Action.

Office of Inspector General

The Office of Inspector General's mission is to conduct audits and investigations relating to programs and operations of the Department. These audits and investigations are intended to promote economy, efficiency, and effectiveness in the administration of the Department's programs; to detect and prevent fraud, waste, and abuse in programs; and to keep management and the Congress fully currently informed about problems and deficiencies relating to the administration of the Department's programs. In 1998, the Office of Inspector General issued or processed 507 audit reports and negotiated 207 indirect cost proposals. Monetary findings in these audit reports and indirect cost proposals totaled \$305 million, which was composed of questioned costs, funds to be put to better use, and lost or potential additional revenue. The Office also conducted investigations that resulted in 37 indictments, 23 convictions, and criminal/civil financial recoveries of \$45 million.

Glossary of Acronyms

AML	Abandoned Mine Lands
BIA	Bureau of Indian Affairs
BLM	Bureau of Land Management
BOR	Bureau of Reclamation
CALFED	State of California and Federal Government Bay-Delta Program
CAST	Catch a Special Thrill
CERCLA	Comprehensive Environmental Response, Compensation, & Liability Act
CFO	Chief Financial Officers Act
CSRS	Civil Service Retirement System
CITES	Convention on International Trade in Endangered Species
CNMI	Commonwealth of the Northern Mariana Islands
COTS	Commercial Off the Shelf
DCIA	Debt Collection Improvement Act of 1996
EEZ	Exclusive Economic Zone
EFT	Electronic Funds Transfer
EPA	Environmental Protection Agency
FACE	Family and Child Education Program
FASAB	Federal Accounting Standards Advisory Board
FBU	Funds Put to Better Use
FERS	Federal Employees Retirement System
FFMIA	Federal Financial Management Improvement Act
FMFIA	Federal Managers' Financial Integrity Act
FTE	Full-Time Equivalent
FWS	Fish and Wildlife Service
GAO	General Accounting Office
GE	General Electric
GPRA	Government Performance and Results Act
HCP	Habitat Conservation Plans
I&E	Inspection and Enforcement
IIM	Individual Indian Monies
IPM	Integrated Pest Management
IRR	Indian Reservation Roads
ISEP	Indian School Equalization Program
LCS	List of Classified Structures
MCAF	Management Control and Audit Followup
MMBF	Million Board Feet
MMS	Minerals Management Service
NEPA	National Environmental Policy Act
NFHS	National Fish Hatchery System
NOAA	National Oceanic and Atmospheric Administration
NPS	National Park Service
NWRS	National Wildlife Refuge System
OCS	Outer Continental Shelf
OIA	Office of Insular Affairs
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPA	Oil Pollution Act
OSM	Office of Surface Mining
OST	Office of the Special Trustee for American Indians
OS	Office of Secretary
OTFM	Office of Trust Funds Management
PILT	Payments in Lieu of Taxes
P.L.	Public Law
PP&E	Property Plant and Equipment
RIK	Royalty in Kind
SEMP	Safety and Environmental Management Plans
SFFAS	Statement of Federal Financial Accounting Standards
SMCRA	Surface Mining Control and Reclamation Act
TCCC	Tribally Controlled Community Colleges
TPA	Tribal Priority Allocations
USGS	U.S. Geological Survey
U.S.C.	United States Code
WSU	Weighted Student Units
WWW	World Wide Web
Y2K	Year 2000
YOTO	Year of the Ocean

For additional copies of this report, please contact:

U.S. Department of the Interior
Office of Financial Management
1849 C Street, N.W.
Washington, D.C. 20240
202-208-4701 (Phone)
202-208-6940 (Fax)

This report is also available on the Internet at:
www.doi.gov/pfm



“Preparing Yarn for Weaving” by Gerald Nailor, 1940. Medium - oil on plaster. Location - eighth floor, South Penthouse, Main Interior Building. This mural shows a Navajo woman sitting in front of a nearly finished blanket on a traditional loom frame. The artist, who was born in 1917 in Pinedale, New Mexico, and died in 1952, was a member of the Navajo Indian Tribe. His Indian name, Toh-Yah, means “Walking by the River.”

ANNUAL REPORT

**DEPARTMENTAL REPORT
ON ACCOUNTABILITY**

FISCAL YEAR

1998

