

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



## **ANNUAL DEPARTMENTAL REPORT ON ACCOUNTABILITY**

**FISCAL YEAR  
2000**

## **ABOUT THE COVER**

### ***Florida Everglades***

The cover features wildlife found in the Florida Everglades: the crocodile (with her young on her back), the orchid, the woodstork, and the Florida panther. The crocodile, the woodstork and the Florida panther are listed on the Federal Endangered or Threatened Species list.

The Florida Everglades, a vast marsh covering much of southern Florida, extends south and then southwestward from the Kissimmee River through Lake Okeechobee to the Southwest Florida Shelf near the mouth of Florida Bay and the Gulf of Mexico. The Everglades is a shallow slow-flowing system often referred to as the "River of Grass" that covers approximately 18,000 square miles and averages 50 miles wide. The Everglades originated between 8,000 and 10,000 years ago at the end of the most recent Ice Age when the melting of the glaciers caused sea levels to rise, inundating the region's outlets to the Atlantic Ocean and the Gulf of Mexico and converting the central low-lying basin into the Everglades Marsh and Big Cypress Swamp.

Today, this extraordinary ecosystem is threatened in a number of ways: large drainage projects, canals, urban growth, the diversion of water away from the Everglades, pesticide residues, and increased use of the resource by access obtained by highways built across the region. All of these factors threaten this fragile ecosystem.

These threats to the Everglades, along with the loss of habitat, have endangered the birds and animals that live there. The Everglades is home to a great variety of wildlife and provides sanctuary for 69 threatened or endangered species, among them the woodstork, the Everglades kite, crocodile, loggerhead turtle, manatee, and southern bald eagle. The Florida panther is seriously threatened because, while panthers eat mainly deer and feral hogs, they also prey on raccoons and alligators, which eat fish contaminated with mercury. The panther also requires a large home range; habitat loss poses a serious threat to this big cat.

Everglades National Park was created in 1947 in an effort to save the southern portion of the Everglades. The Park, the only subtropical preserve in North America, encompasses approximately 1.5 million acres and is the only National Park to be designated an International Biosphere Reserve, a World Heritage Site, and a Wetland of International Importance. The Park, several U.S. Fish and Wildlife Service Refuges, Biscayne National Park, and the Big Cypress National Preserve all benefit from state, tribal and federal efforts to restore the Everglades and the South Florida Ecosystem. A plan to expand the Everglades National Park is scheduled to be completed in the summer of 2001.

A strong public and private partnership has been forged to address the needs of this ecosystem. In July 1999, after several years of study, the Comprehensive Everglades Restoration Plan (CERP) was submitted to Congress for authorization. In 2000 the Congress passed and the President signed into law legislation that authorized the CERP—making Everglades restoration a national priority. At an estimated cost of \$7.8 billion and taking over 25 years, the CERP is the largest ecosystem restoration project in the world. The Department of the Interior plays a key role in Everglades restoration in general and the CERP in particular. With over 40 percent of the lands in the ecosystem under the stewardship of its agencies, the Department is actively involved in the science, policy, and legislative requirements that are necessary to successfully complete this project. In addition, the Secretary chairs the South Florida Ecosystem Restoration Task Force. The Department's commitment, along with the partnership between other federal agencies, tribes, and the State of Florida bode well for the restoration of the Florida Everglades—a national treasure.

**Photo credits: Crocodile, orchid, and woodstork photos courtesy of the National Park Service; Florida panther photo courtesy of the U.S. Fish and Wildlife Service.**

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



## **Fiscal Year 2000 Annual Departmental Report on Accountability**

*<http://www.doi.gov/pfm>*

**February 28, 2001**

# MESSAGE FROM THE SECRETARY

I am pleased to present the U. S. Department of the Interior's Accountability Report for fiscal year 2000. For over 150 years, the Department has carried out its stewardship mission to preserve the Nation's natural and cultural heritage and fulfill its trust responsibilities to Native Americans and commitments to island communities. Interior is responsible for protecting the environment; managing natural and cultural resources; providing parks, refuges and reserves for recreation; enhancing natural science; and, meeting America's trust commitments. This report provides a summary of the Department's 2000 performance and its accountability to the American people.



In January 2001, I began my tenure as the 48th Secretary of the Interior. As Secretary, I believe that conserving our Nation's natural resources should be a top priority of the Department. America is a land of singular beauty. Americans are proud of the many exquisite natural treasures within our shores. The great wild places and the unspoiled landscapes of this country are the common heritage of all Americans. We must conserve and manage them for Americans living today and for the Americans of the future, our children and our children's children. Working together, we can protect our national park system by eliminating the major maintenance backlogs that have been obstacles to resource protection and promoting conservation in the United States through proposals such as conservation partnerships that enable states, local communities and private land owners to conserve wildlife habitat, watersheds and open space. We must make responsible use of natural resources, particularly energy resources, to ensure a sound and stable economy for our Nation.

I believe that my special responsibilities as the Secretary of the Interior to American Indians require careful attention. All of us recognize that the situation in Indian Country is not as it should be. There is much that we can do in partnership with Indian tribes to improve living and economic conditions and provide a more hopeful future. A good education is the key to a better life for any child, whether that child lives in Washington, D. C., Miami, or on a reservation in New Mexico. Recognizing the historic relationship of the federal government and Indian tribes, this Administration intends to work very hard to achieve real results for every Indian child.

Interior continues to enhance management accountability with particular focus on: (1) continuing to achieve unqualified (clean) audit opinions on financial statements prepared by the Department and its bureaus; and (2) maintaining an effective management control program that holds program managers accountable for the correction of any weakness identified in audits or management reviews. I am pleased to report that this is the fourth consecutive year that Interior's financial statements have received an unqualified audit opinion. The performance and financial data used in this report have been reviewed and assessed by the Department to be complete and reliable for purposes of reporting these results in the Accountability Report. In the years ahead, I anticipate that we will provide even more information in future reports on our annual performance results. The American people deserve to know the results for its annual investment in the programs of the Department.

A handwritten signature in cursive script that reads "Gale A. Norton".

**Gale A. Norton**  
**Secretary of the Interior**

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**GENERAL NOTE**

All years referred to are fiscal years, unless otherwise noted.



# Interior At A Glance

The Department of the Interior is America's principal conservation agency. Interior serves as steward for approximately 437 million federal 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 approximately 700 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 Indian tribes and our commitments to island communities. 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 (*Figure 1*). Departmental Management provides leadership, management, and coordination as well as support services used by all bureaus to accomplish their work.

## Organization

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 70 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 (FWS or Service) manages lands primarily to conserve and protect fish and wildlife and their habitats. The National Park Service (NPS or Park Service) manages 379 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 as that which best meets both the 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 Minerals Management Service (MMS) manages the resources on the Outer Continental Shelf (OCS); collects mineral revenues generated from federal and Indian lands;

***Mission***  
*“To protect and provide access to our Nation’s natural and cultural heritage and honor our trust responsibilities to tribes and our commitments to island communities.”*

accounts for and distributes these revenues 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 the effects of past mining are mitigated through the reclamation of abandoned mine lands. The Bureau of Reclamation (BOR or Reclamation) is one of the largest suppliers of water in the West and is the Nation's second largest producer of hydroelectric power.

The U.S. Geological Survey (USGS or Survey) provides science for a changing world by delivering reliable and impartial information that describes the Earth, its natural processes, and its natural species. USGS primary science disciplines include biological resources, geology, geography, and water resources.

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

## Resources

In 2000, Interior's full-time equivalent (FTE) usage rate was 67,260, an increase of 304 or 0.5 percent compared to 1999. *Figure 2* shows 2000 FTE usage rates by bureau. The Department's operations are funded primarily by congressional appropriations of the general funds of the United States government. Interior's enacted 2000 current appropriations budget was approximately \$8.5 billion. The Department's remaining 2000 budgetary resources were provided primarily from (1) permanent appropriations (i.e., budget authority that is available as the result of previously enacted legislation and which does not require any new legislation for the current year), (2) prior year unobligated balances, and (3) spending authority from offsetting

**Figure 1**

<b>U.S. Department of the Interior</b> <b>"To protect and provide access to our Nation's natural and cultural heritage and honor our trust responsibilities to Indian tribes and our commitments to island communities"</b>			
<b>BUREAU OF INDIAN AFFAIRS</b> <b>Mission:</b> 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. <ul style="list-style-type: none"> <li>• <i>Administers federal Indian policy for more than 550 American Indian and Alaska Native tribal governments</i></li> </ul>	<b>NATIONAL PARK SERVICE</b> <b>Mission:</b> 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. <ul style="list-style-type: none"> <li>• <i>Manages 379 parks, encompassing more than 78 million federal acres</i></li> </ul>	<b>FISH AND WILDLIFE SERVICE</b> <b>Mission:</b> To conserve, protect and enhance fish and wildlife and their habitats for the continuing benefit of the American people. <ul style="list-style-type: none"> <li>• <i>Manages 530 National Wildlife Refuges, encompassing approximately 89 million acres</i></li> </ul>	<b>BUREAU OF LAND MANAGEMENT</b> <b>Mission:</b> To sustain the health, diversity, and productivity of the public lands for the use and enjoyment of present and future generations. <ul style="list-style-type: none"> <li>• <i>Manages 264 million acres (1/8 of U.S. land mass) and 370 million additional acres of subsurface mineral estate</i></li> </ul>
<b>BUREAU OF RECLAMATION</b> <b>Mission:</b> To manage, develop, and protect water and related resources in an environmentally and economically sound manner in the interest of the American public. <ul style="list-style-type: none"> <li>• <i>One of the largest suppliers of water in the 17 western states and manages about six million acres of Reclamation project lands</i></li> </ul>	<b>U.S. GEOLOGICAL SURVEY</b> <b>Mission:</b> To provide the Nation with reliable, impartial scientific information to describe and understand the earth. <ul style="list-style-type: none"> <li>• <i>Largest U.S. natural science and mapping agency contributing to public/environmental health and safety</i></li> </ul>	<b>MINERALS MANAGEMENT SERVICE</b> <b>Mission:</b> 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. <ul style="list-style-type: none"> <li>• <i>Collects over \$5 billion annually from the mineral leasing program</i></li> </ul>	<b>OFFICE OF SURFACE MINING</b> <b>Mission:</b> To carry out the requirements of the Surface Mining Control and Reclamation Act in cooperation with states and tribes. <ul style="list-style-type: none"> <li>• <i>Regulates coal mining to protect the environment and reclaims abandoned minesites</i></li> </ul>

collections. These budget amounts do not include certain exchange revenues as well as other amounts not included in the budget of the federal government.

Interior is responsible for collecting billions of dollars in receipts, fees, and other revenues. In 2000, the Minerals Management Service distributed approximately \$8.5 billion from mineral activities on federal and American Indian lands (Figure 3).

## Achieving Results

The Department of the Interior continuously seeks to improve its performance, provide customers with responsive service, and produce solid results. The Department measures success in pursuit of its mission against five strategic 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 Trust Responsibilities to American Indians and Our Commitments to Island Communities

To measure progress in moving toward these strategic goals, Interior has developed a set of performance goals that reflect the Department's most critical challenges. Each year, targets are established for these goals.

Interior's strategic and performance goals are achieved through the many programs and activities carried out by the Department's bureaus and departmental offices. Interior's bureaus have separate but often related legislated missions, programs, customers, and stakeholders. Working with the Department, Interior bureaus and offices establish goals and performance measures for their programs and link them to the departmental goals. The Department provides leadership, management oversight, and administrative support services for this planning process.

Last year, the Department linked bureau missions and departmental programs into a number of long-term objectives under Interior's five strategic goals. This alignment brings Interior's themes into sharp focus: restoring landscapes, watersheds, and natural systems; guarding and restoring the America's natural and cultural landmarks; providing access to the Nation's vast public lands for sustainable economic development, recreation, and renewal of the human spirit; applying Interior's best scientific information and knowledge; working in partnerships with governments, tribes, industry, nonprofit groups, and ordinary citizens; and meeting the Department's trust responsibilities and commitments to island communities.

Figure 2

FTE Usage Amounts by Bureau

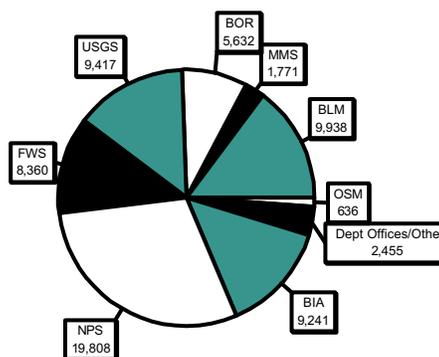
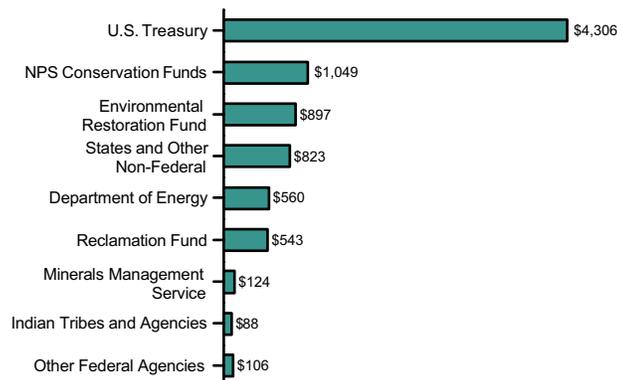


Figure 3

Distribution of Federal and Indian Mineral Lease Revenues (\$ in millions)



Linking the key programs and outcomes of individual Interior bureaus to the Departments priorities and initiatives reinforces Interior's stewardship of critical resources, especially important in light of increasing developmental pressures, shifting public wants and needs, and accelerating changes in science and technology. Interior must respond to the increasing demands on the vital resources the Department oversees by efficiently and wisely using and managing these resources.

Interior's 2000 Accountability Report takes a results-oriented approach in presenting the Department's financial condition by integrating budget, accounting, and program information. *Figure 4* shows 2000 expenses for Interior's five strategic goals.

This Accountability Report does not present all of the Department's approximately 250 performance measures (available in the Department's 2000 Annual Performance Report and at <http://www.doi.gov/gpra/>). Instead, the report provides commentary on performance results for selected program goals and measures that are representative of Interior's five strategic goals. The 2001 performance targets reflect information provided by Interior bureaus and offices at the time of report publication. Updated 2001 performance target information will be available in the Department's 2002 Annual Performance Plan and 2000 Annual Performance Report.

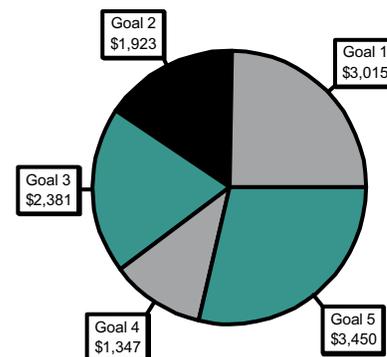
In addition to providing selected program results, the Accountability Report:

- Details the uses of budgetary resources, obligations incurred, outlays, and the balance of budgetary resources available;
- Shows the net cost of operations and programs, enabling users to relate costs to program results;
- Reports on operating assets available for use in providing goods, services, and benefits as well as all liabilities incurred, with special displays of those that would require future funding by the Congress; and
- Reflects Interior's assets and investments for which there is a federal stewardship responsibility.

This information is presented in the Department's audited financial statements, which comply with the Chief Financial Officers Act of 1990 (CFO Act), the Government Management Reform Act of 1994 (GMRA), and the Federal Accounting Standards Advisory Board (FASAB) accounting standards. FASAB's financial reporting objectives require reporting on (1) budgetary integrity, (2) operating performance, (3) stewardship, and (4) controls.

**Figure 4**

**Strategic Goal Expenses**  
(\$ in millions)



Note - For accounting purposes, expenses are defined as the outflow of resources or incurrence of liabilities (or both) during a period as a result of rendering services, delivering or producing goods, or carrying out other normal operating activities. Total expenses may exceed budget authority and outlays because of non-cash items such as depreciation, amortization, and accrued annual leave.

# Management's Discussion and Analysis

# Protect the Environment and Preserve Our Nation's Natural and Cultural Resources

*“It is the growing Nation with a future which takes the long look ahead.”*  
- Theodore Roosevelt

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 preserving our national parks, wildlife refuges, wilderness areas, and natural/cultural heritage resources. 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. During 2000, the Department focused on key crosscutting strategies to demonstrate this commitment, including:

- Implementing ecosystem-based standards and guidelines for healthy lands, placing particular emphasis on restoring and protecting streams, riparian areas, wetlands, and abandoned mine lands; and
- Working with other federal agencies, states, and the private sector to prevent contamination of quality habitat, cleanup contaminated water bodies, and restore fish, wildlife, and their habitat.

The major departmental activities to achieve the goal of protecting the environment and preserving our Nation's natural and cultural resources are presented in *Figure 5*.

**Figure 5**

<b>Goal 1 - Protect the Environment and Preserve Our Nation's Natural and Cultural Resources</b>	
<i>GPRA Program Activity</i>	<b>2000 Expenses (\$ in millions)</b>
<b>A. Protect Natural and Cultural Resources</b>	
A1. Preserve Natural and Cultural Heritage on Public Lands	\$138
A2. Understand the Condition of Public Lands	86
A3. Preserve Park Resources	667
<i>Subtotal A</i>	<b>891</b>
<b>B. Restore the Health of America's Lands</b>	
B1. Environmental Restoration Related to Mined Lands	180
B2. Restore At-Risk Resources and Maintain Functioning Systems	161
B3. Environmental Protection Related to Mining Operations	103
<i>Subtotal B</i>	<b>444</b>
<b>C. Maintain Healthy Ecosystems</b>	
C1. Habitat Conservation	913
C2. Environmental Activity	41
<i>Subtotal C</i>	<b>954</b>
<b>D. Protect and Restore Imperiled Species</b>	
D1. Fish and Wildlife Management and Development Affected by Reclamation Projects	142
D2. Sustainability of Fish and Wildlife Populations	584
<i>Subtotal D</i>	<b>726</b>
<b>Total - Goal 1</b>	<b>\$3,015</b>

## Protect Natural and Cultural Resources

### Preserve Natural and Cultural Heritage on Public Lands

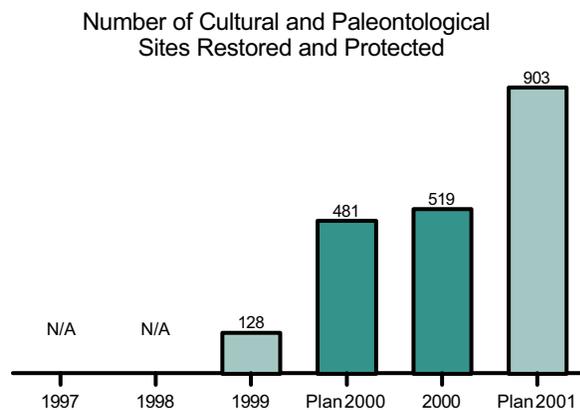
**Desired Result:** Preserve and protect natural, historic, landscape, and cultural resource values for current and future generations.

The public lands contain exceptional geologic formations; rare and vulnerable plant and animal communities; wild free-roaming horse and burro herds; wilderness areas and wild and scenic rivers; and innumerable paleontological, archaeological, and historical sites. The array of diverse biological, cultural, and scenic resources within the Bureau of Land Management's (BLM) Special Areas are world-class treasures. For example, BLM manages 85 percent of the National Historic Trails System and 20 percent of the National Wild and Scenic Rivers System. These resources are scientifically, ecologically, educationally, and recreationally important, representing a significant part of our Nation's natural and cultural heritage.

The BLM is required to inventory, evaluate, and, where appropriate, protect these legacies for the use and enjoyment of the American people. Over 2,100 special management areas have been congressionally or administratively designated on BLM-managed public lands to preserve natural heritage resources. These areas cover approximately 91 million acres, comprising approximately one-third of the 264 million acres administered by the BLM.

**Performance Measure:** BLM's archaeological and paleontological sites continue to be targeted for theft by pothunters, looters, and commercial collectors who "mine" these areas for commercially valuable artifacts and fossils, many of which can be sold to private collectors for thousands of dollars. Contributing to the overall decline in the condition of these resources is development, overuse, weathering, and increasingly, recreational activities. The long-term goal by 2005 is to restore and protect 1,354 "at risk" cultural and paleontological properties on the public lands.

**2000 Results:** The 2000 performance target was achieved as a result of actions taken to improve conditions, including vegetative treatments, maintenance, closures, fencing, and signs.



The array of diverse cultural, biological, and scenic resources within BLM's Special Areas are world-class treasures (photo by Interior).

**Performance Measure:** The Wild Free-Roaming Horse and Burro Act of 1971 requires the protection and management of wild horses and burros to assure a thriving, natural ecological and multiple-use relationship on the range. The BLM is responsible for implementing this Act and assuring healthy, viable wild horse and burro populations within Herd Management Areas (HMAs). The long-term goal by 2005 is to manage wild horse and burro populations consistent with established land health standards and healthy herds to achieve and maintain a thriving natural ecological balance for 100 percent of the Herd Management Areas.

**2000 Results:** The BLM achieved its performance targets for 2000. Due to emergency drought conditions in the western states, it was necessary to increase the number of scheduled gathers for the summer of 2000. These additional removals, primarily in Nevada and Utah, allowed BLM to bring more of the Herd Management Areas to appropriate management levels.

In 2000, BLM field offices continued the aggressive compliance and titling program that was initiated in 1997. For 1998 and 1999, statistics indicate success rates of 95 and 93 percent, respectively, for adoptions in those years. Preliminary information indicates that this high success rate was also attained in 2000. The field offices continue to pursue titling qualified animals and dealing with the backlog of animals qualified for titling.

	1997	1998	1999	Plan 2000	2000	Plan 2001
Number of Herd Management Areas reaching Appropriate Management Levels	N/A	58	51	49	52	93
Number of titles issued to adopters for excess animals within six months of title eligibility	N/A	5,954	6,763	5,928	6,050	7,500

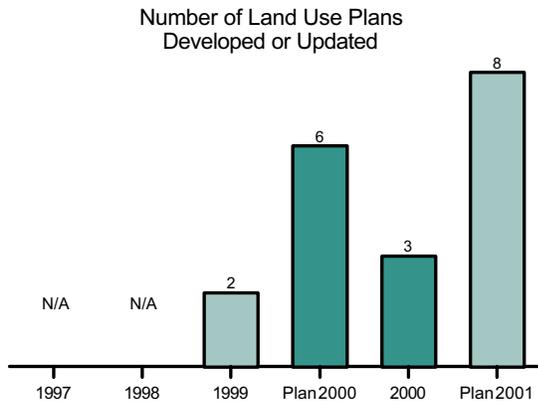
## Understand the Condition of Public Lands

**Desired Result:** *Comprehensively assess and report the condition of lands administered by the Bureau of Land Management and ensure the adequacy of land use plans.*

Public lands are diverse and geographically dispersed, intermingled with lands owned and managed by many other entities. The BLM has a complex mission, involving all landowners and users in common watersheds, plant and animal populations, and human use issues. The BLM's land use decisions affect adjacent landowners and state, local, and tribal governments, along with the myriad users of public lands. The BLM is dedicated to understanding socioeconomic and environmental trends, cooperating in decisionmaking, and implementing appropriate on-the-ground activities.

**Performance Measure:** Land use plans provide the basis for nearly all decisions affecting public lands. Recent activities and events have focused renewed attention on land use plans and National Environmental Policy Act (NEPA) documents. These include the Southwest Wyoming oil and gas initiative, the need to renew thousands of livestock grazing permits within a 2 to 3-year time frame, and court and Interior Board of Land Appeals (IBLA) decisions that have questioned the adequacy of BLM's land use plans and NEPA procedures. The long-term goal by 2002 is to evaluate 100 percent of BLM's existing land use plans and associated NEPA documents and, by 2005, to prepare 29 new land use plans and amend or revise 26 existing plans to reflect new information and management strategies.

**2000 Results:** The number of land use plans developed or completed did not meet the projected target because of new monument designations. Specifically, the BLM office in Oregon temporarily stopped the project work to allow consideration of the pending legislation for the Steens portion of the Andrews Resource Area. This delay resulted in the deferral of all three targeted land use plans in Oregon.



## Preserve Park Resources

**Desired Result:** *Conserve the scenery and the natural and historic objects and wildlife therein.*

Several years after Congress created the National Park Service (NPS) in 1916, the Park Service conducted an official study on the purpose of the national parks. The report declared: “America’s national heritage is richer than just its scenic features. Perhaps our greatest national heritage is nature itself, which when combined with great scenic beauty as it is in the national parks, becomes of unlimited value.”

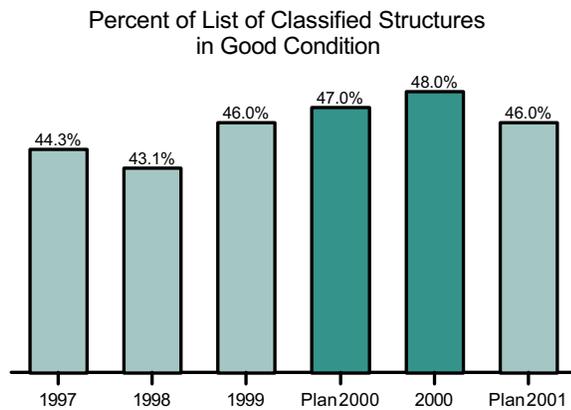
Interior has renewed emphasis on preserving unimpaired, for the benefit and enjoyment of all people, the many and diverse natural elements and the great scenic beauty of America’s national parks.

**Performance Measure:** Historic and prehistoric structures, and the events surrounding them, are key cultural resources in parks, form the basis for 225 parks, and are integral to many others. National Park Service standards define structure condition in terms of the character, material, and stability of the structure. Condition is not an indication of the amount of work required to maintain a structure. “Good condition” is where the structures and significant features need only routine or cyclic maintenance, although that maintenance may be significant. The long-term goal by 2005 is to ensure that 50 percent of the historic structures on the 1999 List of Classified Structures (LCS) are in good condition.

**2000 Results:** NPS projected that 10,900 of the 23,167 structures listed on the LCS in 1998 would be in good condition. This meant that 241 structures would be improved to good condition during 2000. In 2000, the NPS improved the condition of 465 structures bringing the number of structures on the LCS in good condition to 11,124, or 48 percent of all structures of the LCS (102 percent of target.). The performance target for this measure was adjusted down from the original plan due to accomplishments reported in 1999.



When the National Park Service was established in 1916, it comprised 32 parks. Today, the NPS cares for 379 diverse parks covering many million of acres ranging halfway around the world (photo by NPS).



**Performance Measure:** The NPS has identified the adverse effects of disturbed lands on natural systems as a significant resource management concern. Presently, over 195 parks contain lands that have been disturbed by modern human developments, including abandoned roads, dams, canals, railroads, campgrounds, mines, and other abandoned sites. In 1998, the parks identified 241,000 acres of NPS-managed lands in damaged condition as a result of development. Over 190 parks contain exotic vegetation that replaces thousands of acres of native vegetation, rendering the land uninhabitable for wildlife and despoiling or eliminating critical water resources. The long-term goal is to control these nonnative species so that healthy functioning ecosystems are restored and maintained.

**2000 Results:** NPS projected that it would restore 16.8 percent of the 241,000 acres of lands disturbed from earlier development, or nearly 40,500 acres. The accomplishment was approximately 15.9 percent, or 38,300 acres, of disturbed lands restored (94.5 percent of the target). NPS also projected that it would restore 10 percent of nearly 1,890,200 acres of lands impacted by exotic species, or nearly 189,400 acres. The accomplishment was 196,119 acres of exotic species impacted acres restored or about 103 percent of the target.

	1997	1998	1999	Plan 2000	2000	Plan 2001
Percent of targeted disturbed lands restored (cumulative)	N/A	3.6%	14.7%	16.8%	15.9%	2% *
Percent of lands impacted by exotic species restored	N/A	2.5%	8.2%	10%	10.4%	1.3% *

\* The baseline was changed for 2001

## Restore the Health of America's Lands

### Environmental Restoration Related to Mined Lands

**Desired Result:** Provide a cleaner and safer environment by reclaiming and restoring land and water degraded by past mining.

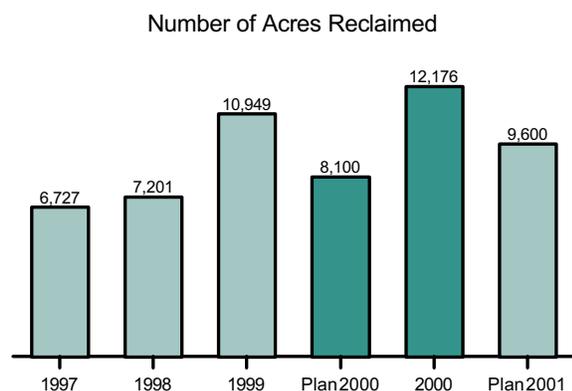
Through its abandoned mine lands reclamation and clean streams programs, the Office of Surface Mining (OSM) plays a key role in restoring the Nation's landscape. The restoration of this land to productive use supports the Administration's goals for Water and Watershed Restoration as outlined in the Clean Water Action Plan. In addition to becoming more useful to the local communities near which they are located, restored lands reduce health and safety issues while benefitting the general economy.

**Performance Measure:** The Abandoned Mine Land Reclamation Program provides for the restoration of lands mined and abandoned or left inadequately restored before August 3, 1977. It is estimated that over 1.5 million acres of land has been disturbed and over 11,500 miles of streams polluted by coal mining. OSM has identified over 560,000 acres of high priority coal-related health and safety problems such as underground fires, subsidence, highwalls, landslides, open shafts, and polluted water. Since its inception in 1977, the Abandoned Mine Land Program has reclaimed approximately 142,000 acres of high priority problem areas. The long-term goal by 2005 is to reclaim 17,000 acres annually.

**2000 Results:** The Office of Surface Mining reclaimed 12,176 acres in 2000, an increase of 1,227 acres, or 11 percent over 1999. One major project completed was the Pleasant View Project in Hopkins County, Kentucky. The Pleasant View site covered 250 acres of barren wasteland and included approximately 1.4 million cubic yards of mine waste containing heavy metals as well as approximately 300 million gallons of highly acidic water. Runoff from this site contaminated a significant stretch of downstream wetlands to such an extent that the affected area was completely devoid of any aquatic life. The two-year reclamation effort cost an estimated \$4 million and involved moving 2.5 million cubic yards of material to fill in the strip pits and grade the surrounding areas, 10 tons of seed for replanting, 500 tons of straw mulch, 26,000 tons of agricultural limestone, and 88 tons of fertilizer.



The Surface Mining Law establishes five priorities of eligibility for reclamation funding. The highest-priority projects protect public health, safety, general welfare, and property from the adverse effects of abandoned coal mining problems (photo by Interior).



## Restore At-Risk Resources and Maintain Functioning Systems

**Desired Result:** Implement strategies to restore priority watersheds and resources to functioning condition on lands administered by the Bureau of Land Management.

Restoring and maintaining the health of the land is the foundation of BLM's mission. Livestock grazing, timber harvesting, hunting, fishing, and other resource uses can be sustained over time only if the land is healthy. Compared to other public land management agencies, the BLM is particularly well positioned to make significant national contributions to (1) clean water and healthy watersheds, (2) biological diversity, and (3) the protection of critical habitat for a variety of plant and animal species.

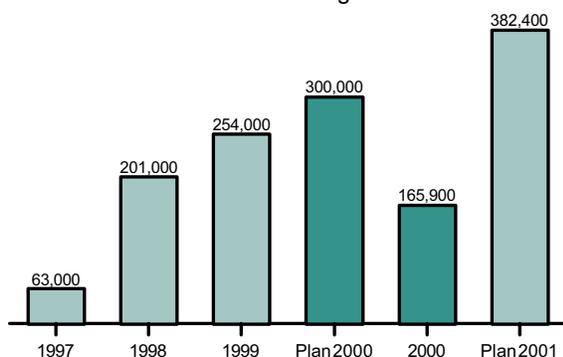
**Performance Measure:** Based upon the Wildland Fire Management Program and Policy Review, it has been determined that the health of uplands can be improved by reducing the spread of weeds and reintroducing fire into certain landscapes, specifically those in heavier fuel models. The long-term goal by 2005 is to achieve an upward trend in the condition of BLM-administered uplands in 50 percent of watersheds within priority subbasins.

**2000 Results:** As a result of the Cerro Grande prescribed fire that escaped in May 2000, the Secretary of the Interior imposed a 30-day moratorium on prescribed fires. The intense late summer Western fire season prevented further use of prescribed fire as a mechanism to suppress wildland fires. The target was not met because of (1) the moratorium; (2) resources being shifted to more costly, smaller acreage, and mechanical treatments in high-risk areas; and (3) higher priority fire suppression activities.



In 1999, BLM-Idaho fire crews put out 405 fires involving 404,670 acres. Many of these fires are urban interface areas as more people move into wildland areas that are prone to fire (photo by BLM).

Number of Acres Treated With Wildland Fire, Prescribed Fire, and Mechanical Fuels Treatment to Restore Natural Ecological Processes



## Environmental Protection Related to Mining Operations

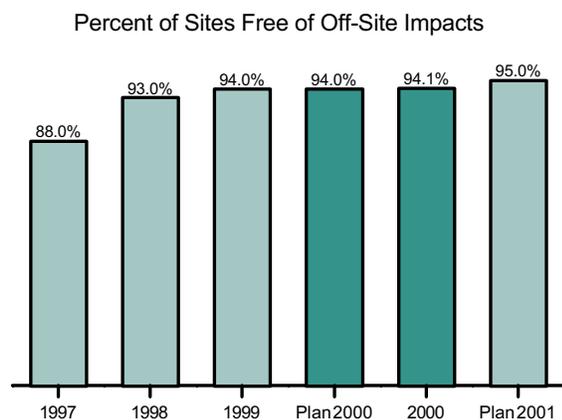
**Desired Result:** Improve regulatory programs for protecting the environment, people, and property during current mining operations and subsequent reclamation through cooperative, results-oriented oversight and evaluation of state programs and through the implementation of OSM's regulatory responsibilities in order to safeguard people and the environment.

The Office of Surface Mining (OSM) administers regulatory programs that ensure that the environment is protected during surface coal mining operations and that coal operators adequately reclaim disturbed land after mining is completed. Protection of 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 off-site impacts.

**Performance Measure:** The Office of Surface Mining, in conjunction with states and tribes, regulates over 9,800 mining operations covering 4.7 million acres in 27 states. During mining, the potential risk from safety and environmental hazards increases within the permitted site. However, because of required precautions, long-term effects are minimized. Off-site impacts—unintentional damaging effects that occur from blasting, unstable land failures, or water contamination—may cause problems that are more difficult to correct and have a greater potential for harming people or the environment. Preventing or reducing the number of off-site impacts is a difficult task to undertake. Despite the difficulty, OSM, states, and tribes have placed a high priority on addressing these problems and consider this performance measure a key indicator of ultimate program success. To improve its performance in this area, OSM needs to evaluate the causes of off-site impacts and prescribe program improvements such as permit adjustments as well as providing technical assistance and expertise.

**2000 Results:** In 2000, 94.1 percent of the minesites were free of off-site impacts, which was 0.1 percent higher than the target. This increase and supplemental information, such as a decrease in the total number of off-site impacts during 2000, provide encouragement that the 2005 target of 96 percent of minesites free of off-site impacts will be met.

*“Protecting the environment during coal mining and making sure the land is reclaimed afterward have been national requirements since 1977, when America’s Surface Mining Law was enacted.”*



## Maintain Healthy Ecosystems

### Habitat Conservation

**Desired Result:** *Conserve an ecologically diverse network of lands and waters—of various ownerships—in cooperation with others to provide habitats for migratory birds, imperiled species, interjurisdictional fish, marine mammals, and species of international concern associated with those ecosystems.*

Habitat is fundamental for self-sustaining populations of fish, wildlife, and plants as well as for functional ecosystems. The Fish and Wildlife Service’s (FWS’s) goal is to conserve fish and wildlife by protecting and restoring the habitat on which they depend. The National Wildlife Refuge System, with 530 refuges and approximately 94 million acres, protects virtually every type of habitat found in the United States for the benefit of fish and wildlife species. Many of these habitats are in degraded condition and must be restored to original function to benefit wildlife and the human communities that surround these lands. A significant amount of annual management is needed to produce desired wildlife benefits.

**Performance Measure:** Acreage protection targets reflect the increased size of the National Wildlife Refuge System through the addition of new lands. Funding for land acquisition is provided through the Migratory Bird Conservation Fund and the Land and Water Conservation Fund. The long-term goal through 2005 is to meet the identified needs of FWS lands by supporting fish and wildlife species populations objectives through the restoration of 600,000 acres, the annual management/enhancement of 3.2 million acres of habitats, and the addition of 1.275 million acres within refuge boundaries.

**2000 Results:** In 2000, the FWS met its performance target by increasing the number of acres protected by the Service in the National Wildlife Refuge System to 93,962,546, of which 3,287,764 acres were restored or enhanced.

	1997	1998	1999	Plan 2000	2000	Plan 2001
Number of acres protected	92,873,832	93,312,296	93,628,301	93,883,301	93,962,546	*
Number of acres enhanced or restored	2,647,000	3,347,210	3,230,886	3,377,260	3,287,764	*

\* These indicators will be replaced or revised in 2001.

## Environmental Activity

**Desired Result:** Restore and maintain the health of our lands, waters, and renewable resources.

One of the country's most significant 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, human-caused changes to the region's water flow have provided important economic benefits to the region but have also damaged the environment. Biological indicators of native flora and fauna have shown severe damage throughout South Florida.

The Department's Restoration Program (funded by the Natural Resource Damage Assessment Fund) provides for the restoration of injured natural resources nationwide. The Restoration Program assesses the damage to natural resources as the result of oil spills or hazardous substance releases that affect departmental lands or trust resources, as well as other lands within its authority and trust responsibility for American Indians. Legal settlements resulting from the damage assessment cases provide recovered funding that the Department uses to protect and restore injured natural and cultural resources, returning them to a healthy environmental condition.

**Performance Measure:** The Department of the Interior signed an interagency agreement in September 1993 creating the South Florida Ecosystem Restoration Task Force. This interagency group works to integrate federal plans, policies, and programs in the Everglades ecosystem. The Department strives to complete federal land acquisitions on a schedule consistent with the hydrologic restoration of those areas. Other lands for habitat and water management are acquired on a 50/50 cost-shared basis with non-federal partners to provide the necessary spatial extent of the restored wetlands.

**2000 Results:** The Department acquired 36 acres as an addition to the National Wildlife Refuge System on lands located in the Everglades Ecosystem. State of Florida agencies also acquired 5,833 acres on a cost-sharing basis with Interior. In 2000, \$35 million was appropriated to the National Park Service for Priority Land Acquisitions and Exchanges to fund state grants for land acquisitions in Florida. These funds were subsequently reprogrammed by Congress for other purposes.

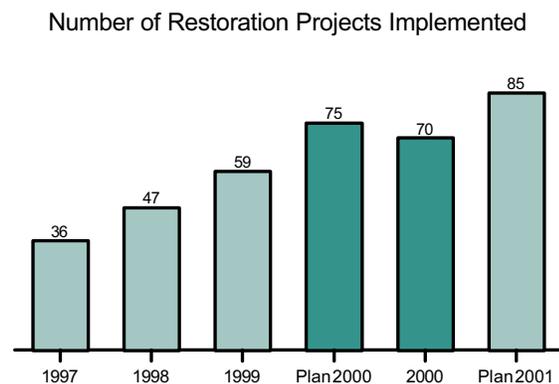
	1997	1998	1999	Plan 2000	2000	Plan 2001
Number of acres acquired and/or offers extended by federal agencies	5,675	26,716	10,326	26,000	36	N/A
Number of acres acquired and/or offers extended by the State of Florida with funding provided by Interior	N/A	N/A	43,336	3,755	5,833	N/A

**Performance Measure:** The Restoration Program will continue to emphasize restoration as the focal point of the program. To this end, a number of significant actions are underway to further align and focus the program on restoration implementation. Interior is in the process of revising departmental regulations for carrying out natural resource damage assessments of hazardous substances, with an increased emphasis on developing restoration-based settlement positions. Efforts are also underway to address a number of key legal and policy issues that will help provide regional and field staff with the guidelines and tools required to successfully implement restoration actions. Lastly, the Restoration Program will intensify its partnering efforts with nonprofit organizations such as the National Fish and Wildlife Foundation and the Nature Conservancy. The goal of such partnerships is to take advantage of these organizations' vast experience and capability to implement restoration actions, as well as provide a source of matching funds.



The Restoration Program is authorized by several laws, including the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, and the Clean Water Act, as amended by the Oil Pollution Act of 1990 (photo by Interior).

**2000 Results:** The Restoration Program ended the year with a total of 70 restoration projects underway, slightly under the target of 75. A number of factors come into play in determining the Department's ability to quickly implement restoration actions, including coordinating with co-trustees (state and federal) and complying with other laws such as the National Environmental Policy Act (NEPA), and the Endangered Species Act. Staffing and workload issues continue to be a concern; available regional and field staff in the various departmental bureaus and offices are often involved in time-sensitive, ongoing damage assessment cases, limiting the level of effort that can be devoted to implementing restoration actions.



## Protect and Restore Imperiled Species

### Fish and Wildlife Management and Development Affected by Reclamation Projects

**Desired Result:** Conserve, enhance, and restore fish and wildlife populations, threatened and endangered species, and their habitats.

The Bureau of Reclamation strives to maintain and improve fish and wildlife habitat within watersheds that affect or are affected by Reclamation projects. These efforts ensure that Reclamation complies with the Endangered Species Act (ESA) and other legal requirements and minimizes the impact of its projects and facilities on fish and wildlife habitat. By emphasizing water resource planning, Reclamation seeks to balance the needs of many resource users while enhancing habitat and associated watersheds.

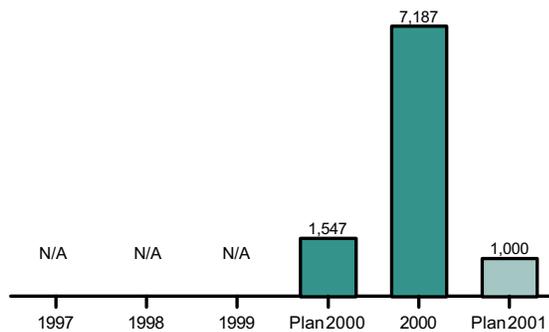


Reclamation maintains and improves fish and wildlife habitat within watersheds that affect or are affected by Reclamation projects. These efforts ensure that Reclamation complies with Endangered Species Act and other legal requirements and minimizes the impact of its projects and facilities on fish and wildlife habitat (photo by Reclamation).

**Performance Measure:** As part of the goal described above, Reclamation devotes resources to ensure that it meets the Administration's commitment to the no-net-loss-of-wetlands policy by supporting North American Waterfowl Management Planning joint ventures and other local and ecosystem-based programs that benefit wetlands.

**2000 Results:** Reclamation created, enhanced, or restored 7,187 acres of wetlands in 2000, exceeding the target of 1,547 acres. These wetlands were most often funded on a project-specific basis and helped to improve the wildlife habitat in or around Reclamation projects. Wetland restoration, development, and enhancement is critical to ensuring adequate habitat for threatened and endangered species. The 2000 target was exceeded because Reclamation often works in partnership on wetlands activities, making it difficult to predict the funding availability and the exact acreage of wetlands to be addressed prior to implementation.

Acres of Wetlands Restored or Created  
Minus Acres of Wetlands Impacted



## Sustainability of Fish and Wildlife Populations

**Desired Result:** Ensure that migratory birds, endangered fish, wildlife and plant species, interjurisdictional fish, marine mammals, and species of international concern are conserved, protected, enhanced, or restored.

The living resources of this Nation's inland and coastal aquatic ecosystems have been a core responsibility of the Fish and Wildlife Service for more than 120 years. The mission goal *Sustainability of Fish and Wildlife Populations* encompasses the specific statutory mandates, international treaties, and agreements delegated to the FWS and the broad conservation ethics of the Nation. What began as a group of laws that sought to manage migratory games species has evolved into a broader net of conservation and protection statutes based upon the realization that the continued variety and balance of plants and animals makes existence on earth possible.

**Performance Measure:** Protecting endangered and threatened species and restoring them to a secure status in the wild is the primary goal of the Endangered Species Program. Conserving endangered and threatened species is necessary to preserve our natural heritage for future generations and to maintain our quality of life. Conserving ecosystems benefits all users of ecosystems resources and is essential to maintaining our Nation's long-term economic prosperity. The long-term goal through 2005 is to ensure that 371 species listed under the Endangered Species Act as endangered or threatened for a decade or more are either stable or improving, 15 species are delisted due to recovery, and the listing of 12 species at risk is made unnecessary due to conservation agreements.



Protecting endangered and threatened species and restoring them to a secure status in the wild is the primary goal of the endangered species program of the Fish and Wildlife Service (photo by FWS).

**2000 Results:** In 2000, the Service (1) improved or stabilized 58 percent or 309 species of 532 listed, exceeding the target of 37 percent, or 197 species; and (2) approved 19 species for removal from listing under the Endangered Species Act, exceeding the target of 15 species.

	1997	1998	1999	Plan 2000	2000	Plan 2001
Percent of listed species populations a decade or more are improving and/or stable	N/A	N/A	20% [155 of 499]	37% [197 of 532]	58% [309 of 532]	53% [328 of 616]
Number of species in decline precluded from listing under the Endangered Species Act	11	17	7	15	19	3

## Provide Recreation for America

*“America has turned to its public lands for escape and recreation since 1872, when Congress designated Yellowstone as the Nation’s first pleasuring ground for the benefit and enjoyment of the people.”*

The Department of the Interior provides recreational opportunities on federal lands. It also provides leadership and coordination and serves as a catalyst for recreation efforts by state and local governments 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 recreational opportunities that are consistent with other land uses and with maintaining the health of the land.

Interior-managed lands support tremendous recreational use. In 2000, the Bureau of Land Management (BLM) public lands had approximately 54 million visits and the National Wildlife Refuge System and the National Fish Hatchery System about 38 million visits. In 1999 (the most recent year available), the National Park Service had an estimated 286 million recreational visits. The Bureau of Reclamation also provides visitors with water-based recreation opportunities at more than 300 reservoirs in the 17 western states. Annually, there are approximately 80 million recreation visits to Reclamation facilities. The total economic impact of recreational activities on Interior lands is enormous, contributing billions of dollars and thousands of jobs annually to the U.S. economy.

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.

In 2000, the Department employed the following strategies to achieve the goal of providing recreation for America:

- Offered “one-stop shopping” for recreational information and services through the inter-agency federal recreation web site, [www.recreation.gov](http://www.recreation.gov);
- Supplemented appropriations through increased revenues and cost recovery for services;
- Expanded the use of volunteers and actively enrolled groups and associations;
- Increased concession revenue and expanded concession opportunities while ensuring that the returns the federal government receives reflect fair market value;
- Established 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;
- Helped states, tribes, territories, and nonprofit groups promote recreation; and
- Provided grants to states, tribes, and localities for recreation acquisition and development.

The major departmental activities to achieve the goal of providing recreation for America are shown in *Figure 6*.

**Figure 6**

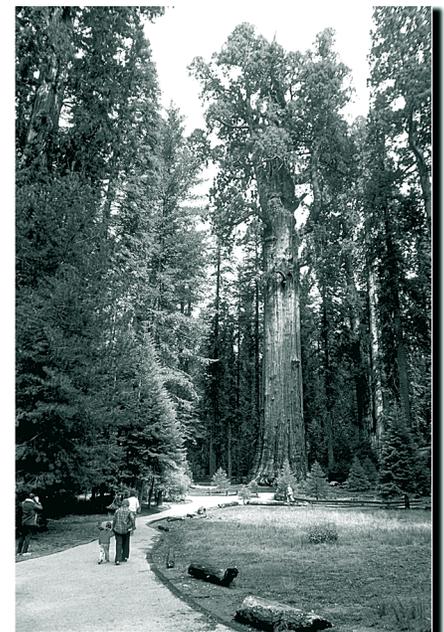
<b>Goal 2 – Provide Recreation for America</b>	
<b>GPRA Program Activity</b>	<b>2000 Expenses (\$ in millions)</b>
1. Visitor Enjoyment at National Park Facilities	\$1,447
2. Public Use and Enjoyment of Fish and Wildlife Resources	177
3. Opportunities for Environmentally Responsible Recreation on Public Lands	61
4. Recreation Opportunities Through Partnerships	204
5. Reclamation Land Management and Development	34
<b>Total - Goal 2</b>	<b>\$1,923</b>

## Visitor Enjoyment at National Park Facilities

**Desired Result:** *Provide for the enjoyment of National Park Service resources in such a manner and by such means as will leave them unimpaired for the enjoyment of future generations.*

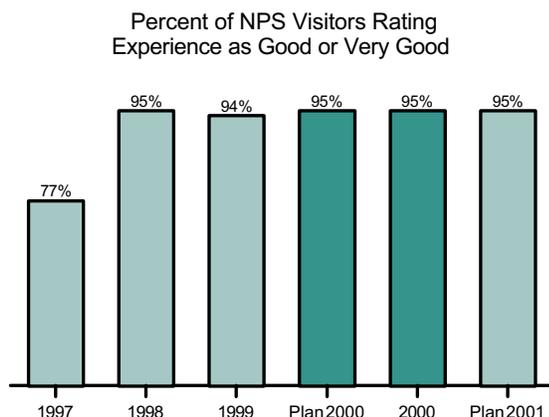
The National Park Service manages nationally significant battlefields, parks, historic sites, monuments, lakeshores, memorials, parkways, preserves, recreation areas, riverways, and seashores. National park areas have long been favorite destinations for millions of Americans as well as people from around the world. It is estimated that there were 286 million recreation visits to America's national parks in 2000. To fulfill the NPS mission to make America's national parks available for public enjoyment and inspiration, the Park Service provides an array of activities, opportunities, and visitor services that allow the public to use and enjoy the National Park System safely and with minimum impact to resources. Enjoyment of the park units and their resources is a fundamental part of the visitor experience. Visitor enjoyment and safety are affected by the quality of park programs, facilities, and services, whether provided by the National Park Service, a concessionaire, or a contractor. Knowledge about the people who visit these NPS areas has become increasingly important because of the need to know if visitor expectations are being met.

**Performance Measure:** One mechanism for determining how well the NPS is serving the public is through findings of the NPS Visitor Services Project (VSP). The VSP is an ongoing research project that utilizes two main survey tools to provide the NPS with valuable visitor feedback: in-depth visitor studies and a customer satisfaction card. Since 1988, the VSP has conducted in-depth visitor studies in 91 units of the National Park System. Approximately 10 studies are done each year. Because regular surveys are needed by park managers to better manage the visitor experience, the NPS adopted the Visitor Survey Card (VSC) as a means for assessing visitor satisfaction at all of the parks rather than just a few each year. The results from the VSC Project are used by park managers to improve facilities and services and better support the visitor experience. The more in-depth VSP surveys will continue to be conducted to collect visitor information, determine policy issues, gauge visitor use trends, and determine current visitor needs. The long-term goal by 2005 is to ensure that 95 percent of park visitors are satisfied with appropriate park facilities, services, and recreational opportunities.



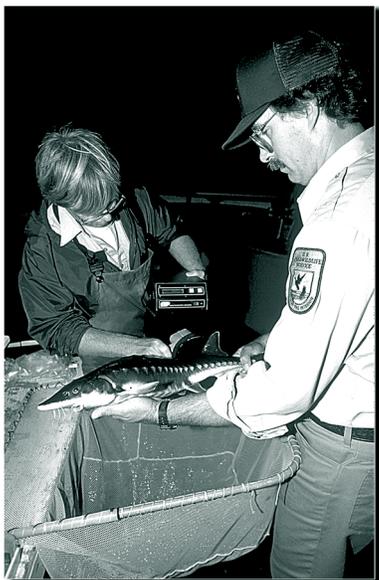
Providing for visitor enjoyment requires balancing the intrinsic value of a park with safe public access, appropriate facilities, information, and necessary visitor services (photo by NPS).

**2000 Results:** Based on data received to date, NPS has projected that the results of annual surveys for visitor satisfaction indicate a 95 percent satisfaction rate. The projected 95 percent satisfaction rate meets the target that was established in 2000.



## Public Use and Enjoyment of Fish and Wildlife Resources

**Desired Result:** Provide the public with opportunities to understand and participate in the conservation and use of fish and wildlife resources.



Private citizens, whose voluntary participation in fish and wildlife protection efforts have laid a foundation on which the FWS operates today, have much to contribute to the continuing conservation of fish and wildlife resources (photo by FWS).

The Nation's ability to sustain ecosystems, and the natural heritage of fish and wildlife resources within them, will increasingly depend on the public's active participation in the stewardship of these resources. A growing number of American citizens lack the firsthand experience with fish and wildlife resources in their natural settings that past generations enjoyed. The growing diversity of the Nation's population introduces many new population groups to this country that also lack firsthand experience with American fish and wildlife resources. These factors and others offer a challenge for the FWS to provide environmental information so that the public understands how their well-being is linked to the well-being of fish and wildlife populations and their habitat. Creating a more knowledgeable public should help improve the conservation of fish and wildlife in habitats throughout the country.

**Performance Measure:** Approximately 98 percent of the land in the National Wildlife Refuge System is open to the public for wildlife-dependent education and recreation. Refuges are places where visitors can observe, learn about, and enjoy plants and animals in natural surroundings. The recently enacted *National Wildlife Refuge System Improvement Act* expands opportunities for six primary public uses for refuges: wildlife photography, fishing, hunting, wildlife observation, environmental education, and interpretation. The long-term goal by 2005 is to increase compatible, wildlife-dependent recreational visits to National Wildlife Refuges and National Fish Hatcheries by 20 percent over the 1997 level.

**2000 Results:** The total number of visits to National Wildlife Refuges and National Fish Hatcheries was 37,905,234, an increase of three percent over the 1999 level. This three percent increase exceeded the 2000 performance target of two percent.

	1997	1998	1999	Plan 2000	2000	Plan 2001
Percent increase in interpretive, educational, and recreational visits	% 33,206,404	6% 35,341,846	4% 36,803,070	2% 37,539,131	3% 37,905,234	2% 38,289,914

## Opportunities for Environmentally Responsible Recreation on Public Lands

**Desired Result:** Provide the public with diverse opportunities to recreate on the public lands while maintaining the lands and facilities in good environmental condition.

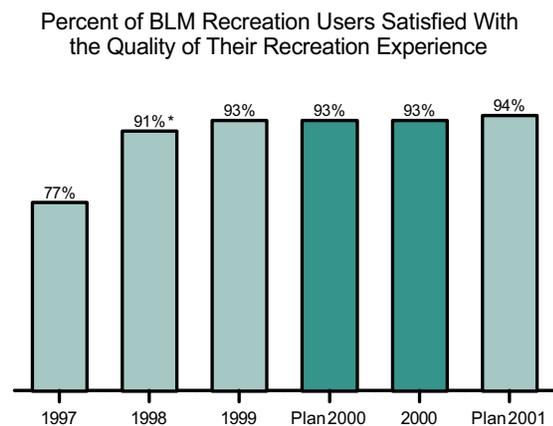
The public lands provide visitors with a wide array of recreational opportunities. These include hunting, fishing, camping, hiking, boating, operating off-highway vehicles, mountain biking, birding, and visiting natural and cultural heritage sites. The BLM provides these opportunities where they are compatible with other authorized land uses, while minimizing risks to public health and safety and maintaining the health and diversity of the land.

**Performance Measure:** As urbanization of the West continues and the American public's desire to recreate increases, BLM's recreation areas will experience greater usage. This increased usage requires greater management of and investment in BLM recreation areas and will inevitably increase the expectation of the American public regarding the quality of their recreation experience. The BLM uses a national survey of recreation users to obtain information on customer satisfaction with the quality of their recreation experience. The long-term goal by 2005 is to ensure that 90 percent of recreation users are satisfied with the quality of their recreation experience on the public lands.



More than 90 percent of American people participate in some form of outdoor recreation (photo by BLM).

**2000 Results:** The BLM exceeded its performance target for 2000 as 94 percent of BLM recreation users were satisfied with the quality of their recreation experience.

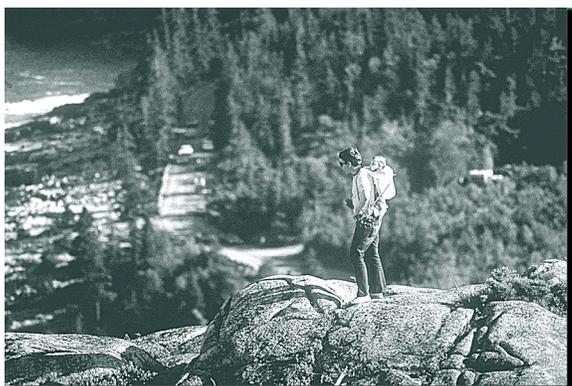


\* In 1998, satisfaction survey was conducted only at premiere recreation fee sites.

## Recreation Opportunities Through Partnerships

**Desired Result:** Strengthen and preserve natural and cultural resources and enhance recreational opportunities managed by partners.

The National Park Service implements a broad range of programs that assist others to preserve our natural and cultural and recreational resources. These programs encompass formal partnership programs with over 60 other federal agencies, 59 states and territories, more than 1,000 local governments, over 300 Indian tribes, foreign governments, private organizations, friends groups, academic institutions, and the general public. The NPS strives to increase the number of significant historic and archaeological properties protected and to improve customer satisfaction with technical assistance provided by the Park Service.



Parks with the highest individual visitation totals are parkways and recreational areas near major urban areas, but other types of parks are also popular destinations. The top 25 visited units account for 50 percent of visitation (photo by NPS).

**Performance Measure:** The National Park Service helps communities find appropriate strategies for protecting trail corridors, open space resources, rivers and watersheds, and historic and cultural resources that define their sense of place. The Park Service becomes involved when formally asked by local officials, landowners, and other citizens who share the desire to protect or to improve their communities. The NPS also brings technical expertise in public involvement, publications, organization building, project design, and site restoration. All projects are founded on cost-sharing, cooperation, and community initiative. Projects are implemented largely using local, state, and private funds, with NPS assistance typically leveraged many times over. The long-term goal by 2005 is to conserve an additional 4,200 miles of trails, an additional 6,600 miles of protected river corridors, and an additional 223,200 acres of parks and open space, compared to 1997 totals, with NPS assistance.

**2000 Results:** Based on information provided by state and local partners, nearly 6,270 miles of trails (241 percent of target), 2,540 linear miles of river corridor (121 percent of target), and 655,500 acres of park and open space (1,069 percent of target) were added. This tremendous increase in park and open space acreage resulted from significant increases reported by Alaska and National Heritage lands.

	1997	1998	1999	Plan 2000	2000	Plan 2001
Miles of recreational trails added	N/A	700	2,116	2,600	6,270	3,100
Miles of recreational river corridor added	N/A	1,100	1,504	2,100	2,540	2,850
Acres of recreational park land added	N/A	33,700	45,425	61,300	655,500	93,300

## Reclamation Land Management and Development

**Desired Result:** Provide the greatest overall benefit from existing land resources in a manner that is efficient and effective, uses sound conservation practices, and protects the environment.

The Bureau of Reclamation strives to manage lands in cooperation with others to improve, protect, and enhance land use, cultural, recreational, and environmental values. Using an ecosystem-based management approach, Reclamation assures that lands are managed in an economically and environmentally sound manner to benefit the American people.

**Performance Measure:** The Bureau of Reclamation provides recreational opportunities on project lands and waters, including fishing, boating, swimming, hiking, biking, and picnicking, among other activities. Reclamation meets its recreation management objectives through direct management, contracts with concessionaires, and partnerships with state and local governments, the private sector, and other federal agencies. Reclamation conducts recreation compliance reviews to ensure that recreation facilities are in good condition, and that they are being managed in accordance with safety and health standards, concession agreements, and Reclamation policies. By 2005, Reclamation's goal is to improve the quality of its recreation areas by completing recreational compliance reviews, action plans, and 50 percent of identified corrective actions.



Over 80 percent of Reclamation-owned recreation facilities are managed by others, including the National Park Service, the Bureau of Land Management, and the U.S. Forest Service (photo by Reclamation).

**2000 Results:** Reclamation exceeded the targets established for 2000 by completing 33 percent of the recreational compliance reviews (64 areas) and 26 percent of the action plans, which cover 51 areas.

	1997 *	1998 *	1999 *	Plan 2000	2000	Plan 2001
Percent of completed recreation compliance reviews (cumulative)	N/A	N/A	N/A	15%	33%	97 **
Percent of areas with recreation action plans	N/A	N/A	N/A	15%	26%	10%

\* These performance indicators are new for 2000; therefore data for 1997 to 1999 is not available.

\*\* This performance indicator is being changed from a percent to a number in 2001 to demonstrate the scope of the reservoirs being reviewed.

## Manage Natural Resources for a Healthy Environment and a Strong Economy

*“Managing the vast resources of America’s public lands has been a core Interior responsibility since the Department was founded in 1849.”*

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 recent years, the public lands administered by the Bureau of Land Management (BLM) have produced 34 percent of the Nation’s coal, 10 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. In 2000, of the total of \$1.7 billion in annual revenues derived from BLM-managed lands, energy and minerals generated more than \$1.6 billion from mineral royalties, rents, bonuses, sales, and fees. The total direct and indirect economic output impact of mineral production amounted to \$28.7 billion out of the total \$29.2 billion in commercial activities on BLM-administered public lands.

The Bureau of Reclamation (BOR) is one of the largest suppliers and managers of water in the 17 western states, delivering an estimated 10 trillion gallons of water to more than 31 million people each year 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 99 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 (MMS) manages the Nation’s natural gas, oil, and other mineral resources on approximately 1.76 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 2000, the MMS managed approximately 7,600 active leases on the OCS; these leases supplied over 26 percent of the natural gas (about 143 trillion cubic feet since 1953) and more than 25 percent of the oil (about 13 billion barrels since 1953) produced in the United States. The return on investment of MMS programs is enormous, with over \$5 billion collected annually from minerals produced from offshore and onshore federal and Indian lands. Since 1982, over \$110 billion in revenues from mineral activities on federal and Indian lands has been distributed by the MMS to the U.S. Treasury, states, Indian tribes, and individual Indian mineral owners (allotees).

The Fish and Wildlife Service (FWS) manages 70 fish hatcheries that produce an estimated 123.5 million fish. Fish production contributes millions of dollars annually to the U.S. economy.

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.

In 2000, the Department employed the following crosscutting strategies to achieve the goal of managing natural resources for a healthy environment and a strong economy:

- Developed interagency and intergovernmental approaches to improving customer service and more effectively sharing limited agency resources, and
- Engaged customers and stakeholders in consensus-building processes.

The major departmental activities to achieve the goal of managing natural resources for a healthy environment and a strong economy are summarized in *Figure 7*.

**Figure 7**

<b>Goal 3 – Manage Natural Resources for a Healthy Environment and a Strong Economy</b>	
<b>GPR A Program Activity</b>	<b>2000 Expenses (\$ in millions)</b>
1. Provide Opportunities for Environmentally Responsible Commercial Activities	\$282
2. Reduce Threats to Public Health, Safety, and Property on Public Lands	473
3. Reclamation Facility Maintenance and Rehabilitation	97
4. Water and Energy Management and Development	532
5. Reclamation Facility Operations	428
6. Reclamation Title Transfers	62
7. Offshore Minerals Management	309
8. Minerals Revenue Management	89
9. United Mine Workers Combined Benefit Fund	109
<b>Total – Goal 3</b>	<b>\$2,381</b>

## Provide Opportunities for Environmentally Responsible Commercial Activities

**Desired Result:** Provide for commercial activities use of the public lands while maintaining or improving environmental conditions.

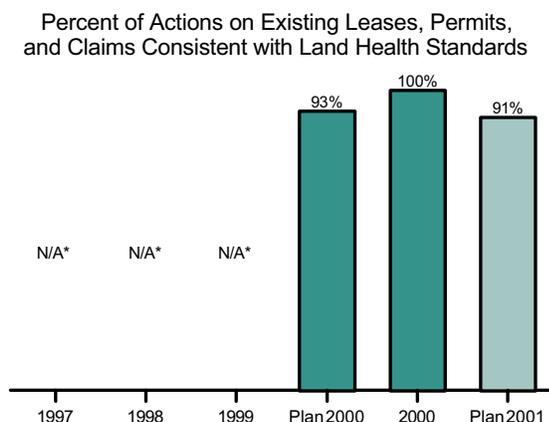
The public lands produce commodities that are key to the Nation’s economy, providing economic stability and growth for local and regional economies. The BLM manages myriad commercial activities on the public lands, including oil and gas leasing, livestock, grazing, timber production, and coal leasing. The BLM recognizes the Nation’s need for a domestic source of minerals, food, timber, and fiber from the public lands. In 2000, the estimated market value of production occurring on public lands was \$13.7 billion, 99 percent of which was derived from energy and minerals. The direct and indirect economic impact of all commercial activities amounted to approximately \$29.2 billion.

**Performance Measure:** The BLM’s energy and minerals programs involve a sequential set of determinations or approvals on the part of the agency. In its land use plans, the BLM determines where and under what conditions energy and mineral development is an acceptable land use. The BLM then issues a lease or permit granting to an operator the exclusive right to explore and develop an energy or mineral in a specific location. The operator submits to the BLM a proposed plan of operation. Following approval of this plan, the BLM inspects the operation, verifying production for leasable and salable minerals and ensuring that the operators comply with approved plans and conditions of approval. The long-term goal by 2005 is to complete actions on existing energy and mineral leases, permits, and claims on the federal lands consistent with established land health standards to minimize future liabilities.



Geothermal energy is the natural heat of the earth. The Caithness Power Inc. geothermal plant in Dixie Valley, Nevada, converts extracted geothermal energy into electricity to meet a variety of human needs (photo by BLM).

**2000 Results:** The 2000 target was achieved due to the timely processing of all leases, permits, and claims. BLM raised the priority for processing these leases, permits, and claims in its work schedule to make sure that all of its commitments were met consistent with land health standards. In fact, the BLM received and processed 17 percent more requests for leases, permits, and claims than the baseline that was established in 1998.



\* This is a new performance indicator; therefore data for 1997 to 1999 is not available.

## Reduce Threats to Public Health, Safety, and Property on Public Lands

**Desired Result:** *Ensure that public lands and facilities are safe for the general public and for Interior employees.*

The Bureau of Land Management is responsible for protecting public lands and facilities from unauthorized uses, hazardous materials, illegal dumping, theft, wildfire, and other unsafe conditions. Over the years, the BLM has made more than \$5 billion of capital improvements to roads, trails, dams, bridges, buildings, and recreation sites. Use of these facilities is increasing.

Population growth in rural areas of the West increases risks and responsibilities in fire suppression, search and rescue, and response to natural emergencies. For hazardous substance releases, the BLM must provide immediate protection for employees and public safety, remediate environmental damage, and determine responsible parties.

**Performance Measure:** BLM is aggressively reassessing its facilities and maintenance requirements for its buildings, administrative and recreation sites, dams, and bridges. This multi-year effort aims to improve deferred maintenance cost estimates and to improve data critical to management efforts. All BLM facilities require routine preventative maintenance and many require repairs to alleviate past deferred maintenance, although the maintenance workload is not spread evenly across the agency. Some facilities may need to be closed. The long-term goal by 2005 is to increase the percentage of administrative facilities structurally maintained in fair or good condition to 92 percent; dams in fair or good condition to 68 percent; and bridges to 99 percent.

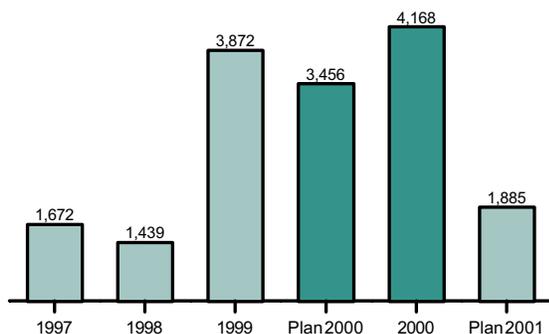
**2000 Results:** In 2000, 84 percent of BLM's administrative facilities (target was 87 percent), 61 percent of BLM's dams (target was 59 percent), and 92 percent of BLM's bridges (target was 94 percent) were in fair or good condition. BLM intends to continue reducing the backlog of deferred maintenance projects in 2001.

	1997	1998	1999	Plan 2000	2000	Plan 2001
Percent of administrative facilities in fair or good condition	N/A	86%	86%	87%	84%	88%
Percent of dams in fair or good condition	N/A	55%	56%	59%	61%	61%
Percent of bridges in fair or good condition	N/A	91%	92%	94%	92%	95%

**Performance Measure:** The renewal of livestock grazing permits is a federal action that must conform with land use plans and comply with federal laws and regulations for protection of the environment, including the National Environmental Policy Act, the National Historic Preservation Act, the Endangered Species Act, and others. Livestock grazing is also subject to BLM policy for conserving special status plant and animal species, to the fundamental requirements for ecosystem health, and to standards and guidelines for livestock grazing activities found in 43 CFR, subpart 4180, of the grazing administration regulations. Grazing permits are subject to renewal every ten years.

**2000 Results:** The BLM exceeded its target in 2000. Grazing permits renewed were approximately 20 percent higher than planned because a portion of the permits renewed in 1999 under the authority of the 1999 appropriations rider were issued for just one or two years. A portion of these permits from 1999 were again renewed in 2000 for the full ten-year period. Planned permit renewals for 2001 anticipate this additional workload.

Number of Grazing Permits or Leases Renewed



## Reclamation Facility Maintenance and Rehabilitation

**Desired Result:** Ensure the proper maintenance, reliability, and serviceability of Reclamation’s facilities and identify and schedule the necessary rehabilitation work.

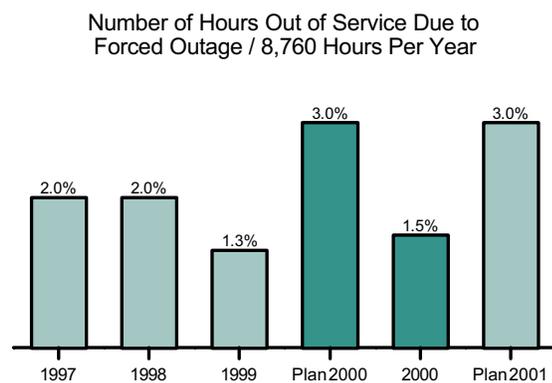
The Bureau of Reclamation is responsible for maintenance, replacement, and minor additions to infrastructure and structural facilities, including facilities for which Reclamation has direct operation and maintenance responsibility on a daily basis. This includes all aspects of ensuring the proper maintenance, reliability, and serviceability of Reclamation’s facilities and identifying and scheduling necessary rehabilitation work. These activities include development and execution of activities designed to quantify facility reliability, improve maintenance practices, determine deficiencies, and identify required corrective actions. These activities also sustain facility dependability and reliability to ensure that facilities are safe from natural and man-made disasters; that the services produced or delivered are available to the public in a safe and

“Reclamation is the Nation’s second largest producer of hydroelectric power with 58 hydroelectric power plants. There are 194 generating units in operation and an installed capacity of 14,692,930 kilowatts.”

dependable manner; and that all cost-effective maintenance activities and practices, technologies, and scientific developments are used to reaffirm the level of reliability and serviceability.

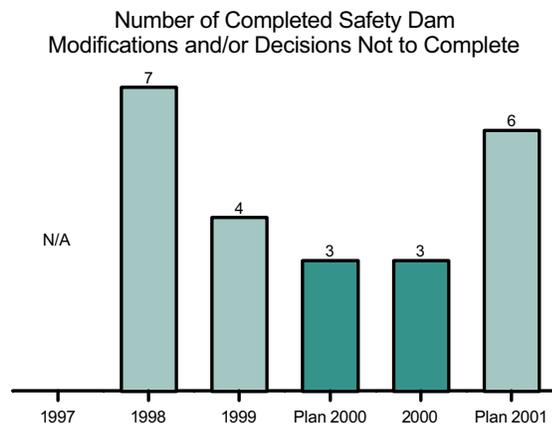
**Performance Measure:** A forced outage is an unplanned shutdown of a unit or facility, usually because of a system malfunction or breakdown. The amount of time in forced outage is a good indicator of facility reliability and how well the facility is maintained. A low forced-outage rate helps to ensure that the facility is operating well and producing the maximum amount of power. Three percent is the industry average forced-outage rate. The long-term goal is to achieve a three percent or lower rate to ensure that Reclamation facilities are delivering power benefits and continuous service comparable to or exceeding industry standards.

**2000 Results:** In 2000, BOR achieved a 1.5 percent forced outage rate, exceeding its target of 3 percent.



**Performance Measure:** Reclamation has reservoirs impounded by 457 dams and dikes. Of these dams and dikes, 358 are considered high or significant hazard dams, which means they would place the public at risk if they were to fail. Approximately 50 percent of Reclamation’s dams were built between 1900 and 1950, while only ten percent of the dams were built under current state-of-the-art design and construction practices. This performance indicator measures Reclamation’s ability to complete modifications to its dams to ensure safety to downstream people and resources.

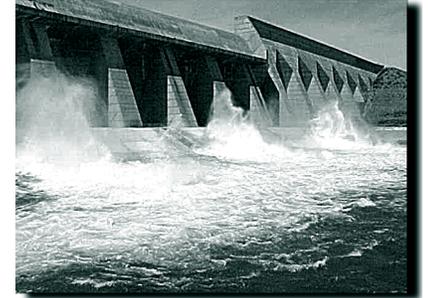
**2000 Results:** Reclamation achieved its 2000 performance target by completing Safety of Dams modifications at Bradbury, Pueblo, and Willow Creek Dams to address identified risks.



## Water and Energy Management and Development

**Desired Result:** Manage water resources in cooperation with others to improve water quantity and quality for agricultural, municipal, industrial, rural, domestic, hydropower, recreational, and fish and wildlife purposes.

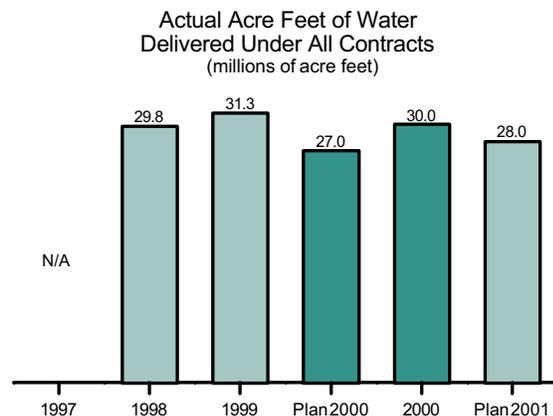
Water is one of our Nation's most valuable resources. Having enough high-quality water is critical to the health, safety, and survival of people, the environment, and the economy. Effective management maximizes overall benefits from our finite, variable natural yearly water supply; it helps us better meet competing demands; and ensures the availability and quality of water resources for current and future generations. Reclamation seeks to gain the greatest benefit from existing resources in a manner that recognizes competing interests, uses sound conservation practices, and is efficient .



Reclamation provides one out of five western farmers with irrigation water for ten million farmland acres that produce 60 percent of the Nation's vegetables and 25 percent of its fruits and nuts (photo by Reclamation).

**Performance Measure:** Reclamation's core mission is to deliver water to customers to meet the purposes for which projects were authorized. Because the amount of water available depends upon the natural yearly water supply and variable weather patterns, the acre-feet delivered changes each year. However, effective management maximizes overall benefits from the water available by ensuring that systems deliver water in the most effective way possible. The long-term goal for Reclamation is to ensure operational effectiveness to deliver or release the amount of water contracted for and to meet 100 percent of power and water commitments to achieve project benefits each year.

**2000 Results:** Reclamation exceeded its performance target as severe drought conditions in 2000 reduced natural streamflow and resulted in additional water releases from Reclamation's reservoirs to ensure adequate flows for agricultural and other purposes.



## Reclamation Facility Operations

**Desired Result:** Operate Reclamation facilities for the purpose of providing project benefits for the delivery of water, power, flood control, fish and wildlife, and recreation activities commensurate with established purposes and legal compliance.

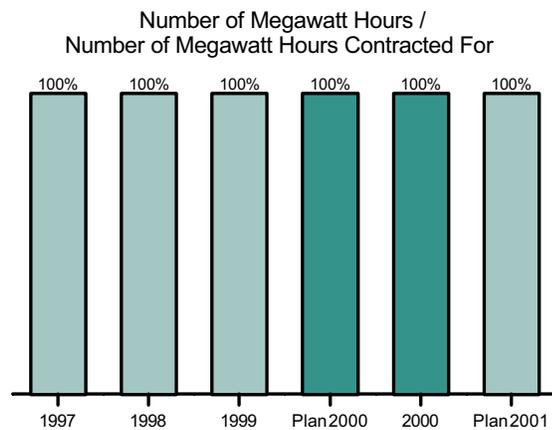
The Bureau of Reclamation operates and manages principal resources developed or affected by Reclamation facilities, including (1) hydroelectric facilities, (2) water supply delivery systems, (3) fish and wildlife facilities, (4) recreation facilities, and (5) flood control.

Reclamation also oversees reviews and long- and short-term planning required to provide timely replacements, upgrades, or modifications to control systems and related communications systems required to maintain system reliability and promote cost-effectiveness.

Reclamation strives to operate its facilities to meet water, power, fish and wildlife, recreation, and flood control requirements while protecting public health and welfare, sustaining environmental values, and providing customer deliveries in a timely and economically sound manner.

**Performance Measure:** Many of Reclamation’s projects provide the additional benefit of power generation. The demand for power is increasing, but the amount of power that can be generated varies according to water availability. Reclamation’s long-term goal is to meet its contractual commitments 100 percent of the time.

**2000 Results:** In 2000, Reclamation achieved its target by meeting 100 percent of its project power commitments.

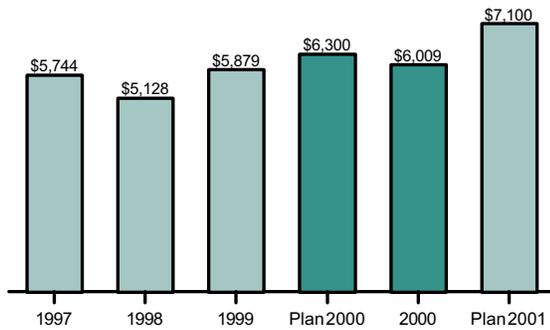


The Alcova Powerplant Generating Unit No. 2 undergoes replacement of a major component (photo by Reclamation).

**Performance Measure:** Reclamation strives to keep power production costs below the national average for comparable hydropower facilities. As facilities age, it will become more challenging to keep costs relatively low. Reclamation strives to use the latest technologies and operational practices to provide power to customers in the most efficient and cost-effective way possible. Reclamation benchmarks its costs per megawatt capacity against other hydropower entities as an indicator of cost-effectiveness. The long-term goal is to maximize power generation and maintain power production costs at a level comparable to the most efficient and lowest cost sector of the hydropower industry (i.e., the upper 25th percentile of low cost facilities).

**2000 Results:** In 2000, Reclamation achieved its performance target as costs were below \$6,300 per megawatt capacity. Reclamation is also within the estimated 25th percentile of lowest cost in the hydropower industry.

Power Production Costs (\$) / Net Generation  
in Megawatt Capacity



## Reclamation Title Transfers

**Desired Result:** Improve business practices by working with local entities and Congress to transfer ownership of Reclamation facilities that no longer have national significance to non-federal interests.

Transferring Reclamation assets that no longer have national significance plays an important role in fulfilling the Administration's objective that government work better and cost less. A large amount of work is required before a project title is transferred. Often, entities seek initial agreement to proceed on transfer negotiations. During this phase, the parties commit to a process and conduct initial analyses to determine if the transfer is feasible. Some entities seek congressional approval for a transfer first and then negotiate title transfer agreements with Reclamation. At this second stage, the details of title transfer are negotiated. Title transfer cannot occur until this phase is complete. The third phase results in the actual transfer of title.

**Performance Measure:** BOR monitors the number of title transfer agreements and term and condition agreements that it has with districts interested in owning and managing projects.

**2000 Results:** Reclamation completed process agreements to transfer title for the following project facilities: (1) North Poudre Supply Canal and Diversion Works; (2) Lower Yellowstone Projects; (3) Middle Loup Division; (4) Southern Nevada Water Authority; (5) Welton Mohawk Irrigation District; (6) Carpentaria Valley Water District; (7) Montecito Water District; (8) Fremont-Madison Irrigation District; and (9) Nampa-Meridian Irrigation District. Transfer agreements were completed for North Poudre Supply Canal, North Loop, and Carpentaria Water District. A transfer of title was completed with the Burley Irrigation District, Idaho.

	1997	1998	1999	Plan 2000	2000	Plan 2001
Number of projects or parts of projects for which an agreement on goals and process has been completed.	N/A	N/A	N/A	8	9	4
Number of projects or parts of projects for which title transfer agreements have been completed.	N/A	N/A	3	4	3	4
Number of titles transferred.	N/A	1	1	1	1	5

## Offshore Minerals Management

**Desired Result:** Provide for safe and environmentally sound mineral development on the Outer Continental Shelf (OCS) and ensure that the public receives fair market value.



Since 1953, approximately 13 billion barrels of oil and more than 135 trillion cubic feet of natural gas have been produced from the Outer Continental Shelf (photo by MMS).

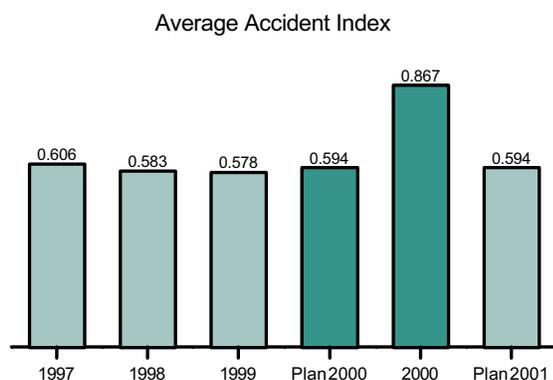
Today's offshore oil and gas industry is global in scope. The Minerals Management Service continues to expand its collaborative projects with other technologically advanced regulatory countries to promote safe and environmentally sound oil and gas operations worldwide.

Offshore Minerals Management was created as a result of the Outer Continental Shelf Lands Act of 1953 (OCSLA), which provides for the expeditious and orderly development of minerals on the OCS in an environmentally sound manner. The OCSLA established a mandate for managing natural resources on the OCS. The primary facets of this mandate are to: (1) make OCS lands available for mineral development to meet national needs; (2) ensure that any mineral development occurs in a safe and environmentally sound manner; and (3) ensure that the public receives fair market value for making these mineral resources available.

**Safety Performance Measure:** MMS's long-term goal is to maintain or show a decrease in the average annual accident index of .594. The annual performance target for 2000 was to achieve an accident index not greater than .594.

The MMS is committed to ensuring the highest quality operations on the OCS. MMS continues to monitor all of the components of the accident index and takes immediate action when trends are identified. In addition, MMS measures industry performance, continues to study how human factors and mechanical systems interface, and emphasizes operator responsibility for safe operations.

**2000 Results:** The MMS's 2000 safety index was .867, which is higher than the target of no more than .594. Preliminary analysis indicates that a significant part of the increase was due to refinements in data collection, particularly the way operators reported property damage.



## Minerals Revenue Management

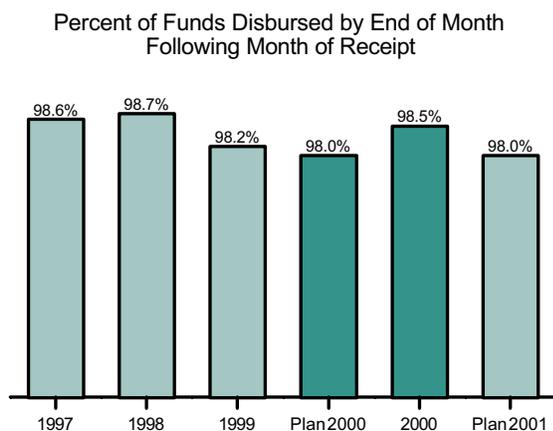
**Desired Result:** Provide timely, accurate, and cost-effective mineral royalty collection and disbursement services.

The federal government is the largest mineral royalty owner in the United States. The Minerals Management Service (MMS) is responsible for ensuring that, on average, over \$5 billion in annual revenues from federal and Indian mineral leases is collected, accounted for, verified, and disbursed to appropriate recipients in a timely manner. The Federal Oil and Gas Royalty Management Act of 1982 establishes the framework for improving management of federal and Indian mineral royalties.

The Minerals Revenue Management (MRM), formerly the Royalty Management Program, has established a comprehensive, consolidated system for collecting, accounting for, and disbursing mineral revenues. Currently, MMS administers the rental, royalty, and other financial terms for over 26,000 producing and 54,000 non-producing mineral leases, both onshore and offshore.

**Disbursement Performance Measure:** MMS is working to improve the timeliness of disbursements and provide recipients access to mineral revenues by the end of the business day following the day of receipt. Additionally, MMS continues to ensure that it disburses funds as required by law, by the end of the month following the month of receipt. The long-term goal by 2005 is to provide recipients with access to 90 percent of revenues within one business day of receipt and to disburse 98 percent of revenues to recipients by the end of the month following the month revenues are received.

**2000 Results:** In 2000, MMS achieved an on-time disbursement rate of 98.5 percent, which exceeded the annual goal of 98 percent. As shown in the following graph, MMS has consistently achieved high on-time disbursement percentages.



**Compliance Performance Measure:** The compliance index model annually calculates expected total royalty payments using available information and public price data. Before MMS calculates this index, it waits one year for industry to make adjustments to its royalty and production reports and payments. The index reported for 2000 is for calendar year 1998.

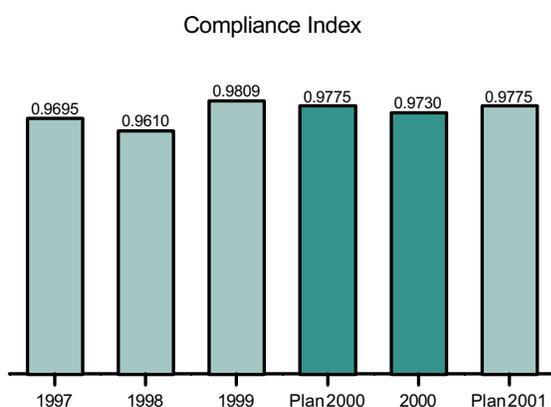
The long-term goal for royalty compliance is, by the end of 2005, to ensure payments are within the expected payment range at the due date for 95 percent of properties. This goal was established in MMS's 2000 - 2005 Strategic Plan in anticipation of the completion of the

*“The Gulf of Mexico’s deepwater reservoirs have become America’s new frontier for oil and gas exploration.”*

MRM reengineering initiative. The MRM is designing new royalty management business processes and support systems for the 21st century.

**2000 Results:** In 2000, MMS continued to use the compliance index as the measure that most closely related to the new long-term goal. The MMS achieved a compliance index (actual voluntary royalty payments / expected royalty payments) of .9730, which was slightly below the target of .9775. A preliminary review of the data indicates that a certain segment of the sample universe was responsible for the decrease. MMS is conducting additional analysis of the results to identify the reasons for the decrease.

MMS is developing a new compliance verification system that will provide statistically valid data to measure compliance for defined producing areas and properties. The system is expected to go on line in October 2001 with full implementation in 2003. Once the system is fully implemented and MMS has had an opportunity to determine the best methodology to gather statistically valid data by property, MMS will develop a new measure for this goal. Until then, MMS will continue to use the compliance index to measure performance for this goal.



## United Mine Workers of America Combined Benefit Fund

**Desired Result:** Transfer annually a portion of the interest earned from the Abandoned Mine Land Special Fund to the United Mine Workers of America Combined Benefit Fund (CBF).

Since 1996, the Office of Surface Mining has been required to transfer annually a portion of the interest earned from the Abandoned Mine Land (AML) Special Fund to the United Mine Workers of America Combined Benefit Fund. The AML interest proceeds are made available to provide health benefits for certain eligible retired coal miners and their dependents. Payments are made annually based on the number of beneficiaries and are made in advance based on an estimate. Under current practice, the estimate is then adjusted to actual costs as health benefits are paid. Additionally, the number of beneficiaries can change from year to year based on court cases, bankruptcies, and mortality.

**Performance Measure:** OSM has determined that meaningful performance measures for this transfer are not possible. Once the transfer is made, OSM has limited authority over how the transferred money is used.

**2000 Results:** The 2000 annual payment was \$42.5 million for 16,972 beneficiaries. Prior year adjustments decreased this payment by \$1.5 million. In addition, Public Law 106-113 required OSM to transfer an additional \$68 million to pay for any shortfall in any premium account in any plan year under the CBF.

# 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 (USGS) 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 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. USGS is also the federal government's principal domestic map-making agency.

Since 1879, the USGS has been responsible for classifying the public lands and examining 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.

In 2000, the Department employed the following cross-cutting strategies to achieve the goal of providing science for a changing world:

- Participated 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.
- Developed 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, and local land management and regulatory agencies, as well as the public.

The major departmental activities to achieve the goal of providing science for a changing world are summarized in *Figure 8*.

**Figure 8**

<b>Goal 4 – Provide Science for a Changing World</b>	
<b>GPRA Program Activity</b>	<b>2000 Expenses (\$ in millions)</b>
1. Environment and Natural Resources	\$1,069
2. Hazards	159
3. Improve Land, Resource, and Title Information	119
<b>Total – Goal 4</b>	<b>\$1,347</b>

*“The USGS conducts a significant water resources national program, with more than 45,000 monitoring stations, to describe the status and trends in the quantity and quality of surface and ground water resources.”*

## Environment and Natural Resources

**Desired Result:** 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 enhance predictive/forecast modeling capabilities.



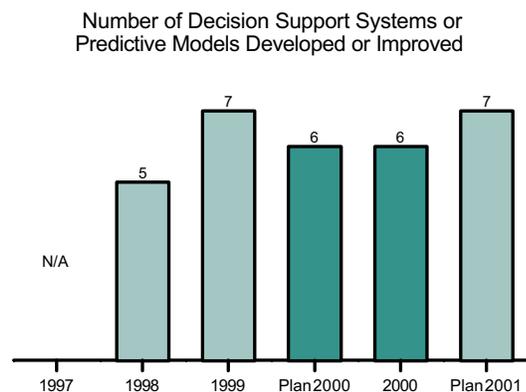
Environmental research begins with data collection and monitoring (photo by USGS).

Our environment—the air, water, soil, and plant and animal life—is constantly changing as natural processes and human actions affect it. Changes in demographics also affect the competition for and use of the renewable and nonrenewable natural resources—land, water, minerals, and energy—needed to sustain life and to maintain and enhance our Nation’s economic strength. The traditional boundaries between environment and natural resources science are increasingly blurring as land and resource management decisions deal with increasingly complex issues affecting both. The need for cross-disciplinary integrated science has never been more apparent. USGS environment and natural resource activities deal with studies of natural, physical, chemical, and biological processes, and the results of human actions. These studies encompass collecting data, making long-term assessments, conducting ecosystem analyses, monitoring change, and forecasting the changes that may be expected in the future.

The USGS cannot, and does not seek to, collect all of the environmental and natural resources data required for managers, regulators, and the general public to make informed decisions. The USGS is increasingly building partnerships among federal, state, local, private, and industrial entities to leverage resources and expertise. The USGS is working with customers to identify their long-term environmental and natural resource issues, current trends, and available information to improve its data collection and data management efforts; to deliver systematic analyses needed by its customers; and to develop and improve decision support systems. The USGS is also seeking new applications and increased use of its classified assets.

**Performance Measure:** USGS’s environment and natural resource programs focus on understanding, modeling, and predicting how multiple forces affect natural systems. This knowledge enables land managers, decisionmakers, and citizens to make sound decisions about how to live on and manage the land. The USGS provides these customers with a better understanding of natural systems at all scales, with more and better predictive tools and decision support systems, and with easier access to natural science data. The long-term goal is to ensure the continued availability of long-term environmental and natural resource information and systematic analysis and investigations needed by customers, and by 2005, to develop 20 new decision support systems and predictive tools for informed decisionmaking about natural systems.

**2000 Results:** In 2000, the USGS met its performance target by developing or improving six decision support systems.



## Hazards

**Desired Result:** 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.

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. The USGS is responsible for describing, documenting, and understanding natural hazards and their risks. These activities include long-term monitoring and forecasting, short-term prediction, real-time monitoring, and communication with civil authorities and others during a crisis. Other significant activities are post-crisis analysis to develop strategies to mitigate the impact of future events and preparation of coordinated risk assessments for regions vulnerable to natural hazards.



A streamflow gaging station equipped with satellite transmission capability (photo by USGS).

The USGS has the primary federal responsibility for monitoring and issuing warnings for earthquakes, volcanoes, landslides, and geomagnetic storms. The USGS works closely with the National Weather Service in providing hydrologic information that is used to forecast floods; the National Oceanic and Atmospheric Administration in monitoring coastal erosion and tsunamis; and the National Interagency Fire Center in supporting wildland fire management activities. The USGS has unique capabilities for integrating hazards information with a wealth of other geospatial data and imagery to rapidly assess the impact of natural hazards events.

**Performance Measure:** The USGS enhances its ability to characterize and monitor hazardous events in near-real and real time by using telemetered streamgages and earthquake sensors that are capable of delivering information almost instantaneously. The long-term goal is to ensure the continued transfer of hazards-related data, risk assessments, and disaster scenarios needed by USGS customers before, during, and after natural disasters, and by 2005, to increase the delivery of real-time hazards information by increasing the quarterly average number of gages reporting data on the Internet to 5,500 (thus reducing the time it takes to provide flood information at that site from 6 to 8 weeks to 4 hours) and by installing 500 improved earthquake sensors (thus reducing delivery time of information on potentially damaging earthquakes from 40 to 20 minutes) to minimize the loss of life and property.

**2000 Results:** In 2000, the USGS met its performance goals by increasing the quarterly average number of streamgages on the Internet (cumulative) to 4,872 (target was 4,700) and the number of real-time earthquake sensors (cumulative) to 201 (target was 200).

	1997	1998	1999	Plan 2000	2000	Plan 2001
Real-time streamgages on the Internet (quarterly average)	Replacement		4,500	4,700	4,872	5,374
Real-time earthquake sensors (cumulative)	70	100	120	200	201	329

## Land, Resources, and Title Information

**Desired Result:** Provide the public with improved information about the land, its resources, and land records.



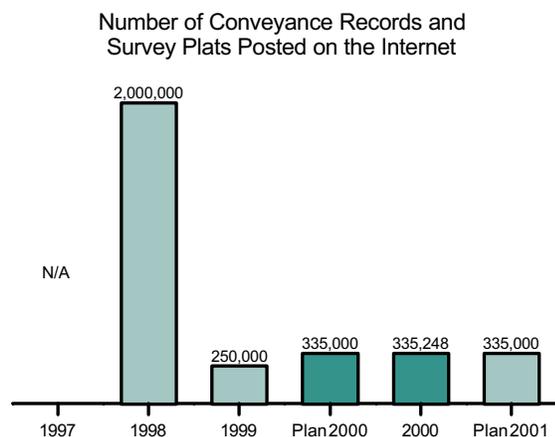
A BLM cadastral survey crew hiking through dense vegetation to establish survey points near the Mississippi River in Missouri (photo by BLM).

The Bureau of Land Management (BLM) has extensive historical and current information on land ownership, use, and condition in the United States. The agency maintains cadastral survey and historical data on patented lands, along with information on the mineral estate, resource conditions, and permits or leases on federal lands. Historical records are critical to resolving many ownership disputes and are increasingly recognized as an important source of both genealogical information and data about historic resource conditions in the United States.

As the complexities of managing ecosystems increase, data collection and analysis become even more vital to managing the land. The BLM's information about land ownership, status, and condition is of interest to a wide variety of parties, including public land users; other federal, state, tribal, and local agencies; and the scientific community.

**Performance Measure:** On May 1, 1998, two million General Land Office (GLO) land title records were web-enabled at [www.gloreCORDS.blm.gov](http://www.gloreCORDS.blm.gov), allowing customer access to data and images. The response has been astounding: as of October 31, 2000, almost 2.4 million website visitors have accessed 84.2 million pages, generating 36.5 million data and image requests. Automation of serial patents, representing all BLM patents issued from 1908 to the 1960s, will be completed in 2002, expanding the website to include images of western U.S. records. The long-term goal by 2005 is to post 4,260,000 GLO conveyance records and survey plats for portions of 30 states on the Internet to assist title, survey, historical, and genealogical research.

**2000 Results:** The BLM posted 335,248 conveyance records and survey plats to the Internet in 2000, exceeding its performance target of 335,000.



## Meet Our Trust Responsibilities to American Indians and Our Commitments to Island Communities

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 Alaska tribal members.

The Bureau of Indian Affairs (BIA) 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 approximately 1.4 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
- irrigation and power systems

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 2000, tribal governments received about \$1 billion through contracts, grants, and compacts for operating programs and completing construction projects.

BIA programs are funded and operated in a highly decentralized manner. Nearly 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 45 million acres of tribally owned land, approximately 10 million acres of individually owned land held in trust status, and about 309,000 acres of federally owned land.

*“The role of the BIA has changed significantly over the past two decades. The emphasis today is on tribal self-determination and self-governance, in accord with tribes’ sovereign authority.”*

The Office of the Special Trustee for American Indians (OST) has responsibility for improving the accountability and management of Indian funds held in trust by the federal government. As trustee, the Department of the Interior has the primary fiduciary responsibility to manage both tribal trust funds and Individual Indian Monies (IIM) accounts. Currently, OST maintains approximately 1,400 accounts for 315 tribal entities with assets exceeding \$2.5 billion, and over 285,000 IIM accounts with assets of approximately \$480 million. Annually, more than \$800 million passes through the tribal trust funds system, while over \$300 million passes through IIM accounts.

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

In 2000, the Department employed the following crosscutting strategies to achieve the goal of meeting our responsibilities to American Indians:

- Consulted on a government-to-government basis with tribal officials to ensure that the Department is an effective and responsive trustee;
- Supported private and public partnership initiatives to enhance tribal economic growth and opportunity;
- Reduced barriers and impediments to contracting and/or compacting of BIA programs;
- Provided the support necessary to improve the economic status of tribes through improved human capital and the promotion of self-sustaining businesses;
- Improved public safety in Indian communities through improved law enforcement services that reduced crime rates; and
- Developed conservation and management plans to protect and preserve the natural resources on tribal lands.

The Department also has administrative responsibility for coordinating federal policy in the territories of American Samoa, Guam, the U.S. Virgin Islands, and the Commonwealth of the Northern Mariana Islands, and for overseeing federal programs and funds in the freely associated states of the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau. Interior's objective is to develop more efficient and effective government in the insular areas by recommending policies, providing financial and technical assistance, and strengthening federal-insular relationships.

The major departmental activities to achieve the goal of meeting our responsibilities to American Indians and island communities are summarized in *Figure 9*.

Figure 9

<b>Goal 5 – Meet Our Trust Responsibilities to American Indians and Our Commitments to Island Communities</b>	
<i>GPRA Program Activity</i>	<i>2000 Expenses (\$ in millions)</i>
<b>A. Tribal Government and Related Activities</b>	
A1. Tribal Government	\$407
A2. Economic and Technical Assistance	281
<i>Subtotal A</i>	<i>688</i>
<b>B. Tribal Quality of Life</b>	
B1. Public Safety and Justice	121
B2. Community Development	738
B3. Administrative and Support Services	342
B4. Education	612
<i>Subtotal B</i>	<i>1,813</i>
<b>C. Trust Services</b>	
C1. Resources Management	260
C2. Trust Lands and Resources	121
C3. Trust Management	86
<i>Subtotal C</i>	<i>467</i>
<b>D. Island Communities</b>	
D1. Serving Island Communities	482
<i>Subtotal D</i>	<i>482</i>
<b>Total – Goal 5</b>	<b>\$3,450</b>

## Tribal Government and Related Activities

### Tribal Government

**Desired Result:** Provide tribes with the resources they need to foster strong and stable tribal governments and to exercise their rights as sovereign nations.

The Bureau of Indian Affairs provides tribal government support under several broad and specific authorities that authorize the Secretary of the Interior to provide services to American Indians and Alaska Natives. This support includes technical assistance to tribal governments on matters such as P.L. 93-638 (Indian Self-Determination and Education Assistance Act) contracting, contract support issues, membership criteria, enrollment, judgment funds, and recognition of Indian tribes.

The Indian Self-Determination and Education Assistance Act authorizes tribes to enter into contracts, grants, cooperative agreements, or compacts with BIA. The self-determination authority allows tribes to operate programs and provide services to Indian people that were at one time provided only by BIA. This gives contracting or compacting tribes the authority and the flexibility to move funds from one program to another to meet the needs of their constituents.

**Performance Measure:** At one time, BIA provided virtually all services and programs directly to American Indians. Today, federal policy emphasis is on self-determination and self-governance. The long-term goal by 2005 is to promote Indian self-determination by enhancing training and technical assistance by 90 percent and by minimizing impediments to tribal contracting, compacting, and grants.

**2000 Results:** The BIA exceeded performance targets for training and technical assistance as a result of the development of a new reporting format that calculates and records the level of training given in the field offices. The form has greatly improved data collection and shows that BIA was providing a higher level of training and technical assistance to bureau employees and Indian tribes than originally recorded.

	1997	1998	1999	Plan 2000	2000	Plan 2001
Number of P.L. 93-638 training sessions held	N/A	2	4	15	22	92
Number of P.L. 93-638 technical assistance workshops held	N/A	0	45	50	57	195
Percent of contract support funds provided to tribal contractors	N/A	84.0%	88.0%	90.0%	88.5%	89.0%

## Economic and Technical Assistance

**Desired Result:** *The Bureau of Land Management (BLM) will meet trust responsibilities while providing economic and other assistance to federally funded tribes.*

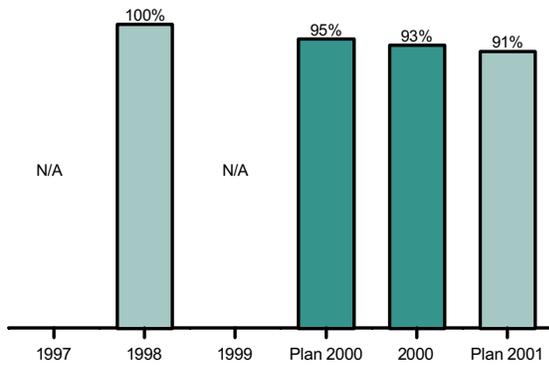
The BLM has a wide range of responsibilities in government-to-government relationships with Indian tribes and Alaska Native communities. These include:

- Disbursing payments of shared revenues derived from activities on the public lands;
- Disbursing payments-in-lieu of taxes (PILT);
- Conveying land to Alaska Native people, Native corporations, and the State of Alaska;
- Settling Alaska Native and American Indian allotment land claims;
- Providing tribes with technical assistance to develop leased energy and mineral resources;
- Providing fire suppression services on all federal and Native lands in Alaska; and
- Adjusting land tenure between federal agencies and states.

**Performance Measure:** Upon the issuance of leases and permits by the tribes/BIA, BLM has a trust obligation in terms of supporting activities on Indian lands while protecting/enhancing environmental values and minimizing future liabilities. The long-term goal by 2005 is to complete actions on existing energy and mineral leases and permits on Indian lands while protecting/enhancing environmental values and minimizing future liabilities.

**2000 Results:** In 2000, the BLM responded to 90 percent of the requests for technical assistance for mineral operations on Indian lands, a little below the target of 95 percent. The estimated market value of mineral production occurring on trust lands is \$1.7 billion, while the mineral royalties generated an estimated \$242 million for Indian tribes.

Percent of Requests for Technical Assistance for Mineral Operations on Indian Lands Completed



## Tribal Quality of Life

### Public Safety and Justice

**Desired Result:** Provide quality investigative and police services and technical expertise to Indian tribes.

A crime reported in Indian Country is twice as likely to be a violent crime as a crime reported elsewhere in the United States. In contrast, there are fewer than half as many law enforcement officers per capita.

Pursuant to the Administration’s directive of August 25, 1997, the Secretary of the Interior and the United States Attorney General worked with Indian tribal leaders to analyze the law enforcement problems and to provide options to improve public safety in Indian Country. The resulting “*Presidential Initiative on Law Enforcement in Indian Country*” consolidated the existing three major law enforcement areas (uniformed police, criminal investigation, and detention services) under the authority of BIA’s Office of Law Enforcement Services and provided for a considerable increase in the number of on-reservation officers.

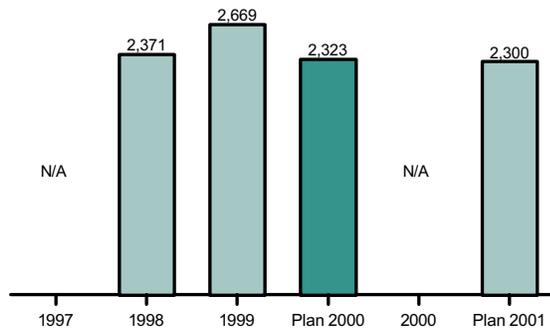
**Performance Measure:** BIA intends to reduce the crime rate in Indian Country through the hiring of well-trained law enforcement personnel and strengthened efforts to increase clearance rates for crimes. Funding will be used for tribal contracts and compacts and expanded BIA law enforcement operations. The long-term goal by 2005 is to improve law enforcement services on Indian lands and preserve public safety for the citizens of Indian Country by providing a 7 percent reduction in the 1998 Indian Country crime rate for Class I and Class II offenses.

**2000 Results:** At time of report publication, 2000 data was not available.



Congress first appropriated funds for Indian police in 1879. The act specified that the \$30,000 appropriation was to pay not more than 430 privates at no more than \$5 a month and 50 officers at \$8 a month (photo by BIA).

Number of Class I and Class II Crimes  
Per 10,000 Inhabitants in Indian Country



## Community Development

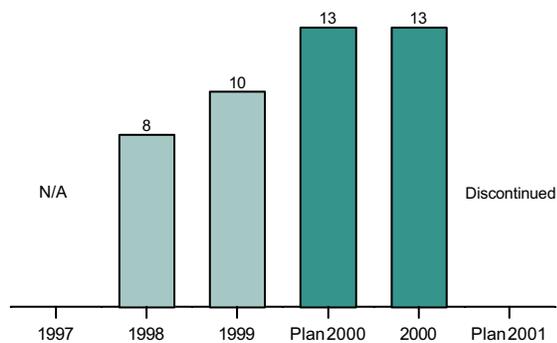
**Desired Result:** Strengthen tribal communities through the development of self-sustaining economies and improved human and physical infrastructure.

The BIA strives to address major obstacles to economic stability in Indian communities such as unemployment, misrepresentation of Indian art and craftwork, and nonmaintained roads. These issues are all barriers to developing self-sustaining economic bases and the BIA is strongly committed to their reform.

**Performance Measure:** Eighty-two percent of BIA's building square footage is educational space. Two percent of these buildings are more than 100 years old, 20 percent are more than 50 years old, and 50 percent are more than 30 years old. School replacement priorities are based on a priority list of 13 schools, which comprises the last three uncompleted schools from the priority list published in 1993 and 10 new schools. The long-term goal by 2005 is to improve the safety and functionality of BIA schools and facilities for clients.

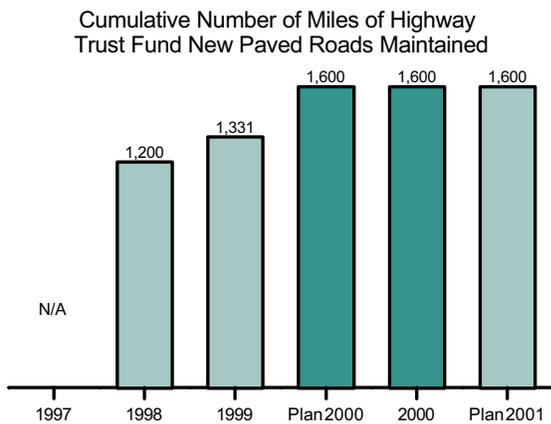
**2000 Results:** The BIA met its performance target as 13 schools (cumulative) on the Education Facilities Replacement Construction Priority List received replacement construction. This measure will be replaced in 2001 with a new measure.

Cumulative Number of Schools on the  
Priority List Receiving Replacement Construction



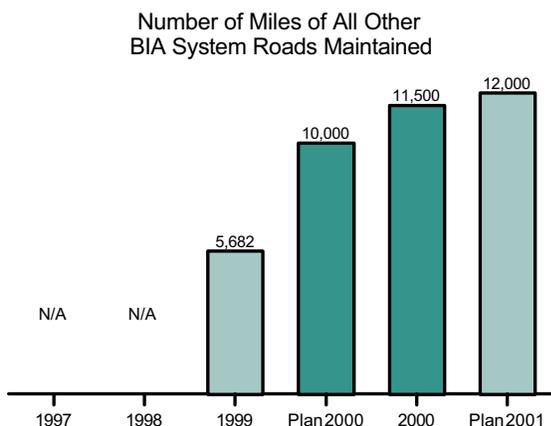
**Performance Measure:** The Transportation Equity Act of the 21st Century requires that BIA roads and bridges constructed using funds from the Department of Transportation’s Highway Trust Fund (HTF) be adequately maintained to protect the public investment. BIA uses the HTF to fund the construction and improvement of unsafe roads. BIA funds are used for maintenance activities, including smoothing roadway surfaces, cleaning ditches, removing snow and ice, filling potholes, and repairing pavement. The long-term goal by 2005 is to improve HTF-constructed and other BIA system roads and bridges through inspection and maintenance activities to protect the public’s investment and provide the safe transportation systems vital to tribal economic development.

**2000 Results:** The BIA met its performance target for 2000 by maintaining a cumulative total of 1,600 miles (total inventory is 5,900 miles) of Highway Trust Fund new paved roads.



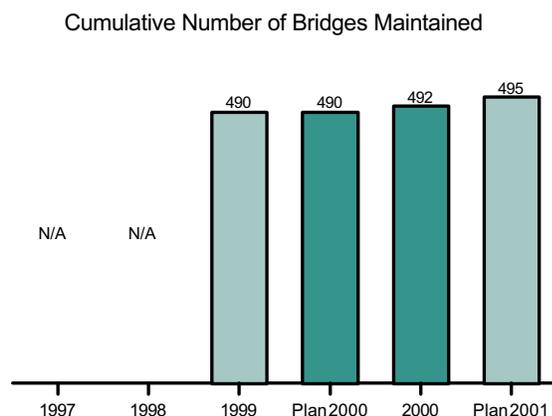
**Performance Measure:** BIA is responsible for maintaining 24,000 miles of BIA system roads in condition that provides safe and adequate transportation to and within Indian reservations, Indian lands, and Indian communities for the development of economic bases and the enhancement of self-determination. Of these roads, 6,200 are paved miles and 17,800 are unpaved miles. The 24,000 miles fall within the 49,000 miles of roads covered by the Indian Reservation Roads program jointly administered by BIA and the Department of Transportation’s Federal Highway Administration (FHWA). The goal by 2001 is to maintain 12,000 miles of BIA system roads (all surface types) to a safe standard.

**2000 Results:** In 2000, the BIA exceeded its performance target by 15 percent as 11,500 miles of all other BIA system roads were maintained.



**Performance Measure:** BIA and the FHWA provide the technical knowledge required to inspect half of all system bridges each year. Funds are used to address bridge safety deficiencies and conduct routine and preventive maintenance activities. The goal by 2001 is to maintain 495 BIA system bridges to address urgent safety deficiencies and complete preventive and routine requirements per inspection reports.

**2000 Results:** The BIA exceeded its performance target for 2000 by conducting maintenance work on an additional two bridges for a cumulative total of 492 receiving maintenance.



## Administrative and Support Services

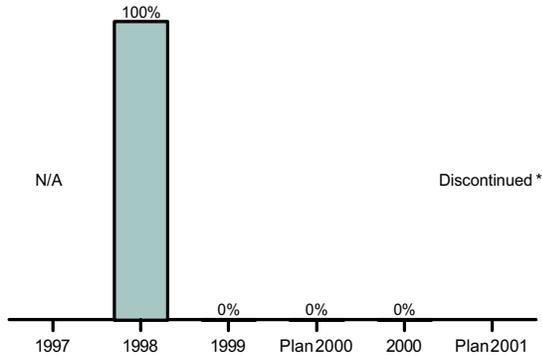
**Desired Result:** Reduce long-term costs and improve timeliness of services through the use of modern automated techniques and processes for management and ensure the efficient and effective use of resources for new construction, renovation, and maintenance of BIA-funded facilities.

The Bureau of Indian Affairs has deficiencies in several areas of administration that have resulted in material weaknesses in and qualifications of its Annual Financial Report. These deficiencies are in the areas of contracting, property, records management, debt collection, and revenue reporting. All of these deficiencies are documented either as material weaknesses with corrective action plans or as qualifications in the BIA Annual Financial Report. To meet all milestones within the established time frames, BIA is placing the highest priority on implementing corrective action plans and eliminating report qualifications by monitoring the work of staff assigned the responsibilities.

**Performance Measure:** BIA accounting and program staff are required to devote major labor, time, costs, and efforts to improve the reliability and relevance of BIA accounts. BIA has implemented the Financial Statement Corrective Action Plan for reporting to provide decisionmakers with useful information. The long-term goal by 2005 is to achieve minimum acceptable standards for successful administrative processes by eliminating BIA's existing material weakness in property management, producing unqualified opinions to the financial statements, and bringing prompt payment performance up to the departmentwide standard of 97 percent.

**2000 Results:** The BIA achieved an unqualified audit opinion on its financial statements in 2000. This is the second year in a row that the BIA has attained a clean opinion from the Office of Inspector General. This performance measure will be replaced in 2001.

Cumulative Reduction in the Percent of Conditions that Generate a Qualified Audit Opinion

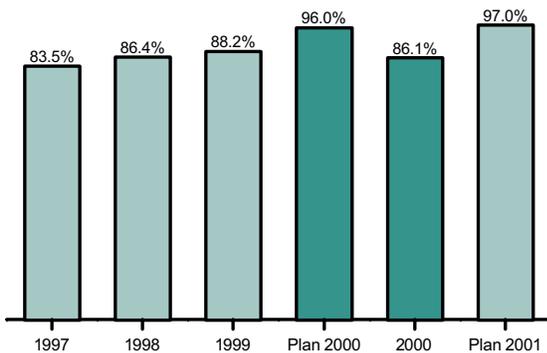


\* This measure will be replaced in 2001.

**Performance Measure:** The Prompt Payment Act requires that payments be made within 30 days of receipt of invoice; otherwise, the federal government is required to pay interest. The long-term goal is to bring BIA prompt payment performance up to the departmentwide standard of 97 percent.

**2000 Results:** The BIA did not achieve its performance target for 2000 as a result of the relocation of its accounting operations from Albuquerque, New Mexico to Reston, Virginia. Staffing levels were at an all-time low during the relocation process. File transfers from Albuquerque to Reston also disrupted the payment process. With staffing restored, BIA expects to improve prompt pay performance in 2001.

Percent of Invoices Without Interest Penalties



## Education

**Desired Result:** Provide quality education opportunities from early childhood throughout life in accordance with tribal needs for cultural and economic well-being.

The federal government has a special, historic responsibility for the education of Indian children. In Executive Order 13096 on American Indian and Alaska Native Education, the Administration affirmed this responsibility by stating its commitment to improving academic performance and reducing the dropout rate of Indian students. The Order sets forth six goals,

including improved reading and mathematics skills, increased high school completion, improved science education, and expanded use of education technology.

**Performance Measure:** The implementation of the Educate America Act and the Improving America’s Schools Act of 1994 have enhanced BIA reform efforts. BIA schools are the only “state” in the union where all schools have developed School Reform Plans. The plans include student achievement and behavioral goals, parental involvement goals, and staff development strategies to improve teaching and learning. The goal by the end of 2001 is to improve the percentage of students proficient in Math and Language Arts by a combined total of eight percent.

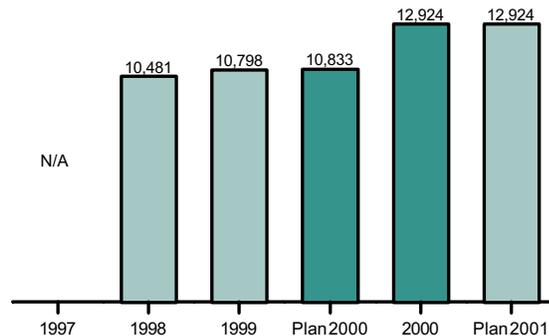
**2000 Results:** The BIA did not meet performance targets for 2000 as 45 percent of students were proficient in Math and 43 percent of students were proficient in Language Arts. The BIA had to divert education reform resources toward the restructuring and relocation of offices within the Office of Indian Education Programs in an effort to respond to the National Academy of Public Administration study denoting the need for improvement within the administrative support functions.

	1997	1998	1999	Plan 2000	2000	Plan 2001
Percent of students proficient in Math	N/A	41%	43%	47%	45%	51%
Percent of students proficient in Language Arts	N/A	41%	41%	45%	43%	49%

**Performance Measure:** BIA is working toward full implementation of the Tribal College and Universities Executive Order 13021 for all tribal colleges by coordinating activities designed to increase partnerships among tribal colleges, elementary and secondary schools, and their respective communities. BIA will provide for key requirements in the tribal colleges’ funding priorities such as maintenance of accreditation, fiscal management, instructional capability, library services, student support services, staff and curricula development, and improved facilities maintenance and construction.

**2000 Results:** The BIA exceeded its performance target by approximately 19 percent as 12,924 full-time students were enrolled in Tribally Controlled Community Colleges and post secondary schools.

Number of Full Time Students at Tribally Controlled Community Colleges and Post Secondary Schools



## Trust Services

### Resources Management

**Desired Result:** Assist American Indians and Alaska Natives in protecting and preserving their natural resources on trust lands and shared off-reservation resources.

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

A major responsibility of the BIA is maintaining Indian trust forest lands 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 and for revenue to Indian owners.

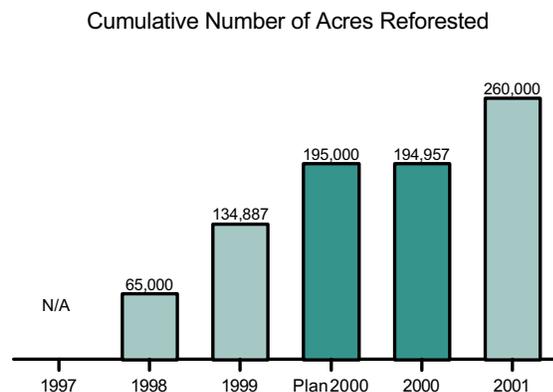
BIA works closely with Indian tribes to support the protection and prudent and integrated management of natural resources located on Indian lands and the meaningful exercise of off-reservation treaty hunting, fishing and gathering rights. Key resource areas receiving support on Indian lands include reforestation, rangeland management, and fish and wildlife management. Key off-reservation resources providing for the exercise of treaty rights include Pacific salmon and Great Lakes fisheries.

**Performance Measure:** BIA promotes forestry management and development through tree planting and precommercial thinning of areas identified in the annual inventory of forest development needs. BIA also develops forest management plans that set the policy and guidelines for the creation of forest development projects and post-project monitoring. Over 80 percent of the Forest Development Program is performed by tribes under P.L. 93-638 contracts or self-governance compacts.

**2000 Results:** The BIA reforested 60,070 acres in 2000, barely missing its target of 195,000 cumulative acres. The extreme forest fire season during the summer of 2000 resulted in the cessation of reforestation activities until forest conditions improved due to rain or snowfall.



Tribes' Integrated Resource Management Plans link the natural environment (scientific data and concepts) and social realities (human, cultural, and traditional values), to create resource policies that support a healthy ecosystem while taking into account a community's cultural, economic, and social goals (photo by Interior).



## Trust Lands and Resources

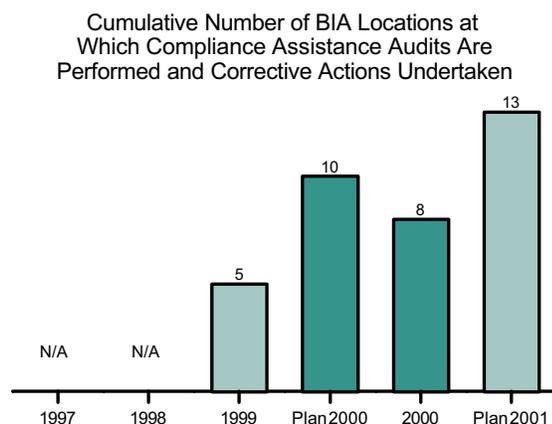
**Desired Result:** Ensure the trust responsibility to protect and preserve trust lands and trust resources.

The Bureau of Indian Affairs is responsible for promoting the protection and preservation of trust resources through tribal litigation and negotiation of land and water settlements, environmental management, improved real estate transactions, and dam repair construction.

BIA strategies for meeting these responsibilities include funding Interior water rights negotiation teams and tribal teams to conduct the legal and technical research needed to settle tribal water rights claims; funding historical and technical studies to support tribal land claims; conducting environmental audits in cooperation with tribes; developing and reviewing existing real estate manuals and handbooks regarding trust resource management to allow for efficient implementation of the BIA's trust responsibility to owners of trust resources; and completing dam repairs in accordance with the Department's Technical Priority Ranking list.

**Performance Measure:** BIA has recently instituted an environmental auditing program. This program will audit 100 percent of BIA facilities and operations every 5 years. The purpose of the audits is to identify possible areas where BIA is not in compliance with environmental, cultural resources, and endangered species requirements. BIA will correct any identified problems by providing compliance assistance training to BIA staff, improving record-keeping, and, where budgetary resources allow, by funding corrective actions.

**2000 Results:** The BIA did not achieve its performance target for 2000 as several audits planned for the fourth quarter with the Environmental Protection Agency (EPA) were delayed. EPA was unable to schedule the audits with their contractors because of internal contracting issues. The issues have been resolved and the delayed audits are expected to be completed in 2001.



## Trust Management

**Desired Result:** *Protect and preserve Indian trust assets and collect and accurately account for income due beneficiaries.*

In 1996, the Office of the Special Trustee was established to oversee trust management reforms to make the Department more effective in meeting its Indian trust responsibility. This office assists Interior bureaus and offices in implementing Indian trust reforms as required by the *American Indian Trust Reform Act of 1994*. In 1997, a strategic plan to reform the trust fund management system was submitted to the Administration and the Congress by the Special Trustee, as required by the *Reform Act*.

In 1998, Interior issued the first High Level Implementation Plan (HLIP) for Trust Management Improvement. That plan included the reform steps in the strategic plan that could be implemented under the authority of the Secretary of the Interior.

Eliminating Indian trust management deficiencies continues to be one of the highest priorities for the Department. To evaluate Interior's progress and help us meet our expectations for improving trust management, the Department prepared a revised and updated HLIP that was released in March 2000.

**Performance Measure:** The HLIP describes 11 subprojects in completing trust management improvements and lays out the major steps that must be taken to reach the reform goals and objectives established in the plan. Two major subprojects that support reliable trust management are the Trust Fund Accounting System (TFAS) and the Trust Asset and Accounting Management System (TAAMS).

**2000 Results:** In 2000, the Office of Special Trustee reported that 63 percent of the milestones that comprise the 11 subprojects in the HLIP were completed (target was 69 percent); 63 tribes had access to trust asset information; no BIA areas were using the Trust Asset and Accounting System (target was 12); 12 BIA areas were using the Trust Funds Accounting System (target was 12); and 259,621 accounts were established in the Trust Funds Accounting System (target was 275,000).

	1997	1998	1999	Plan 2000	2000	Plan 2001
Percent of milestones of the 11 subprojects completed in the High Level Implementation Plan	0	20%	35%	69%	63%	79% *
Number of tribes with access to trust asset information (318 total)	0	0	159	**	196	N/A
Number of BIA Areas on Trust Asset Accounting and Management System for title functions (12 total)	0	0	0	12	0	N/A
Number of BIA Areas on Trust Funds Accounting System	0	3	11	12	12	***
Number of accounts in TFAS	0	39,000	197,000	275,000	259,621	***

\* Nine milestones currently have "To Be Determined" completion dates. If all nine milestones are rescheduled for completion in 2001, the 2001 target would rise to 82 percent.

\*\* Access is provided on requests which cannot be forecasted.

\*\*\* These two indicators were completed in 2000.

## Island Communities

### Serving Island Communities

**Desired Result:** Assist island communities with improving their governmental operations to deliver more, better, and cost-effective programs and services to their people.

Interior has had a long relationship with the four U.S. territories and three affiliated, autonomous nations. The insular governments include American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, the U.S. Virgin Islands, the Republic of the Marshall Islands, the Republic of Palau, and the Federated States of Micronesia.

The Secretary of the Interior has responsibilities to the islands that are mandated in law and through Executive orders. These are carried out by the Office of Insular Affairs (OIA). Four areas of responsibility are:

- Providing insular areas with financial assistance for government operations and infrastructure development;
- Providing technical assistance and advice to island governments;
- Coordinating with other federal agencies in providing services and developing policies; and
- Representing the Administration's policies and positions in discussion with Congress and four territorial governments.

In its Strategic Plan, the OIA addresses its commitment to island communities in three areas: (1) improving island infrastructure; (2) improving governmental systems and services; and (3) improving governmental relations with the insular areas.

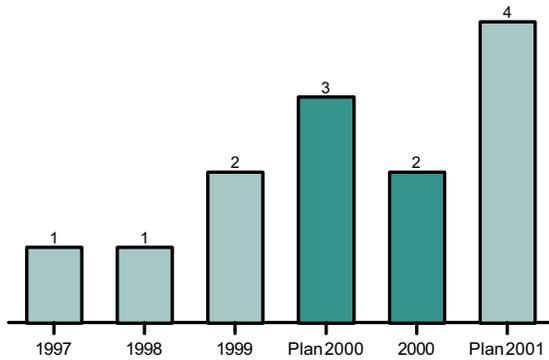


American Samoa consists principally of five volcanic islands and two coral atolls (a total of 76.2 square miles). It is located approximately 2,300 miles southwest of Hawaii and about 2,700 miles northeast of Australia (photo by Office of Insular Affairs).

**Performance Measure:** The OIA believes it is very important to have long-term plans in place for capital improvements in the insular areas, particularly given the high dependence on federal funding for these improvements. Although plans were mandated under the Compact of Free Association Act of 1985, they have not been rigorously enforced or updated. The long-term goal by 2005 is to ensure that all insular governments are implementing multi-year capital plans for infrastructure that adequately identify operations and maintenance needs.

**2000 Results:** The OIA did not meet its performance target in 2000 as no multi-year capital plan was completed (target was one). In 1999, the OIA began discussions with the Federated States of Micronesia (FSM) on OIA assistance for a new capital plan. It was not until late 2000 that the FSM government was able to respond favorably to the OIA offer, including meeting a requirement to identify matching funds. A grant was signed in September 2000. It is anticipated that the plan will be completed in late 2001.

Cumulative Number of Multi-Year Capital Plans Completed



**Performance Measure:** The OIA believes that the ability of insular areas to spend money quickly and effectively is an indicator of good governance. The OIA will use incentives at its disposal to move grants more quickly from award to project completion. The long-term goal is to increase grant productivity by increasing the ratio of projects completed to projects started and reducing the average completion time of projects.

**2000 Results:** The Office of Insular Affairs increased the ratio of projects completed to projects started for improving infrastructure to .56, exceeding its performance target of .40. The average time from grant award to project completion was 31 months in 2000, slightly below the target of 30 months.

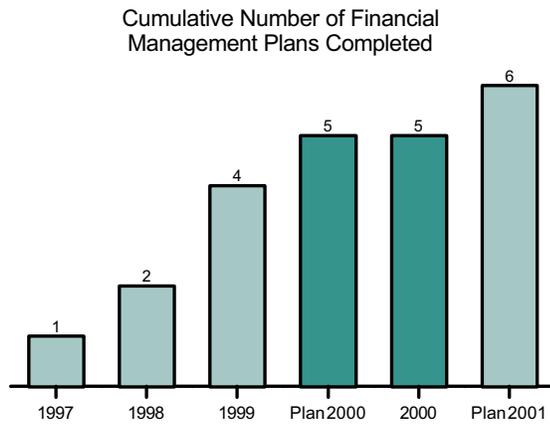
	1997	1998	1999	Plan 2000	2000	Plan 2001
Ratio of projects completed to projects started	N/A	N/A	.29	.40	.56	.50
Average time (in months) from grant award to project completion	N/A	N/A	32	30	31	28

**Performance Measure:** Good management in the insular governments, as demonstrated by sound financial management practices, is essential to developmental goals and the protection of taxpayers' money. OIA cannot force the governments to develop plans, but it can offer expertise and other incentives if the governments will make the effort. In conjunction with the U.S. Department of Agriculture Graduate School, OIA has gathered a team of experts with significant experience in the federal government, governmental and public auditing, and island financial systems and practices. To date, the program has been successful, specifically in terms of cooperation from the insular governments. The long-term goal by 2005 is to ensure that all insular governments are implementing long-term plans to improve financial management.



The cultures within the four states of the Federated States of Micronesia are tremendously diverse. Eight separate languages with different dialects are spoken throughout the islands: Yapese, Ulithian, Woleaian, Ponapean, Nukuoran, Kapingamarangi, Chuukese, and Kosraean (photo by Office of Insular Affairs).

**2000 Results:** The OIA achieved its performance target in 2000 as the financial management plan for the Commonwealth of the Northern Mariana Islands was completed.



**Performance Measure:** The OIA provides both financial and technical assistance to help ensure the insular governments are providing adequate public service and efficient governmental operations. Financial assistance is provided in several forms, including discretionary grants for operations to American Samoa and Enewetak; tax carryovers to Guam and the U.S. Virgin Islands; and guaranteed assistance for general operations and health and education to the freely associated states. The long-term goal is to improve government systems and services by increasing grant productivity through increasing the ratio of projects completed to projects started and reducing the average completion time of projects.

**2000 Results:** The Office of Insular Affairs increased the ratio of projects completed to projects started for improving government systems and services to .50, exceeding its performance target of .45. The average time from grant award to project completion was nine months in 2000, greatly exceeding the performance target of 50 months.

	1997	1998	1999	Plan 2000	2000	Plan 2001
Ratio of projects completed to projects started	N/A	N/A	.39	.45	.50	.50
Average time (in months) from grant award to project completion	N/A	N/A	61	50	9	40

## Departmental Management and Reimbursable Support Activities

Departmental Management includes Departmental Offices that provide the executive leadership, policy, guidance, independent program evaluation, and coordination needed to manage the diverse, complex, and nationally significant programs that are Interior’s responsibilities. These offices also guide and coordinate all of Interior’s administrative activities such as finance, information resources, procurement and acquisition, human resources, and budgeting. Departmental Management also includes legal services through the Solicitor’s Office, the audits and investigations of the Inspector General, environmental damage coordination, and administrative hearings and appeals.

Within the Departmental Offices are several other significant programs. These include the Office of Insular Affairs (OIA), which provides assistance to insular areas; the Office of the Special Trustee for American Indians (OST), which manages and discharges the Secretary’s responsibilities for about \$3.1 billion in trust assets of American Indians; the Natural Resources Damage Assessment and Restoration program, which coordinates the Department’s natural resources damage assessment and restoration effort; and the National Indian Gaming Commission, which regulates certain Indian gaming activities.

Interior also provides support services used by the bureaus to accomplish their work through a variety of reimbursable operations and interagency agreements. These include the National Business Center; specific working capital funds at the Bureau of Reclamation, the U.S. Geological Survey, and the Bureau of Land Management; and reimbursable activities by selected Departmental Offices. Activities include administrative support services such as accounting, property management and purchasing, drug testing, training, security, printing, communications, and computer systems operations and maintenance. In addition, several commissions, other federal agencies, state governments, and cooperators are also customers.

Interior is one of six executive branch agencies authorized to establish a franchise fund pilot under the Government Management Reform Act. The Interior Franchise Fund (IFF) provides commonly required administrative systems and systems support, administrative operations, and information technology services on a competitive, fee-for-service basis to other federal agencies with the goal of reducing administrative costs to the taxpayer.

The resources expended for Departmental Management and Reimbursable Support Activities are shown in *Figure 10*.

**Figure 10**

<b>Departmental Management and Reimbursable Support Activities</b>	
<i>Program Activity</i>	<i>2000 Expenses (\$ in millions)</i>
A. Departmental Management *	\$155
B. Reimbursable Support Activities	
B1. National Business Center	272
B2. Interior Franchise Funds	122
B3. Other Reimbursable Activities **	585
<i>Subtotal B</i>	979
<b>Total Departmental Management and Reimbursable Support Activities</b>	<b>\$1,135</b>

\* Includes Inspector General, Solicitor, and other Departmental Offices.

\*\* Includes Bureau Working Capital Funds.

*“Through various policy offices, the Department achieves significant benefits through improved management, problem avoidance, evaluation of alternative approaches to problem solving, and oversight and monitoring.”*

## Departmental Management Activities

**Desired Results:** Provide overall policy guidance and direction for the Department of the Interior in a broad range of management areas that affect nearly all aspects of Interior operations.

Interior has taken great strides in recent years to becoming a more mission-focused, efficient organization. A recent review of the management structure at Interior indicated that, when compared to the Departments of Agriculture, Justice, Commerce, Energy, State, Treasury, and other agencies, Interior had the fewest number of executives at the Assistant Secretariat and above level. Similarly, when the management and coordination offices in the Office of the Secretary were benchmarked against other federal agencies of similar size and scope, the results confirmed that Interior Departmental Offices accomplish their management responsibilities with fewer staff.

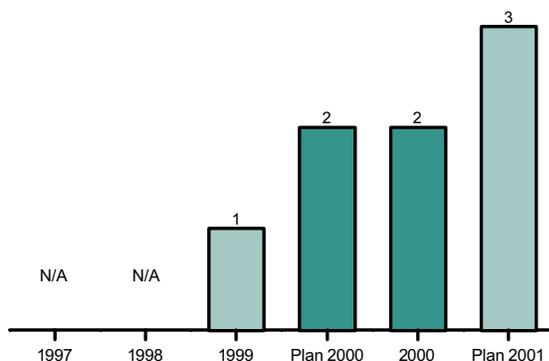
### **Lead People to Succeed**

Interior requires a dedicated, diverse, highly qualified workforce to accomplish its mission and achieve its goals. To ensure that a quality workforce is in place, the long-range goal is to create a work environment in which employees are valued, motivated, developed, and rewarded for excellent, customer-focused performance. To accomplish this goal, the Department strives to develop and implement a comprehensive, integrated approach that addresses all levels of career management.

**Performance Measure:** The Department recognizes the need to train and develop employees for both mission and career advancement. As such, Interior's focus is on developing and implementing effective training and development programs that emphasize career management and lifelong learning throughout the Department.

**2000 Results:** The Department met its performance target for 2000 by developing a departmentwide policy and curriculum for a classroom- and technology-based supervisory training program. This new training program provides the human resources knowledge and competencies needed to carry out personnel management responsibilities; reduces personnel actions that result in complaints, grievances, settlements, and third-party finds; and improves employee morale, workforce productivity, and union relations.

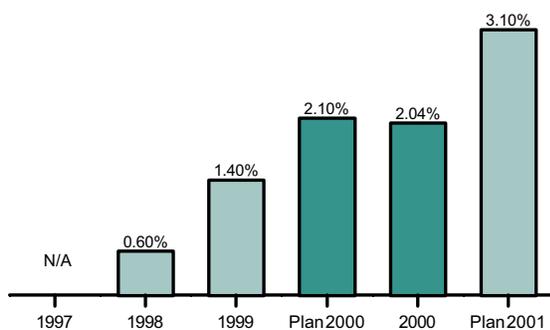
Cumulative Number of New Training Programs



**Performance Measure:** The Department strives to achieve diversity goals through increasing employees' awareness of diversity issues and by improving targeted recruitment to increase the diversity of the applicant pool. Selections are made solely on the basis of merit. The measurement focus is on increasing the general diversity of the workforce, not on quotas, numeric targets, or specific vacancies. Percentages are calculated as portions of the total workforce rather than the growth rate of specific groups; for example, if a group moves from five percent to six percent, it is reported as having increased one percent of the total workforce rather than as a 20 percent increase in the group. Thus an increase of one percent is significant progress, given the limited turnover rate.

**2000 Results:** The Department's diversity level for 2000 was 46.61 percent, an increase of 2.04 percent over the 1997 diversity level of 44.57%. This 2.04 percent increase was slightly below the 2000 target of 2.1 percent. The Department achieved relatively high diversity levels in professional and administrative areas but experienced some difficulties in retaining high demand technical and wage grade workers.

Increase in Workforce Diversity from 1997



### ***Provide the Services and Technology to Manage***

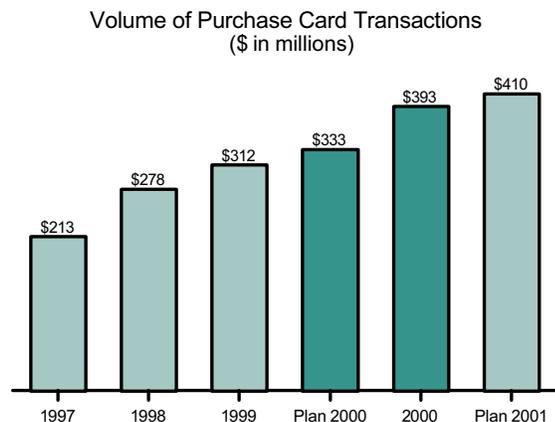
Procurement and property management play important roles in virtually all activities and programs of the Department. The procurement of goods and services is a critical support element in accomplishing mission objectives. By improving the quality and price of procured items, as well as the timeliness of procurement actions and productivity of our procurement staff, Interior saves resources and improves the Department'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. As the largest landholder within the federal government, Interior has a unique responsibility to conserve approximately 117 million cultural artifacts, pieces of artwork, and other museum properties. Interior also manages personal property assets valued at more than \$1.7 billion, more than 57,000 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.

**Performance Measure:** The Department strives to provide better service and cost savings through use of the governmentwide purchase card. Interior has partnered with Bank of America as its new charge card provider for all purchase, travel, and fleet charge card transactions. The charge card program is integrated; up to three business lines—travel, fleet, and

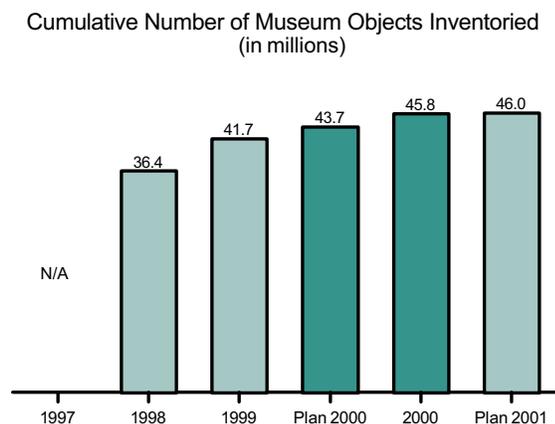
purchase—can be activated in one cardholder account and card. Integrated accounts are designed to streamline all agency purchase and payment processes. They not only reduce the number of plastic cards that a cardholder must carry; they also streamline program management into a single point of contact, thus reducing administrative costs and time. Major efficiencies are gained through the single accounting system interface permitted by the integrated card.

**2000 Results:** Preliminary data from Bank of America indicates that Interior spent approximately \$393 million via the SmartPay purchase card during 2000, exceeding its performance target of \$333 million by approximately 18 percent.



**Performance Measure:** Interior is responsible for 69 million artifacts and specimens and 44 million documents, a collection that is second in total size only to those managed by the Smithsonian Institution. The Department’s museum collections include important artifacts of the Nation’s cultural and natural heritage. Careful documentation of these museum collections establishes accountability for their management and use in preserving the Nation’s natural and cultural resources, supporting science activities, and providing heritage recreation and education for the public.

**2000 Results:** The Department inventoried 4.1 million museum objects in 2000 for a cumulative total of 45.8 million objects. This exceeded the performance target of two million objects (cumulative total of 43.7 million objects) by 105 percent. The Bureau of Reclamation and the National Park Service rendered exceptional museum inventorying performance in 2000.



## ***Provide Safe, High-Quality Workplaces***

Interior is committed to improving its infrastructure for the next century. 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.

The Department recognizes that long-term improvement of the condition of Interior facilities requires better data on current conditions. To this end, in December 1999 Interior issued formal requirements for conducting facility condition assessment surveys across all the bureaus. These surveys will provide a continuous, systematic review program through which the bureaus can identify repair, rehabilitation, and replacement needs. These condition assessment surveys represent a more thorough and comprehensive examination of facilities than past efforts, and are therefore, more likely to uncover additional needs.

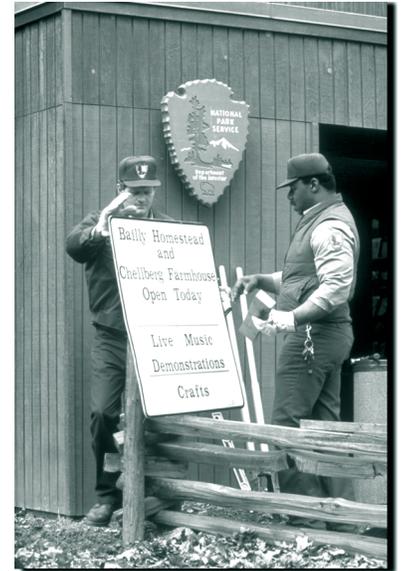
**Performance Measure:** A 1998 Interior study, "*Facilities Maintenance Assessment and Recommendations*," provided the basis for proposed increases in maintenance and capital improvement funding, development of a Five-Year Maintenance and Capital Improvement Plan, and a number of other improvements. The long-term goal by 2001 is to complete 30 percent of repair and construction projects funded through the Department's Five-Year Facilities Maintenance and Capital Improvement Plan by the end of the funding fiscal year, 70 percent by the end of the second year after funding, and 95 percent after the third year.

**2000 Results:** New computerized maintenance management systems to better manage the reporting of facilities data were implemented by the BIA and in 30 NPS units. Additionally, BLM, USGS, and FWS commenced initial assessments of automated systems for their bureaus. As part of the process, the bureaus are implementing the Department's new standard that in-depth condition assessments must be conducted to evaluate the real condition of the facilities. The improvements being made to the computerized maintenance management systems will facilitate reporting on the status and completion of projects in 2001 and subsequent years.

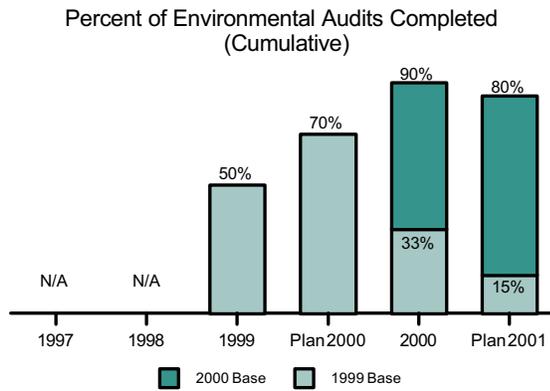
**Performance Measure:** Environmental auditing is the systematic, documented, periodic, and objective review of facility operations and practices related to meeting environmental compliance standards. Each Interior bureau is responsible for developing and implementing its own environmental auditing program.

**2000 Results:** Interior bureaus reported that they had performed 412 audits for a cumulative total of 1,426 audits (89.6 percent) of the 1,589 Interior-owned and operated facilities reported in 1999. There was an increase in the number of bureau-owned and operated facilities reported in 2000 (2,509) as compared to the 1999 total (1,589). The Department expects that the base number of facilities will continue to change over the years which affect both projections and reported outcomes.

The 2000 target of 70 percent was exceeded using 1999 data as the base. However, since the number of facilities change, it is approximately 57 percent when adjusted using 2000 data as the base. The Department intends to work with bureaus to continue to improve overall environmental compliance.



The National Park Service began a pilot implementation of a robust, comprehensive maintenance management system in September 1999 (photo by NPS).



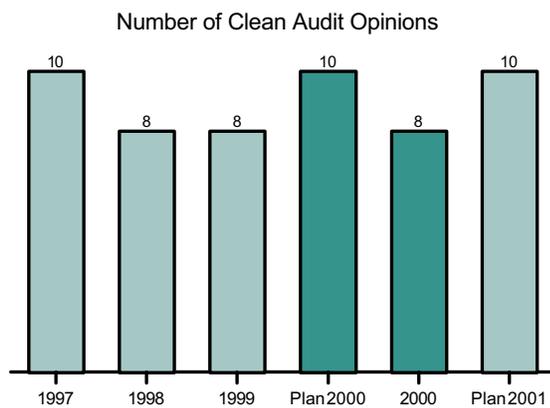
“For a fourth year in a row, the Department achieved an unqualified audit opinion on its consolidated financial statements.”

**Ensure Financial and Managerial Accountability**

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 implementation of Federal Accounting Standards Advisory Board pronouncements, the Department continues to reshape the way it conducts business. To comply with the new standards and meet increasingly high expectations, Interior will provide timely and reliable financial and performance information that will permit stakeholders and decisionmakers to track progress and evaluate the results of Interior’s programs.

**Performance Measure:** To strengthen the integrity of financial operations and ensure the accuracy of financial data, the Department produces audited consolidated financial statements for the Department as well as audited financial statements for each of the bureaus. The goal is to achieve unqualified (clean) audit opinions on all financial statements as well as internal controls and Federal Financial Management Improvement Act requirements.

**2000 Results:** The Department attained a total of eight unqualified audit opinions on consolidated and bureau financial statements in 2000, falling just short of the target of ten unqualified audit opinions. The Fish and Wildlife Service received a qualified audit opinion while the Minerals Management Service, with the exception of the Statement of Custodial Activity, received a disclaimer. MMS’s Statement of Custodial Activity achieved an unqualified audit opinion in 2000. Fiscal year 2000 represents the fourth year in a row that Interior’s consolidated financial statements have achieved an unqualified audit opinion.



**Performance Measure:** Timely implementation of Office of Inspector General and General Accounting Office audit recommendations and timely correction of material weaknesses are essential to improving the efficiency and effectiveness of the Department's programs and operations and to achieving integrity and accountability goals.

**2000 Results:** In 2000, the Department implemented 77 percent of the audit recommendations reported in financial statement audits, OIG program audits, and GAO reports within one year, exceeding the performance target of 65 percent. The Department also completed corrective actions on 33 percent of all reported material weaknesses by the original targeted correction date, falling short of the performance target of 70 percent. Two weaknesses scheduled for completion in 2000 slipped due to (1) additional corrective actions being added as a result of a GAO audit report, and (2) an expansion of the scope for corrective actions.

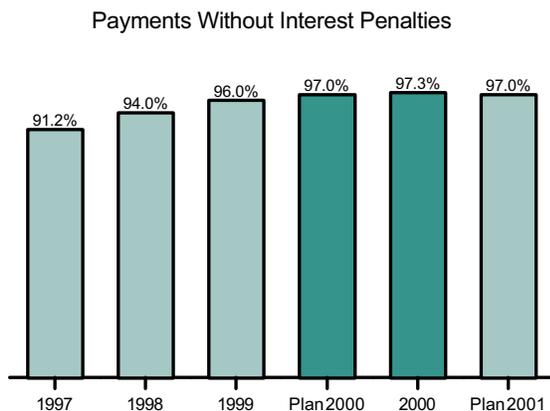
	1997	1998	1999	Plan 2000	2000	Plan 2001
Correction of audit recommendations	N/A	N/A	61%	65%	77%	75%
Correction of material weaknesses	N/A	N/A	50%	70%	33%	80%

### **Improve Financial Management Performance**

The Department monitors financial management performance through the periodic collection and reporting of data for the Prompt Payment Act, Electronic Funds Transfers, and the Debt Collection Improvement Act.

**Performance Measure:** The Prompt Payment Act requires that payments be made within 30 days of receipt of invoice; otherwise, the federal government is required to pay interest. The Department's objective is to have the percentage of payments without interest penalties meet or exceed the governmentwide goal of 97 percent.

**2000 Results:** The Department achieved its performance target in 2000 by paying 97.3 percent of invoices without interest penalties. Increased use of electronic fund transfers enabled the Department to meet its goal.



**Performance Measure:** The Debt Collection Improvement Act of 1996 (DCIA) requires that all payments be made by Electronic Funds Transfer (EFT) unless covered by waiver. The Department's goal is to use EFT to the maximum extent possible, except for payments covered by waivers.

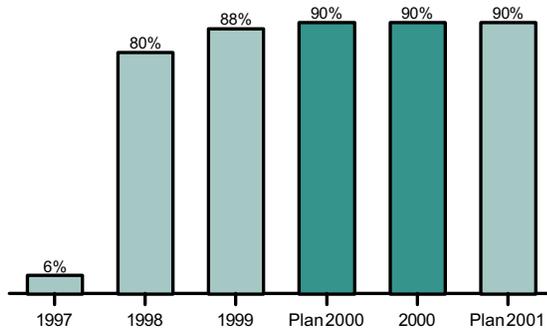
**2000 Results:** The Department achieved most of its performance targets for 2000 as a result of increasing the use of the governmentwide purchase card, minimizing the use of imprest funds and third-party drafts, and requiring new vendors and employees to enroll for EFT payments.

	1997	1998	1999	Plan 2000	2000	Plan 2001
Salary EFT Payments	85.8%	90.2%	97.9%	98.0%	98.4%	98.0%
Vendor EFT Payments	14.4%	25.3%	61.1%	95.0%	76.5%	80.0%
Miscellaneous EFT Payments	34.6%	54.6%	83.5%	85.0%	91.6%	92.0%
Charge Card (\$25,000 or less)	N/A	N/A	88.2%	90.0%	94.0%	91.0%

**Performance Measure:** The collection of delinquent debt due from the public is a major goal of the Debt Collection Improvement Act. The Department's goal is to refer all 180-day and older eligible debt to the U.S. Treasury for cross-servicing and to refer delinquent debts to the Treasury Offset Program as required by law.

**2000 Results:** The Department achieved its 2000 performance target by referring 90 percent of eligible debt to the Department of the Treasury. The Bureau of Indian Affairs' intensive efforts to improve the performance on debts related to irrigation services was a significant factor in allowing the Department to meet its 2000 annual goal.

Referral of Eligible Debt



Note - eligible debt excludes amounts in litigation and amounts being considered by Interior for compromise.

## Reimbursable Support Activities

The Department provides a number of support services through various reimbursable operations operated either by the Department or by individual bureaus. These include the National Business Center (a working capital fund in the Office of the Secretary) and working capital funds at the Bureau of Reclamation, the U.S. Geological Survey, and the Bureau of Land Management. In addition, Departmental Offices provide selected support services to bureaus on a reimbursable basis. In general, these operations provide efficient and cost-effective shared services that are critical to program operations.

The Department also provides services to non-Interior agencies on a reimbursable basis. As part of a pilot program authorized under the Government Management and Reform Act, the Department provides selected services to non-Interior agencies on a competitive basis, applying full cost concepts to the services provided.

The Department has established performance measures for the National Business Center and the Interior Franchise Fund. The other reimbursable activities operate to recover costs in accordance with rules established by their respective authorizing legislation.

### **National Business Center**

**Desired Result:** *Provide quality services and innovative solutions efficiently and economically to meet customer business needs.*

Interior's National Business Center (NBC) was created from the merger of three administrative service centers in three different bureaus into one service provider located in the Office of the Secretary. The NBC is founded on a vision "to be recognized as the preferred business solution provider for the federal sector." In addition to providing administrative and system services to Interior bureaus and offices, the NBC plays an important role in the federal government sector as a fee-for-service organization providing these same services to agencies outside of Interior. The NBC provides competitive, state-of-the-art products and systems and incomparable customer service to the federal sector.

**Performance Measure:** The NBC improves the efficiency and effectiveness of federal government through cross-servicing of human resources, payroll, finance, accounting, government housing management, and performance support. The NBC also provides a full complement of payroll operations, data centers, procurement, organizational development, and fiscal and property services; offers classroom, video conference, videotaped, computer-based, and web-based training; and provides multimedia presentations.

**2000 Results:** The NBC is currently developing a Statement of Work to procure services from an outside vendor to conduct a customer satisfaction survey. The results of this survey will be used to establish a baseline for NBC customer service and identify/conduct employee training in order to enhance customer service. The NBC processed 99 percent of payroll transactions in a timely manner, meeting its performance target of 99 percent.

	1997	1998	1999	Plan 2000	2000	Plan 2001
Percent of customers satisfied with NBC business line	N/A	N/A	N/A	Establish baseline	*	**
Percent of payroll processed timely	N/A	N/A	N/A	99%	99%	99%

\* Began developing Statement of Work

\*\* Procure contractor services for customer satisfaction survey and establish baseline

### **Interior Franchise Fund**

**Desired Result:** Provide commonly required administrative systems and systems support, administrative operations, and information technology services on a competitive, fee-for-service basis to other federal agencies.

In 1996, the Office of Management and Budget authorized the Department to establish a franchise fund pursuant to the Government Management Reform Act of 1994. The Interior Franchise Fund (IFF) carries out its responsibilities by relying upon a network of service provider organizations. The IFF's competitive strengths lie in its ability to attract and retain external customers and its ability to quickly garner the staff needed to meet customer needs. The creative concept of using Interior resources on a reimbursable basis allows the IFF to keep personnel and fixed costs to a minimum and precludes the need for maintaining permanent staff.



The Interior Franchise Fund's Karla McGovern assists Chip DiMuzio at Maritime Administration with the implementation of Interior's Electronic Acquisition System (photo by Interior).

The IFF's authorizing legislation is scheduled to expire on October 1, 2001. The ability of the IFF to continue as a going concern is dependent on the renewal of its authorizing legislation. The Department is currently exploring alternative plans to resolve this uncertainty.

**Performance Measure:** The current service provider organizations, the Office of the Secretary and the Minerals Management Service, strive to operate in an entrepreneurial manner, consistent with OMB's "Twelve Business Principles." They efficiently and effectively cross-service other agencies via interagency agreements. With the service providers' support, the IFF offers competitively priced administrative systems and related support services, administrative operations, and general administrative services that are responsive to customers' needs and budgetary constraints.

**2000 Results:** The Interior Franchise Fund achieved its performance targets for retained earnings and customer orders.

	1997	1998	1999	Plan 2000	2000	Plan 2001
Number of customer orders	9	230	334	>334	1,114	1,500
Amount of retained earnings (\$ in 000s)	(\$134)	(\$227)	(\$80)	>(\$80)	\$34	\$1,200

# Validation of Performance Measures

The Department has made progress in improving its data collection, verification, and validation strategies. Interior bureaus have improved their performance measures, and the Department has developed an internal reporting and tracking system and improved oversight of performance management activities. While progress has been made, more work needs to be done to further improve the Department's performance data and systems. The Department is developing new self-assessment tools and approaches to help make further improvements to performance and data reliability.

As the Department developed its strategic plans and annual performance plans, the focus was on constructing the goals and measures that are appropriate for our programs, outcome oriented, and capable of producing measurable results. As these initial plans were prepared, Interior bureaus and offices had considerable discretion to develop the means they use to verify and validate the performance measures, data, and data collection systems.

This bureau/office discretion has produced a variety of approaches to determining the accuracy and reliability of performance data. Information collection and reporting systems have been developed to accommodate the specific types of data and mission information needs of each bureau. Some have developed and re-engineered physical data monitoring systems and electronic databases to capture and record data that provides critical information for both GPRA reporting and Interior decisionmakers. Data captured at the field level in many instances is recorded electronically on laptop computers for easy downloading and verification at the regional and national levels. Data discrepancies are then more easily identified and resolved between regional and field personnel as necessary. Fiscal 1999 was the first year agencies were required to report on their GPRA performance measures. Interior bureaus have learned from this process and have improved many of their performance measures based on the lessons they have learned through tracking and reporting performance data.

## Quarterly Data Reporting

The Department has developed a quarterly data reporting system to track progress in achieving GPRA goals. The bureaus are required to electronically submit performance data on a quarterly basis into a central web-based database containing all Department and bureau performance data. The quarterly submittal schedule provides the ability to measure progress towards individual performance goals throughout the annual performance planning period. Departmental managers are able to access performance information through this new system.

The Departmental Management offices meet at midyear with bureau deputy directors and planning staff to review performance results to date and discuss GPRA-related strategies, issues, and successes. The Departmental Management offices intend to meet with bureau leadership on a more regular basis to review performance data and to encourage self-assessments using a departmental data verification and validation matrix currently under development. In addition, the Interior Management Council (IMC) has taken an active role in monitoring departmental performance information. The IMC reviews summaries of the quarterly reports and addresses related issues as they arise.

## **Self-Assessments**

The Department is developing new tools to help improve the accuracy and reliability of performance information. Interior is developing a verification and validation matrix for use by the bureaus and offices as a self-assessment tool for determining the accuracy and reliability of the performance information. This matrix uses a multi-faceted approach involving accuracy of data handling, data standards and definitions, data quality and limitations, management checks and reviews, and system integrity and security. As the majority of the data is collected by the bureaus at the field level, the matrix will provide guidelines for developing consistent and comparable data collection strategies. It also addresses practices and conditions that can affect data reliability as that data moves through the process of collection, aggregation, and reporting.

A condensed Baldrige quality self-assessment tool has also been developed and tested as a means of targeting organizational improvements. Some will highlight issues that can affect data reliability.

## **Coordination with the Office of Inspector General (OIG)**

The Department coordinates with the OIG regarding the status of the performance data and information being reported in our GPRA documents. As the OIG becomes more familiar with using the GPRA performance information in audits, the Department expects to receive their assessments of Interior's performance information and data systems. This will help the Department ensure accuracy and accountability in its reporting to Congress. The OIG, GAO, and other federal agencies have been valuable consultants in the effort to develop a data validation and verification approach for Interior.

## **Program Evaluations**

Program evaluations are an important tool in analyzing the effectiveness and efficiency of Interior's programs, and evaluating whether they are meeting their intended objectives. Interior programs are evaluated through a variety of means, including performance audits, financial audits, management control reviews, and external reviews from Congress, OMB, and other organizations such as the National Academy of Public Administration and the National Academy of Science. The Department uses self-assessments to verify that performance information and measurement systems are accurate and support strategic direction and goals. Data collection and reporting system processes are reviewed and improved through the use of customer and internal surveys.

Interior also relies on outside reviews and audits of our strategic planning and performance management processes by GAO and the OIG. GAO has conducted several reviews of Interior's strategic plans and annual performance plans, as well as more specific reviews of individual bureau GPRA implementation efforts. These reviews have been very helpful in identifying best practices and focusing our attention on areas needing improvement. For example, GAO's report "National Park Service—Efforts to Link Resources to Results Suggest Insights for Other Agencies" (GAO/AIMD-98-113) commended the Park Service's approach of combining a bureauwide plan with individual plans for each park unit, while recognizing the difficulty that many bureaus, including the Park Service, have had in linking performance goals to budget and accounting systems. In its 2000 audit plan, the OIG has identified performance measures that are related to the areas or programs being examined. The OIG plans to incorporate analyses of performance measures as a part of their ongoing audit processes.

The annual performance plans for Interior’s bureaus include more detailed discussions of specific performance evaluations and their relationship to the bureau programs. Some examples of planned program evaluations are listed in *Figure 11*.

**Figure 11**

<b>Representative GPRA Program Evaluations</b>		
<b>Bureau</b>	<b>Program/Goal</b>	<b>Methodology/Purpose</b>
<b>Goal 1: Protect the Environment and Preserve Our Nation’s Natural and Cultural Resources</b>		
BLM	Fire management program.	General program evaluation by team.
OSM	Small Operator Assistance Program (SOAP) grants. Related to environmental protection goal.	Questionnaire to states with SOAP grants to determine proper program achievement.
<b>Goal 2: Provide Recreation for America</b>		
BOR	Providing quality recreation at BOR sites.	OIG audit on whether BOR maintained facilities according to Interior and BOR requirements; one source is BOR recreation compliance reviews and action plans.
<b>Goal 3: Manage Natural Resources for a Healthy Environment and a Strong Economy</b>		
BLM	Grazing permit renewals.	Team evaluation of progress toward meeting congressional mandate on permit renewal.
MMS	Follow-up audit of the Royalty Management Program.	OIG audit to determine whether MMS implemented recommendations in prior OIG audit reports on controls for automated information systems.
<b>Goal 4: Provide Science for a Changing World</b>		
USGS	Hydrologic hazards.	An external review of the program conducted by the National Academy of Public Administration.
USGS	Upper Midwest Sciences Center.	An OIG review of USGS support of the Corps of Engineers.
<b>Goal 5: Meet Our Trust Responsibilities to Indian Tribes and Our Commitments to Island Communities</b>		
BOR	Native American technical assistance.	Internal program evaluation of technical assistance and other accomplishments.
MMS	Indian Direct Payments program.	An internal, alternative management control review. The scope of work is still being developed.

# Compliance With Legal and Regulatory Financial Requirements

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

- Federal Managers' Financial Integrity Act (FMFIA);
- Federal Financial Management Improvement Act (FFMIA);
- Inspector General Act Amendments (Audit Follow-Up);
- Biennial review of user fees; and
- Other key legal and regulatory requirements

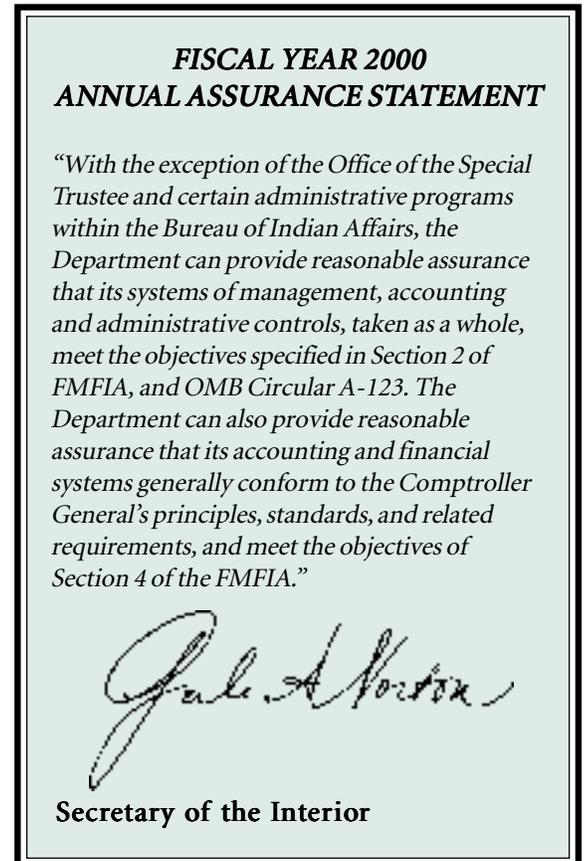
## Federal Managers' Financial Integrity Act (FMFIA)

The FMFIA requires agencies to annually provide a statement of assurance regarding the effectiveness of management, administrative and accounting controls, and financial management systems. The Secretary's 2000 Annual Assurance Statement is provided in *Figure 12*.

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 that 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 is maintained and used for decisionmaking at all levels.

**Figure 12**



## Management Control Program

Interior's management control program ensures full compliance with the goals, objectives, and requirements of the FMFIA and Office of Management and Budget (OMB) Circular A-123, Management Accountability and Control. 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, as well as relying on the findings and results of Office of Inspector General (OIG) internal program audit reports and General Accounting Office (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.

In 2000, Interior conducted a total of 75 management control self-assessments, of which 31 (41 percent) were conducted using the new automated approach as well as relying on the findings and results in six OIG program audits, nine financial statement audits and six GAO program audits. The 75 management control assessments represent 78 percent of the total 96 assessments relied upon in reaching the Secretary's annual assurance statement. *Figure 13* summarizes the distribution of 2000 management control assessments.

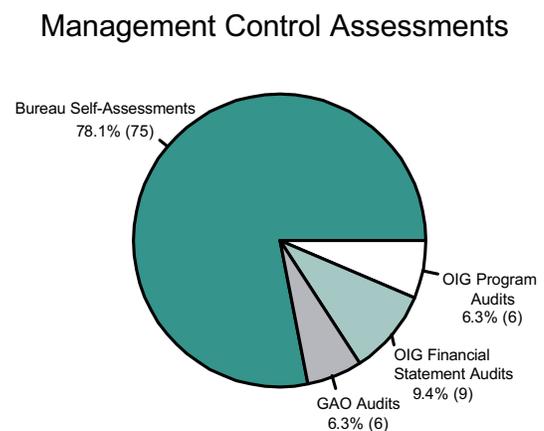
### **Automated Approach to Management Control Assessments**

The automated assessment approach is based on the results of a Management Control Reengineering Laboratory conducted by the Department in 1996 that, among other things, developed a new automated, less resource-intensive approach for targeting and conducting management control assessments. The automated assessment approach is built around seven management integrity measures that support the general and specific management 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 assessment is conducted electronically over the Internet using an off-the-shelf surveying and analytical software tool and provides much improved diagnostic and executive-level reporting.

A pilot test of the automated assessment approach was conducted for 21 different bureau program and administrative functions between 1997 and 1999. The results exceeded expectations, including a 90 percent overall reduction in staff time required for planning, conducting, analyzing, and reporting the results of the assessment.

In 2000, the Department encouraged bureaus and offices to use an automated assessment approach for all management control self-assessments. Delays in acquiring the surveying and diagnostic software tool, the time required for vendor training of bureau staff, and the "learning curve" associated with using the automated assessment approach limited the number of automated assessments that could be conducted in 2000. However, bureaus and offices were still able to implement the automated assessment approach for 31 of 75 (41 percent) self-

**Figure 13**



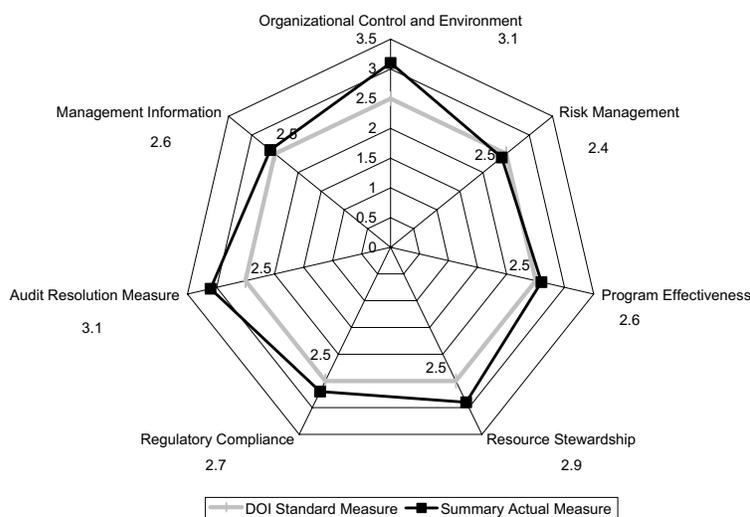
**Figure 14**

Automated Assessments				
Bureau	1997 *	1998 *	1999 *	2000
MMS	1	2	2	5
BLM	-	1	-	2
NPS	-	1	1	3
BIA	-	4	-	4
OSM	-	2	1	3
FWS	-	1	1	4
OS	-	-	-	3
BOR	-	1	1	3
USGS	-	1	1	4
Total	1	13	7	31

\* Pilot Test

**Figure 15**

**Automated Assessment - Summary 2000**



assessments conducted in 2000. This 41 percent usage rate was more than twice the rate used in any year during the pilot test program. *Figure 14* summarizes the automated assessments by bureaus and offices.

The consolidated summary report for the 2000 automated assessments is presented in *Figure 15* (Spider Diagram). The Spider Diagram presents the results of these assessments on a comparative basis using seven management integrity measures. The seven measures are arrayed around the axis of the web and are scored on a numerical scale of 0 to 3.5, where 0 is the most unacceptable score for the measure. The dark symmetrical line with the value of 2.5 for each measurement represents the Department’s minimum acceptable score for each integrity measure. The lighter line represents the actual summary assessment score for each measure. Scores above the 2.5 value represent areas of sound management controls and potential best practices, while scores less than the 2.5 value represent areas needing improvement and potential material deficiencies. Only the summary Risk Management integrity measure (2.4) fell below the Department’s minimum acceptable score of 2.5. This is attributable to newly identified weaknesses in computer security along with employee and public safety related programs in two bureaus. On an overall basis, this summary report indicates that the results of the automated assessments provide sound support for the conclusions in the Secretary’s annual assurance statement.

**Results of the 2000 Management Control Program**

Since the inception of the FMFIA in 1982, Interior has identified and reported 169 material weaknesses and 64 accounting system nonconformances. By the end of 2000, Interior had corrected 150 of these material weaknesses (89 percent) and all 64 accounting system nonconformances. These totals reflect the addition of three new material weaknesses identified during 2000 and the correction of one material weakness.

While Interior has corrected all previously reported accounting system nonconformances 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, integrated accounting system is achieved; and
- Data integrity and consistency are provided for all financial system components.

Figure 16

Number of Material Weaknesses			
Period Reported	Reported	Corrected	Pending
Prior Years	158	148	10
1997	3	1	2
1998	1	1	0
1999	4	0	4
2000	3	0	3
Total	169	150	19

Figure 17

Number of Material Nonconformances			
Period Reported	Reported	Corrected	Pending
Prior Years	64	64	0
1996	0	0	0
1997	0	0	0
1998	0	0	0
1999	0	0	0
Total	64	64	0

Progress in correcting material weaknesses and accounting system nonconformances exemplifies Interior’s strong commitment to improving integrity and accountability in all programs, organizations, and functions. This commitment is further demonstrated by the establishment of new accountability goals for the timely correction of material weaknesses and timely implementation and closure of audit recommendations. These new goals are included in the Department’s 2001 Annual Performance Plan.

The Department’s progress in correcting material weaknesses and accounting system nonconformance is presented in *Figures 16 and 17*.

Interior will carry forward 19 pending material weaknesses to 2001. A description of these 19 pending material weaknesses, including those designated as “mission critical weaknesses,” planned corrective actions, and targeted completion dates, is presented in *Figure 20*. As shown in *Figure 18*, Interior expects to complete corrective actions on five of these material weaknesses (26 percent) during 2001, and an additional seven material weaknesses (37 percent) during 2002.

**Material Weakness Corrected or Merged**

During 2000, Interior completed corrective actions for one pending material weakness: BLM’s Administration and Oversight of the Wild Horse and Burro Program. In addition, BIA’s Inadequate General Controls Over Automated Information Systems was merged into an new departmentwide weakness dealing with Inadequate Computer Security.

**Administration and Oversight of the Wild Horse and Burro Program:** This material weakness, which was first reported in 1997 as a mission critical weakness, was originally scheduled for completion in 1999, but additional corrective actions identified in 1999 pushed the completion date to 2000. The BLM conducted four internal program reviews and revised its strategic plan, including the establishment of strategic goals and performance measures for the program. BLM selected and chartered the Wild Horse and Burro Advisory Board to provide state-of-the-art science and public input into recommendations on how to achieve appropriate herd management levels on public lands. The single-shot, one-year immuno-contraceptive vaccine was applied to mares in various Herd Management Areas over a two-year period. The short-term adoption promotional plan was developed and is being implemented based on the Adoption Marketing Strategy Report. In summary, BLM has initiated an improvement in the flow of animals from removal to adoption, and will continue with ongoing efforts to enhance and improve program management and oversight.

Figure 18

Target Correction of Material Weaknesses

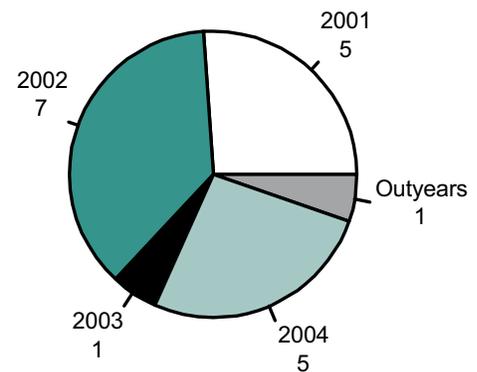


Figure 19

### Mission Critical Material Weakness Guidelines

The Department defines a mission critical material weakness as:

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

The Department will remove a mission critical material weakness designation when:

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

### New Material Weaknesses

Interior's Management Control Audit Follow-up (MCAF) Council reviewed and analyzed the results of the 2000 management control assessment process and concluded that three new material weaknesses should be reported. These new material weaknesses are:

**1. Inadequate Structural Fire Program (NPS):** NPS determined that their current Structural Fire Program does not provide adequate protection of people, contents, structures, and resources from the effects of fire as required by Director's Order No. 58. The NPS will develop and implement a comprehensive improvement plan to address the operational, technical, and organizational deficiencies cited in a related May 2000 GAO audit report and a July 2000 congressional hearing on fire safety failures in the NPS.

**2. Inadequate Wireless Telecommunications (Department):** Effective radio communications are critical to employee and public safety, as well as efficient management of the parks and public lands. The current wireless telecommunications program in at least two bureaus does not effectively support bureau and public safety operations and does not comply with Department management directives. The Department will develop and implement a comprehensive plan to meet employee and public safety objectives, and will restore the program to efficiency by reviewing bureau's narrowband capital investment levels and implementation plans, revising plans to maximize radio system sharing, minimizing supporting infrastructure requirements, and ensuring maximum use of alternative wireless services.

**3. Inadequate Land Inventory and Financial Reconciliation (BOR):** The BOR does not have a complete and accurate inventory system to support its \$1.7 billion investment in land and land rights. BOR will implement

a comprehensive plan to review and reconcile its land records; implement a new real property system; and develop and implement policy and procedural guidance to ensure the future quality, accuracy, and completeness of data captured in the lands and finance systems.

### 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 Management Control and Audit Follow-up Council has identified nine of its 19 pending material weaknesses as "mission critical weaknesses." The Department has adopted the guidelines for mission critical material weakness designations recommended by the GAO. These guidelines are noted in *Figure 19*.

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 continuously monitor corrective action progress for each mission critical weakness. The nine mission critical material weaknesses and corrective action progress to date are as follows:

**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 approximately \$3 billion fund. The trust funds lack effective internal controls, dependable accounting systems, and reliable accounting information. The Office of Trust Funds Management has been reorganized to improve management by establishing a Quality Assurance Division and consolidating accounting functions under the Accounting Division. There is an ongoing effort to standardize and verify Individual Indian Monies system data by cross-checking trust resource records.

There are currently a number of major initiatives underway to systematically address the decades-old Indian Trust Funds problems.

- *Legislative Proposal to Address Fractionated Ownership:* One of the root causes plaguing trust fund management is the fractionation of Indian lands. The Administration submitted its legislative proposal addressing fractionation to the Congress in June 1997. The proposal intends to consolidate existing fractional interests through an acquisition program that conveys the interests to tribes, with “liens” on future income generated by the property to recoup the purchase price. It also aims to prevent future fractionation through enactment of inheritance limitations.

Congress has funded the cost of an Indian land consolidation pilot designed to purchase small, highly fractionated individual interests in trust lands in Wisconsin and return those interests to the tribes.

The Department continues to work with allottee groups and congressional staff on this issue.

- *Comprehensive Plan for Strengthening the Trust Funds Infrastructure:* The Department has developed a High-Level Implementation Plan (HLIP) that provides a “general roadmap” to the 11 related projects that collectively constitute the Department’s Trust Management Improvement Project.

In 2000, the Department made substantive progress along several fronts in carrying out important initiatives identified in the HLIP.

- Following a successful pilot in the Western, Pacific, and Alaska Regions, the Office of the Special Trustee for American Indians (OST) is implementing a new commercial off-the-shelf Trust Funds Accounting System to administer all 300,000 tribal and Individual Indian Monies accounts and investments. All twelve Regional Offices and the tribal accounts have been converted to the new system.

- The Bureau of Indian Affairs (BIA) contracted for a new Trust Asset and Accounting Management System (TAAMS) to replace BIA's aging and antiquated automated systems for land title operations and land and lease management functions. A pilot test of the system was initiated in the Rocky Mountain Region in 1999. TAAMS is in the process of being deployed at the remaining Land Title and Records Offices.

- BIA awarded a data cleanup contract for the Rocky Mountain and Alaska regions. The pre-implementation data cleanup effort in the Rocky Mountain Region was completed, and the post-implementation phase is underway to ensure that existing data is accurate and complete. Site assessments were also completed in all Regional Offices.

**2. Inadequate Records Management:** The Bureau of Indian Affairs records system is inadequate to properly administer the records management function. As part of a comprehensive corrective action plan, the Office of the Special Trustee for American Indians initiated a process for ensuring the proper handling of all agency records, with an emphasis on trust records.

BIA and OST have established a combined records management program office, the Office of Trust Fund Litigation and Support, with line responsibility over records management policy, guidance, training, and evaluation nationwide. The office is responsible for developing and implementing a uniform records management program with authoritative policies, guidance, and training requirements for BIA and OST.

In addition, OST, BIA, the Minerals Management Service (MMS), the Bureau of Land Management (BLM), and the Office of Hearings and Appeals (OHA) will actively interact and work together to develop an agreed upon approach to managing Indian trust records.

**3. Inadequate Range Monitoring:** The Bureau of Land Management has recognized that not all high-priority allotments have been monitored and many grazing decisions have been delayed; as a result, the condition of some rangelands has continued to deteriorate. To address this weakness, BLM has issued Standards and Guidelines for Rangeland Health and Grazing Management, conducted the Guidelines Implementation Workshop, and developed the final Standards and Guidelines Implementation Policy. BLM completed the Healthy Rangelands National Validation Review and will carefully assess the results to determine what additional actions (if any) are needed to correct this material weakness.

**4. 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.

The Bureau of Reclamation has completed an internal assessment of unauthorized use of federal project water to define the data requirements needed to ascertain the extent to which ineligible lands receive federal project water. Seven of the 24 projects have resolved the unauthorized water use issue. Several projects have made significant progress and have plans in place to correct the unauthorized water use issue through a combination of land classification, water conservation, environmental assessments, prioritization of projects within regions, and compliance enforcement on contract violation issues. A methodology for repayment of financing costs for supplying water to ineligible beneficiaries is under development, including an expansion of programs and policies promoting efficient district water use and pricing.

**5. Lack of Accountability and Control Over Artwork and Artifacts:** Accountability for, control over, 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 of or damage to 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 an appropriate infrastructure in each bureau have been developed and approved. However, 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 current strategy for correcting this weakness is to give priority both to completing basic inventories of all museum property and to addressing the most sensitive portions of the collections first. Basic inventories establish accountability and improve security. The most sensitive collections are those subject to possible repatriation to tribes under the Native American Graves Protection and Repatriation Act (NAGPRA). Additional funds have been requested to accelerate progress on completing inventories of all museum property and to achieve full compliance with NAGPRA. By focusing on these two priorities, Interior expects to exceed the specified improvement goal on a departmentwide basis.

**6. Inadequate Structural Fire Program (NPS):** This is a new material weakness identified in 2000. Management has determined that the current Structural Fire Program does not provide adequate protection of people, contents, structures, and resources from the effects of fire as required by Director's Order 58. Corrective action is underway. The NPS will develop and implement a comprehensive improvement plan to address the operational, technical, and organizational deficiencies cited in the May 2000 GAO audit report and a July 2000 congressional hearing on fire safety failures in the NPS.

**7. Inadequate Computer Security (Department):** The increasing growth in electronic commerce, the heightened reliance on information systems to accomplish basic missions, and the growing vulnerabilities of information systems to unauthorized access has resulted in the need for a comprehensive Department program to improve computer security.

The OIG has audited two bureaus and reported a series of comprehensive recommendations to address and improve system security and general controls over automated information systems. The Department will conduct a comprehensive assessment of computer security consistent with the scope of these OIG audits to determine the security control issues in other bureaus and offices. Based on its findings, the Department will develop a comprehensive information security plan, including capital budgeting requirements and will implement it on a phased basis.

**8. Inadequate Wireless Telecommunications (Department):** This is a new material weakness identified in 2000. Effective radio communications are critical to employee and public safety, as well as efficient management of the parks and public lands. The current wireless telecommunications program in at least two bureaus does not effectively support bureau and public safety operations and does not comply with Department management directives. The Department will develop and implement a comprehensive plan to meet employee and public safety objectives, and restore program efficiency by reviewing bureau narrowband capital investment levels and implementation plans, revising plans to maximize radio system sharing, minimizing supporting infrastructure requirements, and ensuring maximum use of alternative wireless services.

**9. Inadequate Departmentwide Maintenance Management Capability:** Interior lacks consistent, reliable, and complete information to plan, budget, and account for resources dedicated to maintenance activities. As a result, Interior does not have ready access to the information needed to report on deferred maintenance in its financial statements as required by the Statement of Federal Financial Accounting Standard (SFFAS) No. 6, "Accounting for Property, Plant, and Equipment." The Department has established a Facilities Management Systems Partnership that provides a forum for the Department and its facilities-managing bureaus to coordinate the development and use of facilities management systems.

To address substantive issues in a systematic manner, the Department conducted a departmentwide review of maintenance and repair issues to reduce financial, health, and safety liability to Interior; increase the effectiveness and awareness of facilities maintenance; manage deferred maintenance; and ultimately improve the stewardship of Interior's constructed assets.

Based on this review, the Department has established the following three facilities maintenance objectives: (1) to properly manage and account for maintenance and construction funds from appropriations and fee receipts; (2) to identify the highest priority facilities maintenance and construction needs of the Department by using standard definitions and data; and (3) to formulate and implement a Five-Year Maintenance and Capital Improvement Plan (Five-Year Plan) for infrastructure, beginning with the 2000 Budget.

Concurrent with the development of the Five-Year Plan, improvements to the Department's budget structure and accounting systems are being made to enable the Department to measure the effectiveness of its facilities management programs more accurately.

Figure 20

Summary of Pending Material Weaknesses and Target Correction Dates

Bureau	Material Weakness	Corrective Actions	Target Correction Date
<b>Mission Critical Material Weaknesses</b>			
OST	<u>Inadequate Management of Trust Funds</u> : The management of Indian Trust Funds needs to be improved. The trust funds lack effective internal controls, dependable accounting systems, and reliable accounting information.	The Trust Fund Accounting System and the Trust Asset and Accounting Management System will be extended to all locations. Departmental trust policies and procedures will be developed, internal controls enhanced, and training provided.	FY 2004
OST and BIA	<u>Inadequate Records Management</u> : The records management system has made it difficult to properly administer the records management function.	A joint plan will be developed under the High Level Implementation Plan for the Trust Management Improvement Project. Initiatives will include cleaning up disposition backlog; developing policies, records manuals and training aids; providing technical assistance; implementing electronic records and imaging technology; developing record control schedules; conducting program evaluations; and publishing an Indian Trust Desk Guide with history, processes, and record-keeping requirements.	FY 2002
BLM	<u>Inadequate Range Monitoring</u> : Inadequate range monitoring and unreliable monitoring data has delayed grazing decisions involving federal lands.	Rangeland health standards assessments and allotment evaluations will be conducted to determine the need for management adjustments in livestock grazing use.	FY 2002
BOR	<u>Irrigation of Ineligible Land</u> : Adequate attention was not given to identifying and resolving instances of Federal water being delivered to ineligible lands on 24 projects in eight states. As a result, 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.	Develop an alternative plan to resolve the issue of ineligible lands that receive Federal irrigation water.	FY 2001
DEPT	<u>Lack of Accountability and Control Over Artwork and Artifacts</u> : The accountability and control over artwork and artifacts needs to be improved.	Implement bureau plans for eliminating the backlog in inventorying museum property.	FY 2001
NPS (New)	<u>Inadequate Structural Fire Program</u> : The current program does not provide adequate protection of employees and visitors, contents, structures, and resources from the effects of fire as required by Director's Order No. 58.	NPS will develop and implement a comprehensive structural fire program plan as directed by Congress. The plan will include specific milestones to address the operational, organizational, technical and staffing deficiencies cited in the May 2000 GAO audit report and July 2000 congressional hearing on fire safety failures of the Park Service.	FY 2004
DEPT.	<u>Inadequate Computer Security</u> : The increasing growth in electronic commerce, the heightened reliance on information systems to accomplish basic missions, and the growing vulnerabilities of information systems to unauthorized access has resulted in the need for a comprehensive Department program to improve computer security.	The OIG has audited two bureaus and reported a series of comprehensive recommendations to address and improve system security and general control over automated information systems. The Department will conduct comprehensive computer security assessments consistent with the scope of these OIG audits to determine the security and control issues in other bureaus and offices. Based on its findings, the Department will develop and implement a comprehensive information security plan, including capital budgeting requirements, and implement it on a phased basis.	FY 2004
DEPT. (New)	<u>Inadequate Wireless Telecommunications</u> : Effective radio communications is critical to employee and public safety, and the efficient management of the parks and public lands. The current wireless telecommunications program in some bureaus does not effectively support bureau and public safety operations and does not comply with Department management directives.	The Department will develop and implement a plan to meet employee and public safety objectives, and restore program efficiency by reviewing bureau narrowband capital investment and implementation plans; revising plans to maximize radio system sharing, minimizing supporting infrastructure requirements, and ensuring maximum use of alternative wireless services.	FY 2004
DEPT	<u>Inadequate Departmentwide Maintenance Management Capability</u> : Interior lacks consistent, reliable, and complete information to plan for, budget, and account for resources dedicated to maintenance activities.	Implement a comprehensive maintenance management system with an appropriate linkage to the accounting system; conduct comprehensive condition assessments; make determinations to repair, replace, or relocate facilities; develop and update a five-year Deferred Maintenance Plan and Capital Improvement Plan; repair, replace, and relocate facilities to "good condition"; and reduce deferred maintenance to established goals (5% or less of replacement cost).	FY 2004

Figure 20 (Continued)

Bureau	Material Weakness	Corrective Actions	Target Correction Date
<b>Other Material Weaknesses</b>			
BIA	<u>Irrigation Operations and Maintenance</u> : The establishment of irrigation assessment rates, collection, recording, investment, and utilization of irrigation receipts are inadequate. Operation and maintenance (O&M) receivable balances have not been kept current, and billing and debt collection processes have not been consistently followed.	Publish 25 CFR 171 A and B as a Final Rule. Reconcile past O&M receivables and bring all accounts to current status. Develop Operations Handbook regarding project operation and keeping O&M assessments and collection processes current.	FY 2002
BIA	<u>Deficiencies in Real Property Management</u> : There are deficiencies in real property management and accounting. Differences between balances reported in the general ledger and balances in the subsidiary ledger for real property are unreconciled. The Bureau has not completed real property inventories or adjusted the subsidiary ledger. There are no written policies and procedures to ensure accuracy of real property accounts.	Inventories have been taken and accounting adjusting entries made. The BIA will verify data, maintain records, and enhance documentation. Develop new procedures on construction-in-progress data. Finalize computer screens and software implementation, revise procedural handbooks, and develop additional procedures needed.	FY 2002
BIA	<u>Inadequate Acquisition Management Program</u> : The Bureau's Acquisition Management organization, policies, procedures, and guidelines are inadequate.	Guidance has been developed. The BIA will establish performance appraisal standards for contracting personnel, establish a BIA Acquisition Review Board, perform administrative management reviews and follow-up Quality in Contracting Reviews, and publish regulations on the Buy Indian Act.	FY 2002
BIA	<u>Inadequate Facilities Program</u> : The lack of proper maintenance and repair of facilities has created health and safety hazards in BIA schools, employee housing, and other facilities.	Complete backlog validation and condition assessment project. Set guidelines and standards for operation and maintenance of employee housing program. Complete inventory and assessment of conditions of BIA-owned employee quarters. Complete testing and implement facilities management computer system.	FY 2001
BLM	<u>Management and Oversight of the Land Exchange Program</u> : Policy guidance and procedures, and personnel training, do not ensure that appropriate appraisals are being developed and used in land exchange determinations.	BLM's Land Exchange Handbook is being revised to incorporate the new policies and procedures identified in the Appraisal Manual for land exchanges and the land exchange training modules.	FY 2001
BLM	<u>Insufficient Safety Management Program</u> : Supervisory oversight of the Safety Management Program needs to be improved.	Schedule and provide all required safety training for state safety managers and collateral duty safety officers. Allocate appropriate funding in the budget to effectively manage the Safety Management Program.	FY 2001
BIA	<u>Inadequate Debt Collection</u> : Bureau regulations, procedures, and guidelines are inadequate to properly administer current debt collection functions.	Set time frame to run periodic delinquent debt referral to Treasury with automated interface program. Convert irrigation projects to National Irrigation Information Management System with Federal Financial System interface. Routinely reconcile Irrigation and Power subsidiary ledgers with general ledger. Complete construction debt reconciliation.	FY 2002
MMS	<u>Inadequate Internal Controls Over Accounting Operations</u> : Ineffective controls have prevented the timely reconciliation of general ledger accounts and production of timely, accurate, and reliable financial data required for annual audited financial statement preparation (exclusive of the Royalty Management Program).	Reassign and segregate duties and responsibilities within the Financial Management Branch, implement a plan to ensure specific individuals and officials are held accountable for non-compliance with established internal controls, establish a special project team in conjunction with the Department and the OIG to complete year-end account reconciliations, develop and enter correcting adjusting journal entries, and produce reliable and accurate financial statements in accordance with governmentwide standards.	FY 2002
FWS	<u>Inadequate Management Controls and Audit Follow-up in the Federal Aid Program</u> : The absence of effective management controls, a centralized audit follow-up program, and guidance governing the administration of the Federal Aid Program has resulted in the ineffective management oversight and accountability for Federal Aid grant funds on a Servicewide basis.	Federal Aid process improvement teams will be established to review deficiencies in the Federal Aid Information Management System, Financial Reconciliations, Grant Operations, Audit Review and Resolution, and Organization Function and Staffing Review. Management will evaluate the findings and recommendations of the process improvement teams and develop and implement comprehensive guidelines and organizational changes to better govern the administration of the Federal Aid Program	FY 2003
BOR (New)	<u>Inadequate Land Inventory and Financial Reconciliation</u> : The Bureau does not have a complete and accurate inventory system to support \$1.7 billion in land and land rights.	BOR will (1) conduct reconciliation and research to validate the accuracy of its land records; (2) populate its new real property system (Foundation Information for Real Property Management or FIRM) with such data; (3) develop and issue policy and procedures to ensure future quality, accuracy, and completeness of data captured in the lands and finance systems; and (4) conduct initial and periodic reconciliations between the detailed land data maintained in FIRM and the financial accounting system to ensure the quality of information contained in both systems.	FY 2005

## Other Management Challenges Confronting Interior

Recently, the Office of Inspector General and the General Accounting Office have advised Congress about what they consider to be the major management challenges and other issues facing the Department. Most of these issues have met the FMFIA criteria for, and been reported as, material weaknesses in the Department's Annual Accountability Report. The others, while not meeting the FMFIA material weakness criteria, are receiving priority management attention. These major management challenges and other issues are summarized in the tables in Figures 21 and 22.

Figure 21

### Top Management Issues Identified by the Office of Inspector General

Bureau	Top Management Issues	Status/Corrective Actions	Target Date
Departmentwide	Financial Management (previously Financial Management in the Bureau of Indian Affairs)	The preparation of reliable financial statements as required by the CFO Act continue to be a major challenge facing the Department and its bureaus. While the Department has made progress in producing reliable financial statements, several material internal control weaknesses still exist that could impact the Department's ability to produce reliable financial statements in the future.	Ongoing
Departmentwide	Information Technology	The Department is currently participating in a governmentwide review of its physical and cyber-based infrastructure. Reviews have identified significant weaknesses in computer security.	Ongoing
Bureau of Land Management National Park Service Fish and Wildlife Service	Health and Safety (previously Waste Management)	Bureaus are addressing the challenge to ensure that facilities are well maintained and that health and safety deficiencies are corrected in a timely manner. This issue is also addressed in the section below.	Ongoing
Departmentwide	Maintenance of Facilities (incorporates Maintenance and National Park Service)	Department reviews have shown that BLM, NPS, BIA, and FWS have inadequate management controls and insufficient funding to effectively manage maintenance activities. This lack of an adequate standardized automated maintenance management system has severely inhibited the Department's ability to effectively carry out its maintenance management responsibility. The Department has developed an adequate plan to correct the condition.	Ongoing
Bureau of Indian Affairs Territorial and Insular Affairs	Responsibility to Indians and Insular Areas (incorporates Management of Indian Trust Funds and Financial Management in the Insular Areas)	OIG has identified, in our audit reports, over the years, problems in the areas of BIA's trust responsibility, Indian self-determination and self-governance through contracting and compacting, facilities management and roads maintenance, safety management, law enforcement, housing, social services, and education.  Audits have shown that long-standing financial management deficiencies continue to exist in the U.S. insular areas. The insular area governments experience difficulties in the areas of financial management, revenue collection, expenditure controls, and program operations.	Ongoing
Bureau of Land Management Bureau of Reclamation Fish and Wildlife Service National Park Service US Geological Survey	Resource Protection (incorporates Range Monitoring and Land Exchanges)	The Department has myriad responsibilities for protecting and restoring our Nation's natural and cultural resources. For example, OSM is responsible for ensuring that coal mining operations are conducted in an environmentally sound manner and for restoring lands damaged by past coal mining practices; BLM is responsible for ensuring that economic and recreational uses of public lands protect the environment and for protecting the wild horse and burro population; FWS is responsible for maintaining a healthy habitat for fish and wildlife resources, particularly endangered and threatened species; NPS is responsible for protecting the natural and cultural resources in parks; and BOR and USGS are responsible for protecting and improving the quality and quantity of the Nation's water. The Department faces growing challenges in these areas as the demand for economic and recreational uses of our lands and water resources increase.	Ongoing

**Figure 21 (Continued)**

<p>Bureau of Land Management Fish and Wildlife Service Bureau of Reclamation</p>	<p>Revenue Collection (incorporates Revenue Collection and Inspection and Enforcement of Fluid Minerals)</p>	<p>While the Department collects over \$8 billion in revenues each year, audits have shown that the bureaus can make improvements to enhance revenue collections in various programs, including royalties, fee demonstration programs, and cost recovery of reclamation projects. Over the last 3 years, 14 reports have been issued that identified more than \$140 million in lost or potential additional revenues. This amount includes \$71.7 million resulting from the under collection of royalties, \$17.5 million that BOR could have earned if it had identified and sold excess lands, and \$6.6 million that BLM failed to recover for firefighting costs. Also, since 1998, the OIG and the Department of Justice have recovered underpaid royalties of more than \$330 million under settlements with oil companies resulting from OIG investigations.</p>	<p>Ongoing</p>
<p>Departmentwide</p>	<p>Government Performance and Results Act</p>	<p>The Department and the bureaus face a significant challenge in implementing the GPRA requirements for establishing performance goals and measures that effectively demonstrate the accomplishment of their missions. At the request of the Chairman of the Senate Committee on Governmental Affairs, a special review of the Department's implementation of the Act was conducted. The conclusion was that while the Department has made progress in implementing the Act, improvements were needed in some areas.</p>	<p>Ongoing</p>
<p>Bureau of Indian Affairs Fish and Wildlife Service Office of the Secretary</p>	<p>Procurement, Contracts, and Grants</p>	<p>The Department spends substantial resources each year in contracting for goods and services and providing federal assistance to states and Indian organizations. In fiscal year 1999, the volume of procurement activity exceeded \$3 billion, and the Department provided over \$2 billion to states and Indian tribes in grants and other types of federal aid assistance. Procurement has historically been an area subject to fraud and waste governmentwide, and the OIG has received several hotline complaints in this area.</p> <p>In its fiscal year 1999 Accountability Report, the Department reported that BIA's acquisition management organization, policies, procedures, and guidelines are inadequate, and has been reporting this material weakness since 1991. The Department also reported that management oversight and accountability in FWS's Federal Aid Program have been ineffective because of the lack of adequate management controls, a centralized audit follow-up program, and guidance governing the administration of the Program.</p> <p>One particular area of concern is the Department's new integrated credit card program, which accounted for more than \$300 million of the Department's procurement expenditures in fiscal year 2000. While this program is expected to substantially reduce administrative costs, there is a greater opportunity for unauthorized purchases because of the limited internal controls in the program. A departmentwide review of this program is currently being conducted.</p>	<p>Ongoing</p>

Figure 22

**Major Management Challenges Facing Interior Identified  
by the U.S. General Accounting Office**

Bureau	Management Challenge	Status/Corrective Actions	Target Correction Date
National Park Service	<i>Information Management:</i> NPS needs to give higher priority to developing better scientific information about the condition of its natural and cultural resources to ensure that its planning and funding processes address the most pressing needs.	Strategy and implementation plan being developed.	Ongoing
National Park Service	<i>Information Management:</i> NPS needs to develop more accurate data on its backlog of maintenance problems to set better priorities for projects and to budget accordingly.	This challenge is being addressed as part of the corrective action for the departmentwide material weakness on Inadequate Maintenance Management Capability.	Ongoing
National Park Service	<i>Organizational Alignment Control:</i> The NPS needs to improve park managers' accountability for achieving results.	Strategy and implementation plan being developed.	Ongoing
National Park Service	<i>Human Capital and Acquisition Management:</i> The Service needs to address persistent management problems in its concessions program. NPS concession specialists and contracting staff are not adequately qualified and trained and the NPS uses outdated practices in its backlog of expired contracts.	Strategy and implementation plan being developed.	Ongoing
National Park Service	<i>Performance Management:</i> NPS needs to better manage its structural fire safety program for the over 30,000 structures it has responsibility for, including hotels, motels, cabins, visitor centers, and historic buildings.	This challenge is being addressed as part of the NPS corrective actions for the material weakness in its Structural Fire Program.	Ongoing
Office of Special Trustee (OST)	<i>Information Management:</i> Problems persist with the systems used to manage Indian trust funds.	On March 31, 1999, Interior completed the conversion to a new commercial, contractor-operated, off-the-shelf trust fund accounting and investment system. The Trust Asset and Accountability System initiative is well underway on four fronts: (1) deployment of the title functionality, (2) finalization of the leasing functionality, (3) development of an enhanced appraisal module, and (4) exploration of an enhanced probate module.	Ongoing
Office of Special Trustee	<i>Financial Management:</i> Inadequate accounting and information, poor record-keeping and internal controls prevent the Department from ensuring that trust funds are properly managed.	An Indian Affairs Records Management Program has been established to ensure that a uniform records management program having authoritative policies, guidance, and training requirements is practiced within OST and BIA. Management continues to review and evaluate methods to continue follow-up cleanup efforts, including the use of other regional data for additional testing in the use of an external credit bureau database for locating the whereabouts of unknown information. Also, records management improvements are underway and scheduled for completion by May 2002.	Ongoing
Bureau of Indian Affairs	<i>Financial Management:</i> Budget formulation problems continue to impede the tribal self-determination policy – a national policy providing for tribal participation in and management of federal Indian programs.	Strategy and implementation plan being developed	Ongoing
Departmental	<i>Strategic Planning:</i> A variety of management problems hinder the Department's ability to effectively direct its efforts to maintain healthy natural systems such as focusing the ecosystems restoration efforts and coordinating the multiple entities participating in these efforts.	The ecosystem management initiatives require actions outside the Department's control. The Department is working with all stakeholders; sister federal agencies; local units of government; state units of government; and sovereign Indian Tribes to develop sustainable ecosystem solutions. The Department has adopted an ecosystem management approach to protect and maintain healthy ecological systems. Ecosystem management focuses on ecological, scientific, economic, and social factors that extend beyond the administrative boundaries of the Department and other entities. The Department has developed a strategic plan for how restoration of the South Florida ecosystem will be accomplished.	Ongoing

Figure 22 (Continued)

Bureau	Management Challenge	Status/Corrective Actions	Target Correction Date
Departmental	<u>Organizational Alignment and Control:</u> Problems hinder managing across agency boundaries and coordinating with multiple entities to plan and implement ecosystem projects.	Strategy and implementation plan being developed	Ongoing
Departmental	<u>Human Capital Management:</u> Replacing experienced personnel including federal firefighters will be a challenge for the Department.	Strategy and implementation plan being developed.	Ongoing
Bureau of Land Management (BLM)	<u>Financial Management:</u> Ensuring that the values of lands being exchanged are equal, or approximately equal, as required by the Federal Lands Policy and Management Act has been problematic for BLM.	BLM revised its land exchange review and approval requirements on April 11, 2000. All land exchanges are now reviewed and approved by the BLM National Land Exchange Team or the State Director. The technical review process includes a review of the transactions to ensure the federal and non-federal lands proposed for exchange are appropriately valued, consistent with law, regulation, and policy.	Ongoing
Departmental	<u>Budget Formulation and Execution:</u> Interior has had difficulty budgeting for and reporting increased funding needs for the operation and maintenance of newly acquired lands.	The Department continues to refine its efforts to identify and secure funding for the costs for operations and maintenance of federal facilities and lands. The Department's Safe Visits Initiative has made great progress in identifying and tracking the maintenance needs and the bureaus are all making efforts to better identify operational funding needs. The bureaus have developed automated systems to track their operational funding needs. Currently, the Department is conducting an analysis of the operational costs incurred by the bureaus related to land acquisitions in order to determine ways to identify, request, and fund non-recurring and recurring operational costs directly related to land acquisition. The Land Conservation, Preservation and Infrastructure Improvement Program provides \$1.6 billion for federal and state land acquisition, conservation grants, and historic preservation in FY 2001. Funding totaling \$100 million was also included for maintenance.	Ongoing

## Audited Financial Statement Results

As required by the Government Management Reform Act, Interior prepares consolidated financial statements for the Department. These financial statements are audited by the Office of Inspector General. Additionally, almost every individual bureau prepares financial statements that are also audited by the Office of Inspector General. The preparation and audit of financial statements is an integral part of the Department's centralized process to ensure the integrity of financial information maintained by the Interior.

The results of the 1999 and 2000 audited financial statement process are summarized in *Figure 23*. As shown in the table, there were instances where exceptions on internal controls were noted as material weaknesses or reportable conditions, as well as instances of noncompliance with laws and regulations.

**Figure 23**

Summary of 1999 and 2000 Financial Statement Audits											
	Unqualified Opinion on Financial Statements		Report on Internal Controls		Report on Compliance with Laws and Regulations (Non FFMIA)		Report on Compliance with Laws and Regulations (FFMIA) Full Compliance		Report on Compliance with Laws and Regulations (FFMIA) Component Compliance		
									Systems (4)	Accounting (5)	SGL (6)
	1999	2000	1999	2000*	1999	2000*	1999	2000*	2000*	2000*	2000*
Dept	Yes	Yes	No	No	No	No	Yes	No	No	No	Yes
FWS	Yes	No	No	No	Yes	No	Yes	No	No	No	Yes
USGS	Yes	Yes	No	No	No	No	Yes	Yes	Yes	Yes	Yes
BIA	Yes	Yes	No	No	No	No	No	No	No	No	Yes
BLM	Yes	Yes	No	No	No	Yes	No	Yes	Yes	Yes	Yes
MMS	(1)	No (2)	(1)	No	(1)	No	(1)	No	No	Yes	Yes
NPS	Yes	Yes	No	No	No	Yes	No	No	Yes	Yes	No
BOR	(3)	Yes	No	No	No	Yes	No	No	No	Yes	Yes
OSM	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
OS	Yes	Yes	Yes	No	No	Yes	Yes	Yes	Yes	Yes	Yes

\* Based on available information at the time of report publication.

No – Indicates a qualified audit opinion or exceptions noted.

(1) Audited financial statements were not issued.

(2) An unqualified opinion was issued on the Statement of Custodial Activity.

(3) No audit opinion was issued.

(4) Federal financial management systems requirements.

(5) Applicable federal accounting standards.

(6) The Standard General Ledger at the transaction level.

## Resolution of Internal Control Weaknesses Reported in 1999 Audited Financial Statements

The tables in *Figures 24, 25, and 26* summarize actions taken to resolve material weaknesses, reportable conditions, and instances of noncompliance with laws and regulations reported in 1999 audited financial statements.

**Figure 24**

**Resolution of Material Weaknesses**

<u>Bureau</u>	<u>Material Weakness Description</u>	<u>Corrective Action</u>	<u>Target Date</u>	<u>Implemented (Yes/No)</u>
DEPT	Inadequate Reporting of Trading Partner Information	Base intra-departmental elimination information on trial balance trading partner information to ensure the accuracy and consistency of trading partner data	Sept. 30, 2001	No
FWS	Inadequate Accounting Controls and Procedures for Construction-in-Progress (C-I-P)	Develop and implement review and reconciliation procedures to ensure costs charged to C-I-P are accurate.	Sept. 30, 2001	No
FWS	Lack of a System Interface to Provide Timely and Accurate Data on Federal Aid Grant Undelivered Orders	Redesign system interface between FFS and HHS Payment Management System; develop written procedures for FFS and subsidiary system reconciliations and conduct data integrity reviews.	Sept. 30, 2001	No
MMS	Inadequate Controls Over Financial Management and Accounting Operations	Implement internal control procedures to ensure appropriate safeguarding of assets; transactions are processed in accordance with applicable laws, are reconciled, and are summarized to permit preparation of financial statements; and accountability is maintained.	Sept. 30, 2001	No
USGS	Inadequate Controls Over Unliquidated Obligations	Implement policies and procedures to ensure unliquidated obligations are deobligated and supported on a timely basis.	Sept. 30, 2001	No
BOR	Land Inventory and Financial Reconciliation Improvements are Needed	Develop a complete and accurate inventory system that identifies by all land and land rights by project.	Sept. 30, 2005	No
BOR		Develop policies and procedures that require the inventory for lands and land rights to be adequately maintained and reconciled on a periodic basis with the land acquisition records and with amounts reported in the general ledger accounts for land and land rights.	Sept. 30, 2001	No

**Figure 24 (Continued)**

<u>Bureau</u>	<u>Material Weakness Description</u>	<u>Corrective Action</u>	<u>Target Date</u>	<u>Implemented (Yes/No)</u>
BOR		Include a material land inventory system internal control weakness in its Federal Manager's Financial Integrity Act report to the Department of the Interior.	Sept. 30, 2000	Yes
BIA	Inadequate Accounting Controls and Procedures for Construction-in-Progress	Develop and implement review and reconciliation procedures to ensure costs charged to C-I-P are accurate.	Sept. 30, 2001	No
BIA	Inadequate Controls Over Property, Plant and Equipment	Develop and implement policies and procedures which ensure physical inventories are adequate and complete; additions and disposals are recorded timely and accurately; appropriate supporting documentation is maintained; depreciation expense is timely and accurately recorded; and Fixed Asset Subsystem errors are timely identified and corrected.	Sept. 30, 2001	No
BIA	Inadequate Controls Over Automated information Systems	Develop and implement procedures to strengthen the internal control risks and weaknesses specified in audit report number 98-I-483.	Dec. 31, 2001	No
BIA	Inadequate Controls Over Land Information	Implement financial integrity reviews, reconciliation procedures, and correction processes.	Sept. 30, 2001	No
BIA	Inadequate Controls Over Financial Management Integrity Reviews	Implement a multi-level review process to identify and correct errors and invalid transactions in the general ledger, subsidiary ledgers, listing and reports.	Sept. 30, 2001	No
BIA	Inadequate Controls Over Unliquidated Obligations and/or Accrued Liabilities	Implement policies and procedures to ensure unliquidated obligations are de-obligated and supported on a timely basis.	Sept. 30, 2001	No

**Figure 25**

**Resolution of Reportable Conditions Related to Internal Controls**

<u>Bureau</u>	<u>Reportable Condition Description</u>	<u>Recommendation/Corrective Action</u>	<u>Target Date</u>	<u>Implemented (Yes/No)</u>
DEPT	Inadequate Reporting of Government vs. Non-Government Transactions	Improve controls over classifying transactions as federal or public in general ledger accounts.	Sept. 30, 2001	No
DEPT	Inadequate Controls Over Deferred Maintenance Management and Reporting	Develop policies, procedure and programs to implement departmental guidelines issued in December 1999.	Sept. 30, 2001	No
DEPT	Inadequate Controls Over Stewardship and Performance Measure Reporting	Implement appropriate systems, policies, and procedures to ensure stewardship and performance measure data is accurately and timely reported, and appropriate supporting documentation is maintained and available.	Sept. 30., 2001	No
BOR	Improved procedures are needed for eliminating certain revenue transfers	Revise existing procedures and controls to ensure all revenue transfer transactions are properly eliminated.	Sept. 30, 2000	Yes
DEPT	Improved procedures are needed for transfers from Construction-in-Progress to completed plant	Develop and implement procedures to require regional offices to make timely and accurate transfer from C-I-P to completed plant.	Sept. 30, 2001	No
DEPT	Improved procedures are needed for accrual accounting and revenue recognition	Revise procedures and controls to ensure revenues are recognized in the proper accounting periods.	Sept. 30, 2001	No
DEPT	Improved procedures are needed for accrual accounting and estimating year-end liabilities	Follow existing cut-off and closing procedures for accruals/payable and improve review and oversight of accruals.	Sept. 30, 2001	No
DEPT	Improved management controls over procurement and travel are needed	Direct reviewing officials to verify the validity of credit card procurement and travel charges; perform periodic reviews of employee compliance with bureau and Department SmartPay guidance; revise sampling plans and remote site review procedures; and train voucher examiners in detecting Centrally Billed Account items being claimed on individual vouchers.	Dec. 31, 2000	Yes
BIA	Inadequate Controls Over Accounts and Interest Receivable, and Related Revenue and Expense Accounts	Develop and implement policies and procedures to ensure appropriate supporting documentation is available; classifications are accurate; receivable and revenue transactions are entered timely; and an accurate aging is used to compute the allowance estimate.	Sept. 30, 2001	No
FWS	Improve Controls Over Federal Aid Program Grant Fund Draw Downs	Develop and implement procedures to verify grantee costs incurred before draw downs, including limited samples.	Sept. 30, 2001	No
BLM	Improve Controls over Cash Management	Develop and implement policies and procedures to ensure all cash collections and disbursements are recorded in the financial management system when they occur.	Sept. 30, 2000	Yes

Figure 26

## Resolution of Noncompliance with Laws and Regulations

<u>Bureau</u>	<u>Non-Compliance Description</u>	<u>Corrective Action</u>	<u>Target Date</u>	<u>Implemented (Yes/No)</u>
BLM	Integration of Assembled Land Exchange Activities in Financial System - FFMIA Issue	Integrate to the maximum extent practicable, the financial and accounting activities of the assembled land exchange program with BLM's financial management system and Treasury.	Sept. 30, 2000	Yes
BLM	Unauthorized use of Escrow or Third Party Accounts for Receipt and Disbursement of funds	Obtain Treasury approval to use escrow or third party accounts as depositories for receipt and disbursement of the assembled land exchange program, or close such accounts.	Sept. 30, 2000	Yes
BLM	Compliance With Managerial Cost Accounting Standard (SFFAS No. 4)	Implement a new cost accounting management system which will measure the full costs of resources consumed by each responsibility segment.	Sept. 30, 2000	Yes
BIA	Improve Compliance with Laws and Regulations	Develop and implement procedures to ensure compliance with the CFO Act, FFMIA, DCIA, Prompt Pay Act; and managerial cost accounting and management reporting.	Sept.30, 2001	No
DEPT	Compliance With Managerial Cost Accounting Standard (SFFAS No. 4)	Develop and implement guidance to ensure compliance with SFFAS No. 4.	Sept. 30, 2000	Yes
DEPT	Compliance with the GMRA	Submit the Department's FY 2000 consolidated audited financial statements to OMB no later than March 1, 2001.	March 1, 2001	Yes

## Federal Financial Management Improvement Act (FFMIA)

The Federal Financial Management Improvement Act of 1996 (FFMIA) builds upon and complements the CFO Act, the Government Performance and Results Act, and the Government Management Reform Act. The FFMIA requires that federal agencies conform to the governmentwide Standard General Ledger, comply with all applicable federal accounting standards, and establish financial management systems that support full disclosure of federal financial data, including the full costs of federal programs and activities. The auditor is to include a statement regarding compliance with these provisions in the audit report on agency financial statements. If an agency is not in compliance with these requirements, the FFMIA requires that the agency head establish a remediation plan to bring the agency's financial management systems into substantial compliance.

### 1999 Remediation Plan

For 1999, the Office of Inspector General (OIG) reported in its opinion on the Department's consolidated financial statements that the Bureau of Land Management (BLM) did not comply with the requirements for federal financial management systems and federal accounting standards in processing assembled land exchanges, and that the material internal control weaknesses concerning the ineffective general controls over the Bureau of Indian Affairs (BIA) automated information systems and the Minerals Management Service (MMS) financial management and accounting processes resulted in substantial noncompliance with FFMIA.

The Department did not concur with the Office of Inspector General's assessment that the \$4.5 million related to assembled land exchanges held by custodians in financial institutions not designated as depositories of the Secretary of the Treasury represented a substantial noncompliance with federal financial management systems and federal accounting standards. However, the Department took the following steps to improve control over land exchanges.

- ***BLM Land Exchanges:*** BLM intensified its programmatic and financial oversight of assembled land exchanges. BLM initiated a procurement for an independent audit of the financial records for assembled land exchanges; established procedures to ensure that all aspects of land exchange transactions are properly accounted for in its financial system; updated internal directives; provided new training programs to staff and private appraisers; implemented new technical review and compliance criteria; established an independent agency land exchange review team, the National Land Exchange Team, to review and approve land exchanges; engaged the Solicitor's Office for quality control and compliance reviews of proposed land exchanges; and revised cash management policies and procedures to address and resolve the deficiencies cited with escrow and third-party accounts, and to ensure compliance with U.S. Treasury regulations.

The Department did concur with the findings related to Bureau of Indian Affairs automatic updating systems and the Minerals Management Service financial management and accounting processes. The following steps are underway to correct these deficiencies:

- ***BIA Automatic Financial System:*** BIA identified and reported this issue as a material weakness in the Department's 1999 Accountability Report and developed a comprehensive corrective action plan with a targeted completion date of December 31, 2001. During 2000, BIA made significant progress in remediating this weakness. Pursuant to the recommendations of a National Academy of Public Administration (NAPA) report, BIA relocated its Division of Information Resources Management and Division of Accounting Management to Reston, Virginia. In addition, BIA and the Assistant Secretary of Indian Affairs recruited and filled key accounting and information resources management positions, including the Chief Financial Officer, the Chief Information Officer (CIO) and the Deputy CIO; developed an automated information system technology security plan; and began developing policies, standards, and procedures to address the internal control deficiencies identified by the OIG. The remaining milestones in the corrective action plan, along with any additional issues identified in the 2000 audited financial statement process, are expected to be resolved during 2001.
- ***MMS Financial Management and Accounting Processes:*** MMS identified and reported this issue as a material weakness in the Department's 1999 Accountability Report and provided a comprehensive corrective action plan with a targeted completion date of December 31, 2001. During 2000, MMS made significant progress in remediating this weakness by developing and implementing an improved internal control structure; revising internal policies and procedures to address the accounting operation deficiencies identified by the OIG; completing the required General Ledger account, payroll, and daily synchronization report reconciliations; implementing the Standard General Ledger (SGL) at the transaction level; correcting erroneous prior fiscal year data; implementing monthly and year-end closeout procedures; training staff; and contracting with KPMG to perform a comprehensive internal control and organizational assessment of its Accounting Operations Division. MMS expects to complete the remaining milestones in the corrective action plan, as well as addressing any additional issues identified in the 2000 audited financial statement process during 2001.

## 2000 Remediation Plan

At the time this section of the report was finalized, the 2000 auditor's opinion had not been issued. No material weaknesses, reportable conditions, or issues of noncompliance had been identified, so Interior's remediation plan is pending.

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

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

To further demonstrate the importance of Interior's commitment to the timely implementation of OIG and GAO audit recommendations, Interior established an annual GPRA performance goal, beginning in 2000, of implementing 75 percent of all GAO and OIG audit recommendations within one year of the referral of those recommendations to the Department for tracking of implementation.

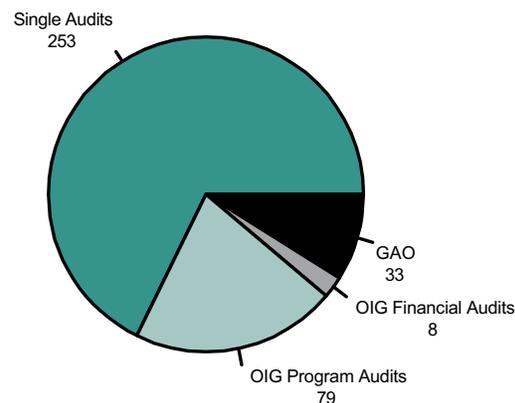
As a direct result of an accelerated monitoring program by the Department's Management Control and Audit Follow-up Council and the Interior Management Council, Interior was able to meet its new GPRA goal in 2000 by achieving an overall implementation rate of 77 percent for audit recommendations referred to the Department in 1999 for tracking of implementation.

In 2000, Interior's Audit Follow-up Program monitored a substantial amount of Single Audit, OIG, and GAO audit activity, including 253 Single Audits, 87 OIG audits, and 33 GAO audits (see *Figure 27*). Audit follow-up actions included tracking and validating the timely implementation of audit recommendations, monitoring the recovery of disallowed costs, and achieving acceptable and timely resolutions to disputed audit findings and recommendations.

Interior continued to make significant improvement in the timely implementation of audit recommendations, closing pending audit reports, and recovering disallowed costs and other funds owed the government. For example, Interior closed 33 audit reports that had been referred for resolution or tracking at some time during 2000 or in prior years, including the closure of the 10 oldest audits in the inventory. In addition, 55 percent (243 of 439) of all audit recommendations referred for resolution or tracking during 2000 or prior years were implemented. Further, a 50 percent closure rate and a 13 percent recovery rate on disallowed costs was achieved. Each of these achievements represented an improvement over prior years.

**Figure 27**

2000 Audit Follow-Up Program Workload



## 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 processing (review and audit follow-up actions), are then forwarded to the OIG for distribution to the appropriate bureaus for tracking. Each bureau is responsible for meeting with grantees and negotiating a resolution of the deficiencies identified in the audit reports, and for determining the allowability of any expenditure of federal funds that has been questioned by the auditors.

### 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.

During 2000, 20 audits had been referred to the Department. Five were referred with management decision dates less than six months from the date of the audit report for tracking. Seven of the remaining 15 audits concerned U.S. Fish and Wildlife Service federal aid grants to state fish and wildlife agencies. Due to the commonality of the disputed issues in these audits, the Department convened a Federal Aid Audit Resolution Task Force with program and technical experts from the U.S. Fish and Wildlife Service, various Departmental offices, the Inspector General, the Solicitor, and the Defense Contract Audit Agency. The Task Force categorized the disputed issues into six decision areas and then issued authoritative resolution guidance consistent with existing policy and regulations. As a result, all seven federal aid grant audits are expected to be closed during 2001.

Figure 28

2000 Summary of Actions Taken on Single Audits with Disallowed Costs			
		Number of Reports	Disallowed Costs
(A) Reports on Hand at Beginning of Period		11	\$189,698
(B) New Reports		5	1,954,081
Total reports in tracking		16	2,143,779
(C) Final action taken during period		8	251,815
Collected	1	7,853	
Written Off			
Offset			
Reinstated			
Referred to Treasury For Collection Action	7	243,962	
(D) Reports in Progress at end of period		8	\$1,891,964
Mgmt dec < 1 yr old	1	\$83,125	
Mgmt dec > 1 yr old	7	1,808,839	
Mgmt decision under formal appeal			

### Collecting and Offsetting Disallowed Costs

As noted in Figure 28, Interior made good progress during 2000 in closing single audits: eight of 16 (50 percent) audits carried over from 1999 or referred during the year were closed. However, only \$251,815 in disallowed costs were recovered, or about 12 percent of total disallowed costs with recovery in progress during the year.

### Internal Audits

Internal audits are audits conducted by the OIG of Interior's programs, organizations, and financial and administrative operations. During 2000, 87 audits were being tracked (61 audits carried over from 1999 and 26 new audits issued during 2000), and 24 of those audits were closed (28 percent). More importantly, for the audits being tracked during the period, there were 269 recommendations, of which 90 were closed (33 percent).

During 2000, nine OIG internal audits were referred to the Department for resolution. Of these audits, four (44 percent) were successfully resolved and two audits were completely implemented and closed before year-end. The remaining four audits were audits of insular area governments and corrective action involved multiagency coordination which is still in process.

One category of OIG internal audits are those audits where the OIG presents recommendations to improve efficiency and where funds can be put to better use (FBU audits). Interior tracks the successful implementation of all FBU audit recommendations and FBU dollar estimates agreed to by management. Interior progressed in implementing recommendations and closing FBU audits during 2000, with two of five (40 percent) audits being closed (*Figure 29*). These two audits included six recommendations with \$49.8 million in FBU dollars. The three pending audits include six recommendations with \$4.8 million of FBU dollars.

### General Accounting Office Audits

GAO audits are a major component of Interior's audit follow-up program workload (*Figure 30*). In 2000, a total of 110 GAO reviews were in process, of which 49 (44 percent) were terminated without issuance of a letter report or other work product. During the fiscal year, a total of 12 final audit reports were issued. Ten of those audits with 23 recommendations were pending at the end of the year.

Interior successfully implemented 11 percent (6 of 53) of the recommendations in pending audits carried over from 1999 or issued in 2000. Some of the pending recommendations at the end of 2000 involve long-term and/or multiphased corrective actions. Several of these recommendations are being reevaluated at this time to determine if they may be cost prohibitive.

Figure 29

Summary of Actions Taken on Audits with Funds To Be Put to Better Use (FBUs)		Number Of Reports
(A) Reports on hand at beginning of report period		5
(B) New reports received during the report period		0
Total reports in tracking		5
(C) Reports closed during the report period		2
(D) Reports in progress at the end of the report period		3
	No. of reports	
Mgmt dec < 1 year old		0
Mgmt dec > 1 year old		3
Mgmt dec under formal appeal		0

Figure 30

Departmental Summary of Actions Taken on Reports Issued by the GAO			Number Of Reports
<b>Active Reviews</b>			
Reviews active at beginning of reporting period			78
New reviews initiated during the reporting period			32
Reviews terminated without product during the reporting period or issued as Fact Sheets or other reports requiring DOI action			49
Total reviews in progress at the end of the reporting period			61
<b>Final Reports</b>			
Final Reports in tracking at the beginning of the reporting period			12
Final Reports issued during the reporting period			12
Final Reports closed during the reporting period			1
Total Final Reports in tracking at the end of the reporting period			23
Final Report recommendations closed the reporting period			6
Final Report recommendations in tracking at the end of the reporting period			47
Code	Status of Final Reports in Tracking	No. of Final Reports	
D1	Mgmt dec < 1 year old	8	
D2	Mgmt dec > 1 year old	15	
D3	Mgmt dec under formal appeal	0	

## **Biennial Review of User Fees**

The Chief Financial Officers Act of 1990 requires biennial reviews by federal agencies of agency fees, rents, and other charges imposed for services and things of value provided to specific beneficiaries, as opposed to the American public in general. The objective of these reviews is to identify such activities and begin charging fees, if permitted by law, and to periodically adjust existing fees to reflect current costs or market value. This minimizes 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 2000 Management Control Program, Interior conducted a biennial review of its fee programs and concluded that user fees are being charged and collected where appropriate, use charge revenues had substantially increased, and that the fees being charged reflect current costs or market values in most instances. The next biennial review is scheduled for 2002.

## **Other Key Legal and Financial Regulatory Requirements**

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

On November 10, 1998, the Administration enacted the Federal Reports Elimination Act of 1998 (P.L. 105-362). This Act eliminated (1) the requirement to report Civil Monetary Penalties to the Department of the Treasury; and (2) the requirement to submit Prompt Payment Act compliance reports to OMB.

Interior continues to monitor its performance under the Prompt Payment Act and the Debt Collection Improvement Act. Performance results are provided in the Departmental Management section of this report.

# Analysis of Financial Statements

To strengthen the integrity of financial operations and ensure the accuracy of financial data, the Department produces audited consolidated financial statements for the Department as well as audited financial statements for each of the bureaus. The Department's principal financial statements include: (1) Consolidated Balance Sheet; (2) Consolidated Statement of Net Cost of Operations; (3) Consolidated Statement of Changes in Net Position; (4) Consolidated Statement of Custodial Activity; (5) Combined Statement of Budgetary Resources; and (6) Combined Statement of Financing. Overall, these statements summarize the financial activity and financial position of the Department. Additional financial information is also presented in the Supplemental Financial Schedules of the report.

The Department's goal is to achieve unqualified (clean) audit opinions on all financial statements as well as internal controls and Federal Financial Management Improvement Act requirements. Unqualified audit opinions provide independent assurance to external users that the information being provided is reliable. The benefits of conducting financial statement audits and obtaining unqualified opinions are twofold: (1) ensuring that quality data is provided to external parties; and (2) ensuring that books and records used by management can withstand the rigors of the audit process.

Moreover, the discipline required producing annual financial statements and audits demands that proper management attention and direction be given to improving financial management and complying with applicable laws and regulations.

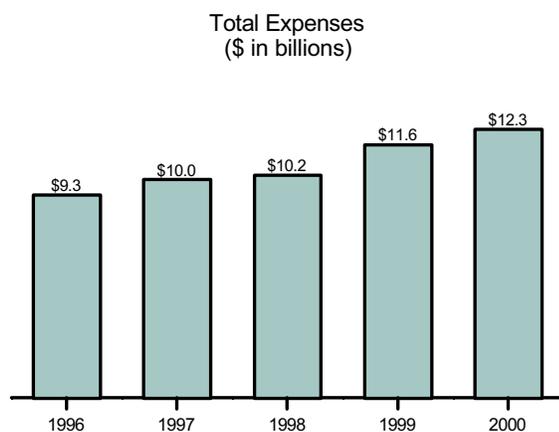
In 2000, the Department's consolidated financial statements and all bureaus that published financial statements received unqualified audit opinions on their financial statements except for (1) the Minerals Management Service, which only received an unqualified opinion on its Statement of Custodial Activity and (2) the Fish and Wildlife Service, which received a qualified audit opinion on its financial statements.

## ***Limitations of Financial Statements***

Responsibility for the integrity and objectivity of the financial information presented in the financial statements lies with Interior management. The financial statements and supplemental financial schedules included in this report reflect the financial position and results of operation of the Department pursuant to the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. While these statements have been prepared from the books and records of Interior in accordance with guidance provided by the Office of Management and Budget and the Federal Accounting Standards Advisory Board, the statements differ from financial reports used to monitor and control budgetary resources that are prepared from the same books and records. The financial statements should be read with the realization that Interior is an agency of the executive branch of the United States government, a sovereign entity. Accordingly, unfunded liabilities reported in the statements cannot be liquidated without the enactment of an appropriation, and ongoing operations are subjected to enactment of appropriations.

## Expenses

As indicated in the Statement of Net Cost, the 2000 net cost of Interior operations, before earned revenue, was approximately \$12.3 billion, an increase of 6 percent over 1999. An analysis of operating expenses shows that approximately 24.6 percent was for protecting the environment and preserving the Nation's natural and cultural resources, 19.4 percent was for managing natural resources for a healthy environment and a strong economy, 28.1 percent was for meeting responsibilities to American Indians and commitments to island communities, and the balance was for providing recreation for America, providing science for a changing world, and other program activities.



## Revenues

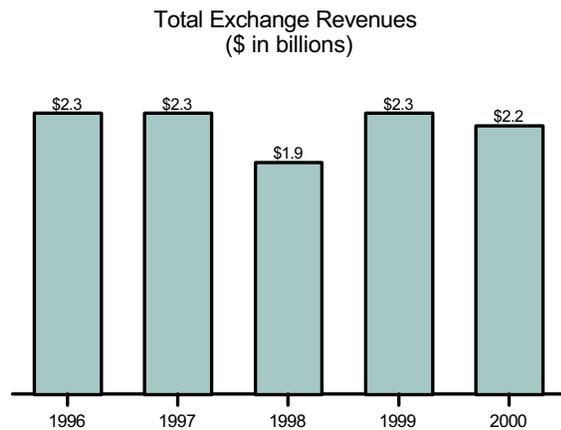
In general, Interior's missions are intended to be funded by general government funds derived from tax receipts and other sources. However, an increasing number of departmental activities are being supported by other fees and collections.

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 Consolidated Statement of Net Cost of Operations 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 are directly related to the operating responsibilities of the Department. Approximately \$1.1 billion 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. These revenues offset the taxpayers' investment in the Department. This represents a decrease of approximately 20.8 percent from 1999.

In addition, Interior earned approximately \$1 billion from other federal agencies, primarily from cross-servicing agreements or reimbursable services to other agencies. This is an increase of approximately 16.9 percent over 1999. Cross-servicing agreements help to reduce the total cost of government operations by sharing expertise among agencies.

In 2000, Total Exchange Revenue, including sales of goods and services to the public and to federal agencies, was \$2.2 billion. This reduced the net cost of operations by 18.1 percent, a small decrease compared to the approximately 20 percent in 1999.



During 2000, Interior collected over \$6.7 billion in revenue, an increase of approximately 50 percent over 1999, 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. These receipts are presented on the Department's Consolidated Statement of Custodial Activity since these collections, under federal accounting rules, are considered to be revenue of the government as a whole rather than of the Department. In addition, during 2000, mineral lease collections held in escrow earned in excess of \$75 million in interest on federal investments. 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.



## Budgetary Resources

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

Interior's enacted 2000 current appropriations budget was \$8.5 billion, a decrease of six percent from 1999. The Total Budgetary Resources available for use in 2000 was \$17.1 billion, a decrease of six percent from 1999. This amount includes Budget Authority; appropriations available for Investment, Not Obligation; Unobligated Balances – Beginning of Period; and Spending Authority from Offsetting Collections. Spending Authority from Offsetting Collections was \$2.4 billion, a decrease of 14.6 percent from 1999.

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

\$ in billions	Current Appropriations	Budget Authority *	Spending Authority from Offsetting Collections	Total Budgetary Resources Available for Use
1998	\$8.2	\$9.9	\$1.9	\$16.1
1999	\$8.1	\$10.3	\$2.8	\$18.1
2000	\$8.5	\$11.4	\$2.4	\$17.1

\* Includes permanent appropriations and prior year funds not available for current year obligations.

## Assets

Approximately 33 percent of the Department's \$50 billion in assets (see Consolidated Balance Sheet) is composed of Property, Plant, and Equipment.

\$ in billions	Entity Assets Other than Property, Plant, and Equipment	Property, Plant, and Equipment	Assets Held on Behalf of Others (Non-Entity)	Restricted Assets
1996	\$14.6	\$16.6	\$2.2	\$14.7
1997	\$9.9	\$16.9	\$4.6	\$17.1
1998	\$10.6	\$17.3	\$5.1	\$17.4
1999	\$10.8	\$16.8	\$5.1	\$18.1
2000	\$13.1	\$16.7	\$2.9	\$17.3

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 balance sheet. An in-depth discussion of these assets is presented in the Stewardship Assets and Investments section of the report.

The unrestricted Fund Balance with Treasury, which is essentially the amount of funding made available to the agency by congressional appropriation, is \$6.5 billion, an increase of \$800 million or 14.8 percent over 1999. These funds are in agency accounts maintained by Treasury. The Treasury Department functions like a bank, and Interior's Fund Balance with Treasury is 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.

The Department has Restricted Assets in Conservation and Reclamation Funds. 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. Spending authority for the conservation accounts is approved in subsequent years through congressional appropriations. These restricted funds, consisting of Fund Balance with Treasury, cash, investments, and accounts receivable (net), was \$17.3 billion.

### ***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 \$2 billion, or 22 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.

\$ in billions	Funded	Unfunded
1996	\$8.3	\$.4
1997	\$8.8	\$1.1
1998	\$9.0	\$1.6
1999	\$9.0	\$1.6
2000	\$6.9	\$2.0

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 \$269 million for potential environmental cleanup liabilities and \$619 million related to other claims and litigation.

The Net Position of the Department consists of two components: (1) Unexpended Appropriations and (2) Cumulative Results of Operations. 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. In total, Interior's Net Position, as of September 30, 2000, is \$41.1 billion, of which \$3.5 billion is Unexpended Appropriations, down \$2.1 billion from 1999.

## Looking to the Future Partners in Stewardship

**Serving Our Customers** - The Department of the Interior continuously seeks to improve its performance, provide our customers with responsive service, and produce solid results. We measure our success in pursuit of our mission against our five strategic goals. Linking the key programs and outcomes of individual Interior bureaus to the Department's priorities and initiatives reinforces Interior's stewardship of our critical resources, especially important in light of increasing developmental pressures, shifting public wants and needs, and accelerating changes in science and technology. Interior must respond to the greater demands on the vital resources it oversees by efficiently and wisely using and managing those resources. The goals that we set, like the missions behind them, are a critical part of our continuous effort to provide the best results to our customers—the American public.

**The Long Look Ahead** - At the beginning of the 20<sup>th</sup> century, Theodore Roosevelt had the foresight to embrace a conservation legacy that is still cherished. “It is the growing Nation with a future which takes the long look ahead,” he said.

Today as we begin the 21<sup>st</sup> century, this country has an opportunity to take that long look, asking the questions that will define our future. How will we live on our landscape? What kind of open space do we want? What kind of development and natural resource use do we need? America has been blessed with unparalleled natural gifts. What must we preserve for future generations?

People and the environment are interdependent. So we must ensure that our lands, waters, and other resources remain healthy if our communities are to thrive. This challenge defines the Department's first strategic goal, protecting the environment and preserving our Nation's natural and cultural resources. It is a mission with many elements: protecting lands of national significance and helping communities tackle the future; nurturing public lands and restoring natural systems and habitats; helping native species; and protecting cultural resources. We approach their care systematically, using a watershed or ecosystems strategy, involving our partners and other interested persons in decisionmaking. We are determined to be guided by state-of-the-art scientific research.

The Department and its partners have been able to expand efforts to save nationally significant tracts of land from inappropriate development and protect existing parks, refuges, and other public lands from encroachment or degradation. However, it is not enough to save America's crown jewels. We must work every day to preserve the natural wonders in our back yard. Protecting local green spaces helps improve air and water quality, sustain wildlife, provide families with places to plan and relax, and make our communities livable.

There is also the need to conserve public lands. Whatever the case or cause, the Department is responsible for the renewal and stewardship of the land it manages. From the ongoing restoration of the Everglades ecosystems, to improving and enhancing wildlife habitats, the Department works to conserve public lands.

**The People’s “Pleasuring Ground”** - America has turned to its public lands for escape and inspiration since 1872, when Congress designated Yellowstone as the Nation’s first “pleasuring ground for the benefit and enjoyment of the people.” Hiking the floor of the Grand Canyon, recapturing family history at Ellis Island, surf casting off the great Outer Beach of Cape Cod, visiting the newly restored Washington Monument, or climbing the peaks of the Grand Tetons, millions of citizens, year after year, seek out their national parks, refuges, and public lands. They come to renew their sense of self, for adventure and relaxation, to sample the rich diversity of our landscape and culture on water or land. They do so at sea level or thousands of feet above, in scuba gear or on mountain bikes, and while hunting, fishing, camping, hiking, boating, white-water rafting, and birding. Providing these recreation opportunities, consistent with other land uses and our stewardship responsibility, is the Department’s second strategic goal. But given their popularity, some say our public recreation areas are being “loved to death” and call for a limit on the number of visitors. We believe you cannot love a park or refuge too much. The challenge is to learn to love them more wisely.

**Balancing Sustainable Use and Fair Return** - Managing the vast resources of America’s public lands has been a core Interior responsibility since the Department was founded in 1849. It was basic land office work back then, focused on development, handling land sales and title adjudication as the Nation expanded westward. As gold and silver were discovered it included managing the mineral resources, too. Today, through the Bureau of Land Management, the Bureau of Reclamation, and the Minerals Management Service, the Department continues that work. But the stakes have gotten bigger: fees from federal offshore oil and gas leases currently provide the federal government one of its greatest sources of non-tax revenue. The focus has changed. The emphasis now is on stewardship: multiple use; sustained yield; environmental protection; and managing the public domain to accommodate many different needs, while sustaining its long-term health, diversity, and productivity.

Managing natural resources for a healthy environment and a strong economy is the Department’s third strategic goal. It requires a complex balancing of interests. The need to protect healthy landscapes and restore damaged ecosystems, to sustain the production of renewable resources and conserve nonrenewable ones, must be balanced with the economic health of the community. Both taxpayers and commercial interests deserve a fair return on any resources used. Consensus building is critical; partnerships should be sought with state, local, and tribal government and private nonprofit and commercial groups. Decisions need to be based on science, with much of the decisionmaking moved to the local level such as through more than two dozen BLM-sponsored State Resource Advisory Councils, thus eliminating “one-size-fits-all” management.

**Science for A Changing World** - As a nation, we face vital and perplexing questions concerning our environment and natural resources. How can we ensure an adequate supply of critical water, energy, and mineral resources now and in the future? Are we irreversibly altering our natural environment when we use these resources? How has the global environment changed over geological time, and what can the past tell us about the future? How can we predict, prevent, and mitigate the effects of natural hazards? Good stewardship depends on good science. The fourth strategic goal of the Department is to provide that science—sound, objective, current, and usable—both by adding to the environmental and physical science knowledge base and by improving hazard knowledge and warning systems.

**Building Communities of Hope** - America's 1.4 million native people are committed to revitalized communities, spiritually strong and economically vibrant, where people are secure in their culture, heritage, and government, and hopeful for the future of their children. It is a commitment that the Department shares. As a nation, we have a unique legal, moral, and ethical responsibility to ensure the economic and cultural viability of the more than 550 federally recognized American Indian and Alaska Native tribal governments in the United States. Too often our efforts have fallen short. Although a handful of tribes are prospering, today more than 30 percent of Native Americans have incomes below the national poverty line. Forty percent of Indian households are overcrowded or have inadequate dwellings. The death rate of Native Americans from alcoholism is four times the national average. Meeting our trust responsibility to Indian tribes, along with our commitments to island communities, is the Department's fifth strategic goal.

Through the Bureau of Indian Affairs and other major offices and agencies, the Department works with tribal groups and governments to protect their lands and natural resources, fulfill treaty obligations and the mandates of federal law, and help them to help themselves. Our goal must be to help create jobs, education, and a quality of life that builds communities of hope. The role of the BIA has changed significantly over the past two decades. The emphasis today is on tribal self-determination and self-governance, in accord with tribes' sovereign authority. Like a county government, the BIA supplies such critical programs as education, housing, law enforcement, natural resource management, and road maintenance, administered by the tribes themselves, by the bureau, or in partnership.

The Nation has an historic obligation to protect tribal financial assets and protect the value of tribal natural resources, the lands, waters, forests, and minerals vital to their economic and social interests. The BIA administers more than 45 million acres of tribally owned land, approximately 10 million acres of individually owned land, and an estimated 309,000 acres of federally owned land held in trust status. The Minerals Management Service collects and distributes mineral revenues. The Bureau Land Management makes certain that the required analyses of oil, gas, and mining exploration, development, and production have been completed; conducts operational and enforcement inspections; and provides technical assistance to tribes to support six coal leases and 107 other solid mineral leases. The Bureau of Reclamation provides technical expertise and resources to the departmental Indian water rights settlement program and supports tribal efforts to construct, operate, and maintain their water systems. The Fish and Wildlife Service partners with tribal governments to conserve and enhance fish and wildlife resources. The Department places a high priority on eliminating long-standing trust management deficiencies by moving to make management reforms mandated by the 1994 American Indian Trust Fund Management Reform Act.

**Stewardship Management** - We are stewards of taxpayer resources. The Department is a large and complex operation, with an estimated 75,000 employees at hundreds of locations throughout the country. The demands on our resources keep growing, with new parks to manage, new and more complicated restoration projects, and a growing Native American population. We've gotten significantly leaner since 1993, with FTE staffing levels down approximately 13 percent. Authority and accountability are pushed to the field. Our mission success, and our future, depend on our continued ability to hire and retain exceptionally talented men and women at all levels. We continue to enhance the quality of work life, expand our workforce diversity, and increase accountability at all levels. We are upgrading our technology, too, and beginning to integrate our information technology architecture. Innovation flourishes, producing a steady stream of new ways to provide better service through smarter and more cost-efficient operations. The result is stewardship management—and the accountability and performance the American taxpayer deserves.

# Audited Financial Statements

**U.S. Department of the Interior**  
**Consolidated Balance Sheet**  
**as of September 30, 2000**  
(dollars in thousands)

**ASSETS**

Fund Balance with Treasury (Note 2)	
Fund Balance with Treasury - General	\$ 6,475,996
Fund Balance with Treasury - Restricted	17,271,854
Cash and Other Monetary Assets	42,630
Investments (Note 3)	
Treasury Securities	3,418,166
Public Securities	155,639
<b>Total Cash and Investments</b>	<b>27,364,285</b>
Accounts Receivable (Note 4)	
Public, Net of Allowance for Doubtful Accounts	1,074,337
Due from Federal Agencies	548,107
Advances and Prepayments	42,644
Loans and Long-Term Receivables (Note 5)	3,086,233
Inventory (Note 6)	378,152
Receivable from Appropriations	334,442
Investigations and Development	160,288
Other Assets (Note 7)	282,433
<b>Total Other Assets</b>	<b>5,906,636</b>
<b>Property, Plant and Equipment (Note 8)</b>	
Buildings and Structures, Net	14,286,599
Construction in Progress, Net	1,818,561
Equipment, Vehicles and Aircraft, Net	573,398
Other Property and Equipment, Net	26,492
<b>Total Property, Plant and Equipment, Net of Depreciation</b>	<b>16,705,050</b>
Stewardship Assets (Note 9)	
<b>TOTAL ASSETS (Note 10)</b>	<b>\$ 49,975,971</b>

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

**U.S. Department of the Interior**  
**Consolidated Balance Sheet**  
**as of September 30, 2000**  
(dollars in thousands)

**LIABILITIES AND NET POSITION**

**Liabilities**

**Liabilities Covered by Budgetary Resources**

Accounts Payable	
Due to the Public	\$ 577,455
Due to Federal Agencies	25,051
Deferred Revenue (Note 11)	
Received from the Public	234,136
Received from the Public - Long Term	2,821,073
Received from Federal Agencies	162,399
Accrued Payroll and Benefits	
Due to the Public	203,840
Due to Federal Agencies	41,218
Other Liabilities	
Loan Due to Treasury (Note 12)	1,473,538
Custodial Liability due to Federal Agencies (Note 13)	880,701
Custodial Liability due to the Public (Note 13)	131,598
Due to the Public	295,770
Due to Federal Agencies	102,081
<b>Total Liabilities Covered by Budgetary Resources</b>	<b>6,948,860</b>

**Liabilities Not Covered by Budgetary Resources**

Accrued Unfunded Annual Leave and Benefits	
Due to the Public	292,484
Due to Federal Agencies	106,332
Actuarial Liabilities Due to the Public	584,827
Estimated Future Liability (Note 14)	
Due to the Public	980,849
Due to Federal Agencies	83,611
<b>Total Liabilities Not Covered by Budgetary Resources</b>	<b>2,048,103</b>
<b>Total Liabilities</b>	<b>8,996,963</b>

**Net Position**

Unexpended Appropriations (Note 15)	3,553,756
Cumulative Results of Operations	37,425,252
<b>Total Net Position</b>	<b>40,979,008</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 49,975,971</b>

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 year ended September 30, 2000**  
(dollars in thousands)

<b>Expenses</b>	
Operating Expenses (Note 16)	\$ 11,467,342
Other Expenses	
Depreciation and Amortization	435,517
Changes in Actuarial and Contingent Liabilities	329,861
Net Loss on Disposition of Assets	26,088
Interest on Borrowings from Treasury	25,779
Bad Debt Expense and Changes in Loan Subsidies	(5,741)
Other Interest Expense	949
<b>Total Other Expenses</b>	<b>812,453</b>
<b>Total Expenses</b>	<b>12,279,795</b>
<b>Revenues</b>	
Sales of goods and Services to the Public	1,110,580
Sales of goods and Services to Federal Agencies	1,035,253
Interest Revenue	
From the Public	33,239
From Federal Sources	20,460
<b>Total Interest Revenues</b>	<b>53,699</b>
<b>Total Revenues</b>	<b>2,199,532</b>
<b>NET COST OF OPERATIONS</b>	<b>\$ 10,080,263</b>

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 year ended September 30, 2000**

(dollars in thousands)

<b>Change in Net Position from Entity Operations</b>	
Net Cost of Operations	\$ (10,080,263)
Financing Sources	
Appropriations Used	8,091,209
Abandoned Mine Fees Collected	275,066
Taxes, Fines & Penalties	238,579
Imputed Financing Sources	336,758
Reclamation Fund Revenue and Other Revenue (Note 17)	648,987
Transfers, Net (Note 13)	540,206
Donated and Other Revenue and Financing Sources	43,427
<hr/>	
Changes in Net Position from Financing Sources	10,174,232
<hr/>	
<b>Total Change in Net Position from Entity Operations</b>	<b>93,969</b>
<b>Change in Net Position from Non-Entity Operations</b>	
Custodial Activity	
Collection of Custodial Revenue	6,745,908
Distribution of Custodial Revenue	(8,495,503)
Net Change in Royalties to be Transferred	1,749,595
<hr/>	
Net Change from Custodial Activity	0
Conservation Fund Activity	
Conservation Fund Revenues and Inflows	1,952,465
Distributions from Conservation Funds (Note 13)	(552,793)
<hr/>	
Net Change from Conservation Fund Activity	1,399,672
<hr/>	
<b>Net Results of Operations</b>	<b>1,493,641</b>
Prior Period Adjustments (Note 18)	
Change in Accounting for Non-Appropriated Funds	2,158,871
Other Prior Period Adjustments	(705,353)
<hr/>	
Total Prior Period Adjustments	1,453,518
<hr/>	
<b>Change In Net Position from Operations</b>	<b>2,947,159</b>
Decrease in Unexpended Appropriations	(2,132,239)
<hr/>	
<b>Total Change In Net Position</b>	<b>814,920</b>
<b>Net Position - September 30, 1999</b>	<b>40,164,088</b>
<hr/>	
<b>Net Position - September 30, 2000</b>	<b>\$ 40,979,008</b>
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The accompanying notes are an integral part of these financial statements.

**U.S. Department of the Interior**  
**Consolidated Statement of Custodial Activity**  
**for the year ended September 30, 2000**  
(dollars in thousands)

**Collections on Behalf of the Federal Government**

Mineral Lease Collections	
Rents and Royalties	\$ 5,671,173
Offshore Lease Sales	426,578
Other Revenue	12,135
Royalty-in-Kind Revenue - Strategic Petroleum Reserve (Note 13)	560,521
<hr/>	
Total Mineral Lease Collections	6,670,407
Earnings on Escrow Investments	
Interest Earned - Federal Investments	75,494
Amortization of Premium and Discount - Federal Investments	7
<hr/>	
Total Earnings on Escrow Investments	75,501
<hr/>	
<b>Total Collections on Behalf of the Federal Government</b>	<b>\$ 6,745,908</b>

**Disposition of Collections**

Collections Transferred to Others	
Department of the Treasury	\$ 4,305,742
National Park Service Conservation Funds	1,049,000
Department of the Interior Environmental Restoration Fund	896,592
States and Other Non-Federal Recipients	822,547
Department of Energy	560,521
Bureau of Reclamation	542,731
Minerals Management Service	123,762
Indian Tribes and Agencies	88,021
Bureau of Land Management	83,842
Department of Agriculture	20,943
Other Federal Agencies	1,802
<hr/>	
Total Collections Transferred to Others	8,495,503
Change in Untransferred Collections (Note 3A)	(1,749,595)
<hr/>	
<b>Total Distribution of Collections</b>	<b>\$ 6,745,908</b>

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

**U.S. Department of the Interior**  
**Combined Statement of Budgetary Resources**  
**for the year ended September 30, 2000**

(dollars in thousands)

<b>Budgetary Resources</b>	
Budget Authority	\$ 11,365,676
Appropriations Available for Investment, Not Obligation (Note 19)	2,412,768
Unobligated Balances - Beginning of Period	3,328,358
Spending Authority from Offsetting Collections	2,405,392
Appropriations Available for Investment, Not Obligation (Note 19)	(2,412,768)
Other Adjustments	(42,248)
<b>Total of Budgetary Resources</b>	<b>\$ 17,057,178</b>

<b>Status of Budgetary Resources:</b>	
Obligations Incurred	\$ 13,985,886
Unobligated Balances - Available	2,932,716
Unobligated Balances - Not Available	138,576
<b>Total Status of Budgetary Resources</b>	<b>\$ 17,057,178</b>

<b>Outlays</b>	
Total Obligations Incurred	\$ 13,985,886
Spending Authority from Offsetting Collections and Adjustments	(2,719,598)
Obligated Balance, Net - Beginning of Period	3,683,700
Obligated Balance Transferred, Net	1,861
Obligated Balance, Net - End of Period	(4,036,569)
<b>Total Outlays</b>	<b>\$ 10,915,280</b>

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

**U.S. Department of the Interior**  
**Combined Statement of Financing**  
**for the year ended September 30, 2000**  
(dollars in thousands)

<b>Obligations And Non-Budgetary Resources</b>	
Obligations Incurred	\$ 13,985,886
Less: Spending Authority from Offsetting Collections and Adjustments	(2,719,598)
Exchange Revenue Not in the Budget	(606,874)
Inputed Financing	336,758
Transfers-in/Transfers-Out, Net, to Treasury or Other Agencies	(155,393)
Appropriated Revenue	(206,505)
Other Obligations and Non-Budgetary Resources	(622,777)
<b>Total Obligations as Adjusted, and Non-Budgetary Resources</b>	<b>10,011,497</b>
<b>Less Resources That Do Not Fund Net Cost Of Operations</b>	
Costs of Capitalized Assets on the Balance Sheet	539,173
Financing Sources that Funds Costs of Prior Periods	94,943
Change in Amount of Goods and Services Ordered but Not Received	22,492
Purchase Of Non-Government Securities	26,690
Change in Loans Receivable	21,413
Financing Sources for Unfunded Costs	84,485
Prior Period Adjustments and Other	17,885
<b>Total Resources That Do Not Fund Net Cost of Operations</b>	<b>807,081</b>
<b>Costs That Do Not Require Resources</b>	
Depreciation and Amortization	435,517
Bad Debt Expense	(5,741)
Disposition and Revaluation of Assets	26,453
Other Costs That Do Not Require Resources	3,861
<b>Total Costs That Do Not Require Resources</b>	<b>460,090</b>
<b>Financing Sources Yet to be Provided</b>	<b>415,757</b>
<b>Net Cost Of Operations</b>	<b>\$ 10,080,263</b>

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, 2000**

#### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **A. Reporting Entity**

The Department of the Interior (Interior or the Department) is a cabinet-level agency of the executive branch of the federal government. Created in 1849 by Congress as the Nation's principal conservation agency, Interior has responsibility for most of the Nation's publicly-owned lands and natural resources. Interior'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 federal government with respect to American Indians and Alaska Natives.

The accompanying financial statements include all federal funds under Interior's control, including Conservation Funds (Land and Water Conservation Fund, Historic Preservation Fund, and Environmental Improvement and Restoration 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**

On September 30, 2000, the Department was comprised of the following eight operating bureaus and offices (Bureaus) and Departmental Offices:

- National Park Service
- U.S. Fish and Wildlife Service
- Bureau of Land Management
- Bureau of Reclamation
- Office of Surface Mining
- Minerals Management Service
- U.S. Geological Survey
- Bureau of Indian Affairs
- Departmental Offices

An overview of the operating performance of the Department and its components is presented in the Management Discussion and Analysis portion 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.

The U.S. Bureau of Mines (USBM) was closed in 1996. Although it no longer exists, certain transactions and data related to USBM programs and activities are reflected in the Department's 2000 financial statements and notes.

### **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 as required by the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. These financial statements have been prepared from the books and records of Interior in accordance with generally accepted accounting principles (GAAP) using guidance issued by the Federal Accounting Standards Advisory Board (FASAB) and the Office of Management and Budget (OMB) and Interior's accounting policies which are summarized in this note. These financial statements present proprietary and budgetary information while other financial reports also prepared by the Department pursuant to OMB directives are used to monitor and control the Department's use of budgetary resources.

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 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 (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 funds in federal 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 federal and non-federal securities. Investments in non-federal securities consist of certificates of deposit from insured institutions. Note 3 provides additional information concerning investments.

### **F. Accounts Receivable**

Accounts Receivable consists of amounts owed to Interior by other federal agencies and the public. Federal accounts receivable arise generally from the provision of goods and services to other federal agencies and, with the exception of occasional billing disputes, are considered to be fully collectible. Receivables from the public generally arise either from the provision of goods and services or from the levy of fines and penalties resulting from Interior's regulatory responsibilities. An allowance for doubtful accounts is established for reporting purposes based on past experience in the collection of accounts receivable and analysis of outstanding balances. 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 6 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. 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 amortization method over a useful life of from 20 to 50 years with the exception of dams and certain related property which are depreciated over useful lives of up to 100 years. Equipment is capitalized at acquisition cost and is depreciated using the straight-line amortization method over the useful lives of the property, generally ranging from five 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 has 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 section of this report provides additional information concerning stewardship land and heritage assets.

## **I. Loans and Long-Term Receivables**

Loans are accounted for as receivables after the funds have been disbursed. For loans obligated after the effective date of the Credit Reform Act, October 1, 1990, the amount of the federal loan subsidy is computed. The loan subsidy includes estimated delinquencies and defaults net of recoveries, the interest rate differential between the loan rates and Treasury borrowings, offsetting fees, and other estimated cash flows associated with these loans. The value of loans receivable is reduced by the present value of the expected subsidy costs. For loans obligated prior to October 1, 1990, principal, interest and penalties receivable are presented net of an allowance for estimated uncollectible amounts. The allowance is based on past experience, present market conditions, an analysis of outstanding balances and other direct knowledge relating to specific loans. Note 5 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 nonreimbursable 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 Estimated Future Liability**

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.

Estimated future liabilities are contingent liabilities where the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. Interior recognizes contingent liabilities when the liability is probable and reasonably estimable. In accordance with federal accounting guidance, the liability for future cleanup of environmental hazards is “probable” only when the government is legally responsible for creating the hazard or is otherwise related to it in such a way that it is legally liable to cleanup the contamination. Thus, expected future payments for the cleanup 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 14 for additional information regarding estimated future liability.

## **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 (DOL) administers the Workers’ Compensation Program on behalf of the federal government, and all payments to workers’ compensation program beneficiaries are made by DOL. 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 DOL for the amount of actual payments made by DOL but not yet reimbursed by the Department. The Department reimburses DOL for these payments as funds are appropriated for this purpose, and, there is generally a two to three year time period between payment by DOL 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 DOL 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 is recognized in accordance with 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 governmentwide, 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 (i.e., no year funds). The Statement of Budgetary Resources presents information about the resources appropriated to the Department. This information is consistent with information presented in the budget of the United States government.

**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 immediate departmental use are deposited in the general or special funds of the Treasury. 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, which for program and other reasons, may not represent full cost (e.g., grazing fees, park entrance, and other recreation fees). Prices set for products and services offered through working capital funds are intended to recover the full costs incurred by these activities.

**Imputed Financing Sources:** In certain instances, 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 Minerals Revenue Management, 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.

**Aquatic Resources Trust Fund:** The Department derives benefits from the Aquatic Resources Trust Fund maintained by the U.S. Treasury, which collects and invests those funds. These funds are used to make grants available to states for support projects that restore, conserve, manage, protect, and enhance sport fish resources and coastal wetlands and projects that provide for public use and benefits from sport fish resources. The Appropriations Act of 1951 authorized amounts equal to revenues credited during the year to be used in the subsequent fiscal year. This inflow is recorded as permanent appropriations to remain available until expended. These statements do not reflect the amounts collected and held by Treasury in this fiscal year for reporting in subsequent years.

## **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-departmental transactions have been eliminated from Interior's consolidated financial statements.

## **P. Income Taxes**

As an agency of the federal government, Interior is exempt from all income taxes imposed by any governing body, whether it be a federal, state, commonwealth, local, or foreign government.

## NOTE 2. FUND BALANCE WITH TREASURY

Treasury performs cash management activities for all federal agencies. The Fund Balance with Treasury under General represents the right of Interior to draw on Treasury for allowable expenditures. Included as part of General is Fund Balance on Behalf of Others which contains the following: (a) Royalty Collections received by the Minerals Management Service, and held by it as custodian, until disbursed to recipients; (b) certain recreation, entrance, and user fees collected at many of the parks by the National Parks Service that are to be returned to Treasury following the end of each fiscal year and are net of allowances; and (c) collections from various sources for activities related to public land administration processed by the Bureau of Land Management and may be pending further classification or resolution.

Fund Balance with Treasury also includes Restricted Fund Balance that consists of the Land and Water Conservation Fund and the Historic Preservation Fund. 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. This fund also receives monies from sales of federal assets by the General Services Administration and other sources.

### Fund Balance with Treasury

(dollars in thousands)	2000
<b>General</b>	
Appropriated	\$5,291,897
Revolving	503,355
Trust	107,439
Fund Balance Held on Behalf of Others	573,305
<b>Total General</b>	<b>6,475,996</b>
<b>Restricted</b>	
Land and Water Conservation Fund	12,799,224
Historic Preservation Fund	2,152,798
Reclamation Fund	2,319,832
<b>Total Restricted</b>	<b>17,271,854</b>
<b>Total Fund Balance with Treasury</b>	<b>\$23,747,850</b>

## NOTE 3. INVESTMENTS

### A. Investments in Treasury Securities

The Office of Surface Mining, the Minerals Management Service, the Bureau of Land Management, the U.S. Fish and Wildlife Service, the Bureau of Indian Affairs, the National Park Service, and Departmental Offices invest funds in federal government securities on behalf of various Interior programs.

#### Investments in Treasury Securities

(dollars in thousands)	Par Value	Amortization Method	Unamortized Premium/Discount	Net Book Value
U.S. Treasury Securities				
Office of Surface Mining	\$1,847,088	Straight-line	(\$14,917)	\$1,832,171
Minerals Management Service	979,686	Straight-line	(51,152)	928,534
U.S. Fish and Wildlife Service	406,632	Straight-line	(395)	406,237
Departmental Offices	232,126	Straight-line	(325)	231,801
Bureau of Land Management	17,694	Straight-line	(331)	17,363
Bureau of Indian Affairs	2,000	Straight-line	(5)	1,995
National Park Service	65	N/A	-	65
<b>Total U.S. Treasury Securities</b>	<b>\$3,485,291</b>		<b>(\$67,125)</b>	<b>\$3,418,166</b>

*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 nonmarketable federal securities. The Bureau of Public Debt is the sole issuer of authorized nonmarketable federal securities that 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.

Investments are entered at the market value with the discount accrued as amortization on premiums or discounts starting in 1999. All discount accruals prior to 1999 have been accrued as interest receivable. A portion of the investment interest earned is transferred to the United Mine Workers of America Combined Benefit Fund to provide health benefits for certain eligible retired coal miners and their dependents. A total of \$109 million was transferred to this fund in 2000.

*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 2000 collections held by Treasury for reporting in subsequent years.

Investments in Treasury securities are reported at amortized cost. Amortization is recorded using the straight-line method.

*Departmental Offices:* Effective 1994, the Office of the Secretary (part of Departmental Offices) was delegated responsibility for investing funds contributed to the Utah Reclamation Mitigation and Conservation Account. These amounts are invested in Treasury securities which are not traded on any securities exchange, but mirror the prices of marketable securities. No interest is accrued prior to maturity. There may be some change in value due to minor changes in the market interest rate.

Commencing with 1999, Departmental Offices assumed financial responsibility, including investment activities, for the Natural Resources Damage Assessment and Restoration Fund (NRDAR). The reporting responsibility for the Indian Trust Funds, including investments in Treasury and public securities, transferred to Departmental Offices also in 1999 in accordance with OMB and FASAB guidance.

*Bureau of Indian Affairs:* The Bureau of Indian Affairs (BIA) invests irrigation and power receipts in U.S. Treasury 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. Treasury Bill and Note investments are recorded at par value. Discounts and premiums are recorded. Amortization is recorded using the straight-line method at the date of maturity. 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.

*Minerals Management Service:* Pursuant to the Outer Continental Shelf (OCS) Lands Act, the Minerals Management Service is authorized to invest receipts from Outer Continental Shelf leases having boundary disputes on federal securities. During 2000, a long-standing boundary dispute with the State of Alaska dating back to 1979 was resolved by the U.S. Supreme Court issuing a Final Decree in this litigation. The principal portion of the Alaska investment was \$433 million and the earned interest is \$1,356 million. The funds, which had been continually reinvested throughout the period of litigation, were disbursed during 2000.

The U.S. Supreme Court issued its decision in the case in June 1997, ruling in favor of the United States on all but two questions. The federal government was granted all but approximately \$5.5 million of \$1.8 billion in monies escrowed from leasing these disputed lands during the period of litigation, which contributed to a \$1.7 billion change in untransferred collections in 2000.

In accordance with the Court's ruling, the State of Alaska received approximately \$5.5 million. Half of the remaining principal, \$220.8 million, was deposited into the Treasury account for rents and bonuses and half of the interest, approximately \$675.8 million, was deposited into a Treasury interest account. The other half of the principal and interest was deposited to the Environmental Improvement and Restoration Fund (EIRF) during 2000. Also deposited to the EIRF will be interest earned from investments of the EIRF principal. Congress has permanently appropriated 20% of the interest earned by the EIRF to the Department of Commerce for use in the following year. The remaining 80% will remain in the fund to earn interest and may be appropriated by Congress to certain other agencies, as provided by the law.

### ***B. Investments in Public Securities***

The BIA is authorized by law to invest irrigation and power receipts in Treasury and public securities. Investments in public securities consist of certificates of deposit from insured institutions, various mortgage instruments, bank notes, and bonds. Mortgage instruments are issued by the Federal National Mortgage Association (Fannie Mae) and similar government-sponsored enterprises and government corporations. Bonds and bank notes are issued by Federal Home Loan 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, 2000, and are recorded at cost.

As stated above, Departmental Offices now have the reporting responsibility for the Indian Trust Funds, including investments in public securities as of 1999.

## Investments in Public Securities

(dollars in thousands)	Par Value	Amortization Method	Unamortized Premium/Discount	Net Book Value
<b>Public Securities</b>				
Departmental Offices	\$128,465	Straight-line	(\$621)	\$127,844
Bureau of Indian Affairs	27,795	Straight-line	-	27,795
<b>Total Public Securities</b>	<b>\$156,260</b>		<b>(\$621)</b>	<b>\$155,639</b>

### NOTE 4. ACCOUNTS RECEIVABLE

**A. 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	2000
			1-180 days	181-365 days	Over 1 yr		
Minerals Management Service	\$353	\$744,402	\$16,122	\$5,793	\$191,592	(\$297,288)	\$660,974
Bureau of Reclamation	265,678	6,248	4,043	460	13,300	(384)	289,345
U.S. Geological Survey	49,941	13,620	7,555	1,204	4,395	(5,718)	70,997
Indian Affairs	3,970	3,291	9,657	2,162	14,474	(14,451)	19,103
Bureau of Land Management	6,950	4,279	1,436	272	3,502	(3,791)	12,648
National Park Service	688	6,753	616	246	1,677	(844)	9,136
U.S. Fish and Wildlife Service	0	4,166	16	62	503	(340)	4,407
Office of Surface Mining	0	747	1,102	364	3,444	(3,165)	2,492
Departmental Office & Other	3	3,041	2,115	4	74	(2)	5,235
<b>Total Accounts Receivable - Public</b>	<b>\$327,583</b>	<b>\$786,547</b>	<b>\$42,662</b>	<b>\$10,567</b>	<b>\$232,961</b>	<b>(\$325,983)</b>	<b>\$1,074,337</b>

**B. 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	2000
U.S. Fish and Wildlife Service	\$433,077	\$ -	\$433,077
U.S. Geological Survey	80,802	-	80,802
Minerals Management Service	24,543	-	24,543
Bureau of Reclamation	23,315	-	23,315
National Park Service	13,717	-	13,717
Bureau of Land Management	13,600	-	13,600
Indian Affairs	13,061	-	13,061
Office of Surface Mining	10	-	10
Departmental Offices and Other	47,195	(488)	46,707
Intra-Departmental Eliminations	(100,724)	-	(100,724)
<b>Total Accounts Receivable - Federal</b>	<b>\$548,595</b>	<b>(\$488)</b>	<b>\$548,107</b>

### NOTE 5. LOANS AND LONG-TERM RECEIVABLES

Direct loans and loan guarantees made during and after 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 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 Reclamation, the Bureau of Indian Affairs, the National Park Service, and Departmental Offices administer loan programs.

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 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 National Park Service has a single loan with a balance of \$5.3 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.

Through Departmental Offices, a loan was extended to the Virgin Islands, in 1977, from the Federal Financing Bank, Department of Treasury. Therefore, this loan is considered a pre-credit reform loan. The loan receivable from the Virgin Islands has an offsetting liability to the Federal Financing Bank. It has a final payment due date of January 2, 2007.

Unmatured receivables and other loans include \$2,821 million due at future dates to the Bureau of Reclamation from reimbursable irrigation and Municipal and Industrial water facilities. To repay a portion of the federal investment allocated to these beneficiaries of large water and irrigation projects, BOR has entered into repayment contracts with non-federal (public) water users which convey the rights to use these facilities in exchange for annual payments. The reimbursable costs of multiple-purpose water projects are recovered from project beneficiaries. A portion of these reimbursable costs will be returned to Treasury, as they are collected.

Unmatured receivables represent the uncovered balance of this federal investment. The associated repayment is recognized as revenue, including interest if applicable, when the annual amount becomes due each year. At this time, the annual amount due is reclassified from unmatured receivables to (current) account receivable. Until revenue is recognized for these unmatured receivables, they are recorded in the offsetting liability account, Deferred Revenue.

#### Loans and Long-Term Receivables

(dollars in thousands)	2000
Direct and Guaranteed Loans	
Credit Reform Loans	\$197,339
Allowance for Subsidy	(122,667)
<b>Total Credit Reform, Net</b>	<b>74,672</b>
Liquidating Loans	66,051
Allowance for Doubtful Accounts	(42,368)
<b>Total Liquidating Loans, Net</b>	<b>23,683</b>
Unmatured Receivables and Other Loans	2,950,401
Loan Interest Receivable	37,477
<b>Total Loans and Long-Term Receivables</b>	<b>\$3,086,233</b>

## NOTE 6. INVENTORY

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. The inventory is valued at historical cost.

The USGS's hydrologic equipment inventory located at the Hydrologic Instrumentation Facility can only be sold to federal agencies. A physical year-end inventory was taken and an adjusting entry was made based on the results.

The Helium Privatization Act of 1996, enacted October 9, 1996, directs the privatizing of Interior's Federal Helium Refining Program. Under this law, Interior ceased the production, refining, and marketing of refined helium as of April 1, 1998. Interior is authorized to store, transport, and withdraw crude helium and maintain and operate crude helium storage facilities in existence on the date of enactment. The helium stockpile inventory is stored underground in a partially depleted natural gas reservoir. The cost to purchase the stockpile helium was \$ 12.058 per million cubic feet. The volume of helium is accounted for on a perpetual inventory basis. Each year the amount of helium is verified by collecting reservoir data and using generally accepted petroleum engineering principles to calculate the volume. The calculated volumes support the volume carried in the inventory.

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 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. 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.

### Inventory

(dollars in thousands)	2000
Helium	\$361,281
Published Maps Held for Sale And Hydrologic Equipment	15,588
Other Inventory	1,125
Operating Materials	158
Total Inventory	\$ 378,152

## NOTE 7. OTHER ASSETS

Other Assets consist primarily of the Bureau of Reclamation Power Rights of approximately \$183 million. Of the remainder, approximately \$7 million is related to activity with other federal agencies.

## NOTE 8. PROPERTY, PLANT, AND EQUIPMENT

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 9 and in the Stewardship Assets section of the report, 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.

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.

Accumulated depreciation for 2000 related to buildings, structures, and facilities; vehicles, equipment, and aircraft; and other plant and equipment totals \$9,602 million, \$753 million, and \$21 million, respectively. Buildings, structures, and facilities include approximately \$1,968 million of land.

Construction in Progress includes construction in abeyance in the amount of \$652 million, of which, the Bureau of Reclamation (BOR) reports approximately \$640 million. In past years, the BOR began the planning of and construction on various features included in six projects located in California, Colorado, and South and North Dakota, on which such activities have either been suspended or intended benefits never provided. Until congressional disposition of these assets is determined, maintenance costs have been and will continue to be budgeted and expended to minimize the erosive effects of weather and time, and to keep the asset ready for potential completion. Departmental Offices reports approximately \$12 million for work on the Uintah and Upalco Units under the Central Utah Project Completion Act (CUPCA).

The investment in these projects through 2000 ranges from \$59 thousand to \$303.6 million per project, including investigations costs, and covers a period from 1965 to present. Continued planning or construction on these assets has been held in abeyance for various reasons. Congress and local interests continue to pursue acceptable alternatives for the completion of these projects in which there has been a substantial investment.

## Property, Plant, and Equipment

(dollars in thousands)	Buildings, Structures, and Facilities Gross	Construction in Progress	Equipment, Vehicles, and Aircraft Gross	Other Plant and Equipment Gross	Accumulated Depreciation	2000
Bureau of Reclamation	\$19,247,255	\$1,218,074	\$94,054	\$30,773	(\$7,439,761)	\$13,150,395
Bureau of Indian Affairs	2,434,896	115,651	183,531	-	(1,459,765)	1,274,313
National Park Service	824,972	148,412	356,752	721	(532,913)	797,944
U.S. Fish and Wildlife Service	1,013,371	82,829	185,935	-	(505,227)	776,908
Bureau of Land Management	205,302	31,493	219,920	8,449	(218,394)	246,770
U.S. Geological Survey	120,518	-	215,330	-	(189,045)	146,803
Minerals Management Service	-	-	19,854	-	(8,444)	11,410
Office of Surface Mining	-	-	6,073	-	(3,182)	2,891
Departmental Offices and Other	42,143	222,102	45,091	7,137	(18,857)	297,616
<b>Net Property, Plant and Equipment</b>	<b>\$23,888,457</b>	<b>\$1,818,561</b>	<b>\$1,326,540</b>	<b>\$47,080</b>	<b>(\$10,375,588)</b>	<b>\$16,705,050</b>

### NOTE 9. STEWARDSHIP ASSETS

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.

For additional discussion of stewardship land, see the stewardship assets section of this report.

### NOTE 10. ASSETS ANALYSIS

Assets of the Department of the Interior include entity assets, restricted assets, and nonentity assets. Entity assets are those currently available for use by the Department. Restricted assets can not be used until appropriated by Congress. Nonentity assets are currently held by Interior but will be forwarded to Treasury or other agencies at a future date. These assets are not available for use by the Department.

Interior's assets are summarized into the following categories:

#### Interior Assets

(dollars in thousands)	Entity	Restricted	Non-Entity	Total
Fund Balance with Treasury and Cash	\$5,945,321	\$17,271,854	\$573,306	\$23,790,481
Investments				
Treasury Securities	2,489,632	905,329	23,205	3,418,166
Public Securities	155,639	-	-	155,639
Accounts Receivable, Net				
Public, Net of Allowance for Doubtful Accounts	138,428	272,729	663,180	1,074,337
Due from Federal Agencies	533,750	14,354	3	548,107
Loans and Other Receivables	348,372	1,185,186	1,595,319	3,128,877
Property, Plant and Equipment, Net	16,705,049	-	-	16,705,049
Inventory	378,152	-	-	378,152
Other Assets				
Receivable from Appropriations	334,442	-	-	334,442
Investigations and Development	160,288	-	-	160,288
Other Assets	249,821	-	32,612	282,433
<b>Total Assets</b>	<b>\$27,438,894</b>	<b>\$19,649,452</b>	<b>\$2,887,625</b>	<b>\$49,975,971</b>

### 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 (see also Note 5, Loans and Long-Term Receivables).

### NOTE 12. LOANS DUE 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.

#### Loans Due to Treasury

(dollars in thousands)	2000
Helium Fund	\$1,329,204
Credit Reform Borrowings	143,996
Interest Payable	338
<b>Total Loans Due to Treasury</b>	<b>\$1,473,538</b>

### A. Helium Fund - Bureau of Land Management

The Helium Fund was established in the late 1950s and early 1960s to ensure that the federal government had access to a dependable supply of helium, which at that time was considered to be a critical defense commodity. Start up capital was loaned to the helium program, with the expectation that the capital would be repaid with the proceeds of sales to other federal government users of helium. However, subsequent changes in the market price of helium and the need of government users for the commodity made the repayment of the capital, and subsequent accrued

interest, impractical. Given the intra-governmental nature of the loan, unless the loan is forgiven, the funds for repayment to Treasury must come from the 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.

Net Worth Debt reported in the following table reflects the amount recorded by Treasury for the net worth capital and retained earnings of the Helium Fund. It also includes any monies expended thereafter by Interior from funds provided in the Supplemental Appropriation Act of 1959 for construction of a helium plant at Keyes, Oklahoma. 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 determined at the time of each borrowing. With the passage of the Helium Privatization Act of 1996, no further interest is being accrued on this debt.

#### Loan Due to Treasury from the Helium Fund

(dollars in thousands)	2000
Principal:	
Net Worth Debt	\$37,343
Additional Borrowing from Treasury	251,650
<b>Total Principal</b>	<b>288,993</b>
Interest:	
Beginning Balance	1,050,211
Repayments	(10,000)
Ending Balance	1,040,211
<b>Total Loan Due to Treasury - Helium Fund</b>	<b>\$1,329,204</b>

## B. Loan Due Treasury under Credit Reform

The Bureau of Indian Affairs, the Bureau of Reclamation, and Departmental Offices (Office of Insular Affairs) have borrowed funds from Treasury in accordance with the Credit Reform Act of 1990 to fund loans under various loan programs. These amounts are repaid to Treasury as loan repayments and are received from customers (see also Note 5, Loans and Long-Term Receivables).

## NOTE 13. CUSTODIAL LIABILITY AND INTRA-DEPARTMENTAL ACTIVITY

Interior collects, on behalf of the federal government, amounts from 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, the Minerals Management Service Offshore Program, and other federal agencies. In 2000, this amounted to \$8.5 billion. The Statement of Custodial Activity summarizes the collections on behalf of the federal government.

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 Interior are first reported as Revenue or Custodial Collections and Transfers Out. They are later appropriated to the Department for us and then are recognized as Appropriated Capital Used on the Statement of Changes in Net Position. For example:

- Custodial Revenues collected by the Minerals Management Service consist primarily of oil and gas revenues and are distributed to numerous federal agencies as detailed on the Statement of Custodial Activity. These distributions include \$1,049 million to the Land and Water Conservation Fund managed by the National Park Service, \$897 million to Environmental Improvement and Restoration Fund managed by the Minerals Management Service, \$543 million to the Bureau of Reclamation's Reclamation Fund and \$297 million to other Interior bureaus. These amounts are included in "Distribution of Custodial Revenue" on the Statement of Changes in Net Position offset primarily by "Conservation Fund Revenues and Inflows" and "Reclamation Fund Revenue and Other Revenue" on the same statement.
- Monies deposited in the Conservation Funds accumulate and continue to earn interest and may be transferred by congressional appropriation to the Federal agencies. In 2000, Conservation Fund Transfers include transfers to the Department of Agriculture of \$160 million and to Interior Bureaus of \$390 million. Transfers within Interior were made primarily to the Everglades Restoration Fund and to the National Park Service. These amounts are included in "Distributions from Conservation Funds" on the Statement of Changes in Net Position.

#### **A. Royalty-In-Kind**

Under the terms of standard federal oil and gas leases, the government is entitled to a share (royalty) of production removed or sold from the lease. Historically, the government has received its share-in-value, i.e., as a percentage of the sales proceeds received by the mineral lessee.

Since 1998, Minerals Management Service has initiated several Royalty-in-Kind (RIK) pilot projects to determine if RIK is in the country's best interest, and if so, under what circumstances. In some cases, taking RIK will increase the certainty of accurate royalty payments and reduce administrative costs for both industry and the government.

The Royalty-in-Kind pilot projects include the following:

(a) An onshore pilot for crude oil from federal leases in the Powder River and Big Horn Basins of Wyoming, in conjunction with the State of Wyoming, which recently moved from a pilot to an operational project.

(b) A pilot for natural gas from federal leases in the Texas 8(g) zone of the Gulf of Mexico in a partnership with the Texas General Land Office to explore ways to cost-effectively market Federal RIK gas from the 8(g) zone and State natural gas production to additional purchasers. Some 8(g) gas is also being delivered to the General Services Administration (GSA) for sale to federal facilities.

(c) A pilot for natural gas from federal properties in the Gulf of Mexico, initiated in 1999, is larger and more comprehensive than the previous two pilot projects. In addition to selling the gas competitively to the public, a portion of the gas is also transferred to GSA for sale to Federal agencies.

(d) A fourth pilot project was initiated in 2000 to address the feasibility of taking royalty crude oil from federal properties in the Gulf of Mexico. This offshore oil pilot makes the federal royalty crude available, under public competitive sales, to a broad range of qualified bidders, without limitation to those eligible under the Small Refiner RIK Program.

In 2000, the Department collected \$560 million in the form of petroleum, which was transferred to the government's Strategic Petroleum Reserve managed by the U.S. Department of Energy.

The experiences gained from these pilot projects will help determine the extent to which RIK can fit into the Department's long-range plans.

## **NOTE 14. ESTIMATED FUTURE LIABILITY**

The Department has responsibility to clean up its sites with environmental contamination, and it is party to various administrative proceedings, legal actions, and tort claims which may result in settlements or decisions adverse to the federal government. Interior has accrued 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 Department is subject to environmental laws and regulations regarding air, water, and land use, the storage and disposal of hazardous materials, and the operations and closure of facilities at which environmental contamination 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 has federal 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 cleanup 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 remediation in 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.

Interior has recognized an estimated liability of \$269 million 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 cleanup costs, or for those sites where future liability is unknown, the cost of a 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 range from \$457 million to \$830 million.

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 cleanup. The estimated liability excludes estimates of future mineral site restorations for which Interior will voluntarily undertake remediation without legal responsibility to do so. These costs are not included in contingent liabilities.

## **B. Indian Trust Funds**

The Secretary of the Interior is entrusted with the management of the monies and lands held in trust by the federal government for Indian tribes and individuals. There have been long-standing, complicated problems with Indian trust fund management. The Department places a high priority on comprehensive Indian trust reform efforts, including implementation of vital improvements to systems, policies, and operations necessary to ensure meeting the trust obligations to Indian tribes and individuals. Currently, there are claims and potential claims relating to past trust fund management for both tribal accounts and Individual Indian Money (IIM) accounts.

Several years ago, in accordance with congressional directives and the American Indian Trust Fund Management Reform Act of 1994, the Department and the Bureau of Indian Affairs contracted with a national accounting firm to conduct a five-year project to reconcile tribal trust fund account activity over a 20 year period. The report issued by the accounting firm indicated that, while there was no evidence that tribal trust funds had been lost or stolen, the method of recordkeeping was not sufficient to reconstruct all activity or to permit a complete reconciliation of the tribal accounts. Documentation to support the accuracy of some transactions could not be located. Interior presented to Congress a report that outlined proposed legislative settlement options for resolving disputed balances in tribal trust accounts. Work is underway on a legislative settlement for tribal accounts based on consultations with tribes.

In 1996, plaintiffs brought a class action lawsuit against the Interior Secretary, the Assistant Secretary-Indian Affairs, and the Secretary of the Treasury, alleging breach of trust regarding the handling of IIM trust fund accounts. The court bifurcated the case into prospective (“fixing the system”) and retrospective (“correcting the accounts”) relief. Regarding prospective relief, the court held in a December 1999 decision that the Defendants breached certain statutory trust duties under the Indian Trust Fund Management Reform Act by failing to establish written policies and procedures, which are necessary to render an accurate accounting of the IIM trust, in four areas: collecting from outside sources missing information, retention of IIM-related trust documents, computer and business system architecture, and staffing. The court, which retained jurisdiction for five years, directed the Defendants to establish the necessary written policies and procedures and required that quarterly status reports be filed. The federal government appealed and awaits a decision from the Court of Appeals. Regarding retrospective relief, the court ruled that the plaintiffs were seeking an accounting, not damages. The Department has asked the court to define the scope of duties to render an accounting. A second trial date has not yet been set. On April 3, 2000, the Department began an administrative proceeding to develop a process for evaluating past losses, if any, to individual Indians. Although the plaintiffs assert that potential liability is over twenty billion dollars, the Office of the Solicitor states that neither an evaluation of the probability of an unfavorable outcome nor an accurate estimate of the range of potential loss can currently be made. Moreover, the court has noted that, although the litigation is, itself, not a case that will result in money damages, resolution of this case could support a future claim for money.

No estimate is made at this time regarding any financial liability that may result from settlement from tribal accounts, the IIM class action lawsuit, and any other related claims.

## **C. Other Contingent Liabilities**

There are numerous claims filed against the Department and its bureaus with adjudication pending. As of September 30, 2000, \$698 million 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. These amounts exclude contingent liabilities reported on prior year financial statements regarding cases won on appeal. Cash settlements are expected to be paid out of the Judgement 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 Judgement 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. One bureau is the defendant in certain litigation where the damage award being sought could amount to \$1 billion or more; however, the ultimate outcome cannot be predicted at this time. Sufficient information is not currently available to determine if the ultimate resolution of the proceedings, actions, and claims will materially affect Interior's financial position or results of operations.

In addition, other unfunded liabilities in the amount of \$98 million are also included in total estimated future liability.

## NOTE 15. 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 (undelivered orders). The total balance of Undelivered Orders was over \$2 billion as of September 30, 2000.

Unobligated funds, depending on budget authority, are generally available for new obligations in current operations; however, there may be restrictions placed on the availability of these amounts for obligation. 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)	Obligated	Unobligated		2000
		Available	Unavailable	
Bureau of Indian Affairs	\$624,687	\$476,197	\$24,881	\$1,125,765
National Park Service	503,195	191,831	19,235	714,261
U.S. Fish and Wildlife Service	247,545	130,208	2,822	380,575
Bureau of Land Management	182,910	104,634	-	287,544
Bureau of Reclamation	132,513	72,181	-	204,694
U.S. Geological Survey	103,310	68,678	17,122	189,110
Office of Surface Mining	23,798	9,944	4,696	38,438
Minerals Management Service	7,739	250	1,317	9,306
Departmental Offices and Other	397,081	202,967	4,015	604,063
<b>Total Unexpended Appropriations</b>	<b>\$2,222,778</b>	<b>\$1,256,890</b>	<b>\$74,088</b>	<b>\$3,553,756</b>

## NOTE 16. 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 accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 4, "Managerial Cost Accounting," the Department recognizes 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 \$318 million in 2000 and are included in Salaries and Benefits and Other Expenses.

## Operating Expenses

(dollars in thousands)	2000
Salaries and Benefits	\$4,571,566
Contractual Services	2,953,722
Grant, Subsidies and Contributions	2,344,645
Rent, Communication and Utilities	513,326
Supplies and Materials	418,687
Acquisition of Non-Capitalized Property	279,446
Travel and Transportation	275,699
Acquisition of Stewardship Property	269,437
Cost of Goods Sold	121,470
Acquisition of Heritage Assets	26,618
Printing and Reproduction	27,074
Other Expenses	94,561
Intra-Departmental Eliminations	(428,909)
<b>Total Operating Expenses</b>	<b>\$11,467,342</b>

The following tables reflect data provided to the Department of Treasury by Budget Functional Classification Code for inclusion in the Consolidated Financial Statements of the federal government, based on guidance and direction from the Department of Treasury. These BFC codes are established by the Office of Management and Budget and the Department of Treasury for governmentwide reporting purposes and differ from the classifications used for the Department's segment reporting.

### Gross Cost and Earned Revenue by Budget Functional Classifications

(dollars in thousands)	Gross Cost	Earned Revenue <sup>1</sup>	Net Cost
Natural Resources	\$9,416,916	(\$4,476,766)	\$4,940,150
Transportation	269,746	0	269,746
Community and Regional Development	2,259,783	(229,898)	2,029,885
Education and Training	81,312	(370)	80,942
General Government	607,248	(25,770)	581,478
Other	545,564	(5,123,756)	(4,578,192)
<b>Total Gross Cost and Earned Revenue by Budget Functional Classification</b>	<b>\$13,180,569</b>	<b>(\$9,856,560)</b>	<b>\$3,324,010</b>
Conservation Funds, Custodial Revenues, and Other	(6,818)	6,801,877	(6,795,059)
Intra-Departmental Eliminations	(893,956)	855,151	(38,805)
<b>Department of the Interior's Net Cost of Operations</b>	<b>\$12,279,795</b>	<b>(\$2,199,532)</b>	<b>\$10,080,263</b>

<sup>1</sup> Earned Revenue includes \$6,241 million of Conservation Fund and Custodial Revenue not presented on the Department's Statement of Net Cost of Operations. To prevent double counting by Treasury, this amount excludes Custodial Revenue transferred to the Conservation Fund and certain other federal agencies.

## Intra-Governmental Gross Cost and Earned Revenue by Budget Functional Classifications

(dollars in thousands)	Gross Cost	Earned Revenue	Net Cost
Natural Resources	\$ 1,946,091	\$ (1,620,328)	\$ 325,763
Transportation	13,545	-	13,545
Community and Regional Development	286,956	(156,649)	130,307
Education and Training	10,992	(215)	10,777
General Government	35,835	(8,792)	27,043
Other	58,436	(218,872)	(160,436)
<b>Total Intra-governmental Gross Cost and Earned Revenue by Budget Functional Classification</b>	<b>\$ 2,351,855</b>	<b>\$ (2,004,856)</b>	<b>\$ 346,999</b>
Conservation Funds, Custodial Revenues, and Other	-	94,054	94,054
Intra-Departmental Eliminations	(893,916)	855,090	(38,826)
<b>Department of the Interior's Net Cost of Operations</b>	<b>\$ 1,457,939</b>	<b>\$ (1,055,712)</b>	<b>\$ 402,227</b>

### NOTE 17. RECLAMATION FUND REVENUES

The Bureau of Reclamation's Reclamation Fund is a special receipt fund into which a substantial portion of Reclamation's revenues are deposited, primarily consisting of repayment of capital investment costs, deposits of federal mineral royalties, and hydropower transmission revenue. Under federal accounting guidance, the minerals royalties portion is treated as non-exchange revenue by the BOR. Therefore, this line includes \$528.1 million of such revenue for 2000.

### NOTE 18. PRIOR PERIOD ADJUSTMENTS

Prior period adjustments are used to reflect the retroactive impact of newly adopted accounting standards, policies, and correction of errors in the current period.

*Change in accounting standard:* The Department of Treasury recently issued guidance that redefined the treatment of unexpended appropriations beginning in 2000. The unexpended appropriations now include only those appropriations associated with resources received from Treasury's General Fund. Appropriations realized and recorded as "budget authority from special receipt revenues" that do not flow through Treasury's General Fund are considered part of Cumulative Results of Operations rather than Unexpended Appropriations. This required a restatement of the beginning balances in Unexpended Appropriations and Cumulative Results of Operations. Net Position balances generated from sources other than appropriations from Treasury's General Fund were reclassified from Unexpended Appropriations to Cumulative Results of Operations. A separate line was created on the Statement of Changes in Net Position to record the change.

*Correction of errors:* The Bureau of Reclamation recorded prior period adjustments of \$749 million. Of this amount, \$415.9 million represents previously capitalized Investigation and Development costs that were expensed due to a change in accounting principle and \$333.1 million represents a decrease to capitalized asset depreciation and dispositions that should have been expensed upon review of capitalization criteria.

#### Prior Period Adjustments

(dollars in thousands)	2000
Change in Accounting	\$2,158,871
Corrections of Prior Year Data	
Accounting for Construction and related activity at the Bureau of Reclamation	(748,781)
Other Changes and Corrections	43,428
<b>Total Prior Period Adjustments</b>	<b>\$1,453,518</b>

## **NOTE 19. APPROPRIATIONS AVAILABLE FOR INVESTMENT, NOT OBLIGATION**

Appropriations Available for Investment, Not Obligation consist of amounts in the Office of Surface Mining's Abandoned Mine Land (AML) Fund totaling \$1,507 million and in the Minerals Management Service's Environmental Improvement and Restoration Fund (EIRF) totaling \$905 million. The AML and the EIRF amounts are shown under budget authority as Appropriation Available for Investment, Not Obligation because the collections into these funds are available for investment in Treasury Securities. These amounts are not available to fund Department operations without an appropriation from Congress.

The AML Fund was established by law for the deposit of coal reclamation fees levied per ton of coal produced. Congress appropriates amounts out of the AML Fund for the reclamation of lands formerly used for coal production. The EIRF was established in fiscal year 2000. Congress has permanently appropriated 20 percent of the interest earned by the EIRF to the Department of Commerce. The principal and remaining 80 percent of annual interest earned will remain in the Fund to earn interest unless otherwise appropriated by Congress.

## **NOTE 20. INDIAN TRUST FUNDS**

The Department, through the Office of the Special Trustee (OST), maintains approximately 1,400 accounts for tribal and other special trust fund entities (including the Alaska Native Escrow Fund) with combined monetary assets in excess of \$2.7 billion. The OST also maintains about 270,000 Individual Indian Monies (IIM) accounts with a fund balance of approximately \$400 million.

The balances that have accumulated in the tribal trust funds have generally resulted from land use agreements, royalties on natural resource depletion, tribal enterprises related to trust resources, judgment awards, settlement of Indian claims, and investment income.

The IIM Fund is primarily a deposit fund for individuals who have a beneficial interest in the trust funds. IIM account holders realize receipts primarily from royalties on natural resource depletion, land use agreements, and enterprises having a direct relationship to trust fund resources and investment income.

The Tribal and Other Special Trust Funds contain the following three categories of trust funds as delineated by OMB and the Interior Solicitor:

1. Funds held for Indian tribes and other special trust funds (considered non-federal monies).
2. Funds held for Indian tribes and other special trust funds but pending some official action by the tribes (considered federal monies).
3. Funds held for the Department of the Interior that will either revert back to the federal government upon certain conditions, or the corpus of the fund is non-expendable (considered federal monies).

The balances held for the above three categories are reflected as separate components of the fund balance in the Tribal and Other Special Trust Funds financial statements. Categories 2 and 3 are reflected in the Department of Interior's financial statements.

Summaries of the Tribal and Other Special Trust Funds, and Individual Indian Monies Trust Funds financial statements are presented on the next page. The amounts in the summaries do not include trust land managed by the Department. The financial statements supporting these summaries are audited by external independent auditors (with Office of Inspector General oversight) who express qualified opinions due to:

- Unreconcilable differences of approximately \$35,000,000 between the total cash balances reflected by the Office of Trust Fund Management (OTFM) for Tribal and Other Special Trust Funds, and Individual Indian Monies and the balances reported by Treasury as of September 30, 2000. These differences have remained constant at approximately \$35,000,000 since 1995. Treasury reports reflect balances less than OTFM balances. Issue papers and proposed action plans for these differences have been shared with departmental personnel and are the subject of interdepartmental discussions.
- Inadequacies in various Indian Trust Fund accounting systems and subsystems.
- Inadequate controls, records, and deficiencies in internal controls.
- Disagreement from certain trust fund beneficiaries with regard to their reported balances.

For more information, see Note 14, Estimated Future Liability.

Tribal and Other Special Trust Funds  
 Combined Statement of Assets and Trust Fund Balances - Cash Basis  
 as of September 30, 2000  
 (dollars in thousands)

	2000
<b>ASSETS</b>	
Current Assets	
Cash with U.S. Treasury	\$327
Investments	2,735,859
<b>TOTAL ASSETS</b>	<b>\$2,736,186</b>
 <b>TRUST FUND BALANCES</b>	
Held for Indian Tribes and Other Special Trust Funds	\$2,558,638
Held for Indian Tribes and Other Special Trust Funds - Pending Action to be taken by the Tribe	61,896
Held for Department of Interior and considered to be U.S. Government Funds	115,652
<b>TOTAL TRUST FUND BALANCES</b>	<b>\$2,736,186</b>

Tribal and Other Special Trust Funds  
 Combined Statement of Changes in Trust Fund Balances - Cash Basis  
 for the year ended September 30, 2000  
 (dollars in thousands)

	2000
Receipts	\$495,824
Disbursements	355,391
Receipts in Excess of Disbursements	140,433
Trust Fund Balances - Beginning of Year	2,595,753
Trust Fund Balances - End of Year	<b>\$2,736,186</b>

Individual Indian Monies Trust Funds  
 Statement of Assets and Trust Fund Balances - Modified Cash Basis  
 as of September 30, 2000  
 (dollars in thousands)

	2000
<b>ASSETS</b>	
Current Assets	
Cash with U.S. Treasury	\$632
Investments	393,790
Accrued Interest Receivable	5,447
<b>TOTAL ASSETS</b>	<b>399,869</b>
 <b>TRUST FUND BALANCES, Held for Individual Indians</b>	 <b>\$399,869</b>

Individual Indian Monies Trust Funds  
 Statement of Changes in Trust Fund Balances - Modified Cash Basis  
 for the year ended September 30, 2000  
 (dollars in thousands)

	2000
Receipts	\$245,164
Disbursements	294,575
Receipts in Excess of Disbursements	(49,411)
Trust Fund Balances - Beginning of Year	449,280
Trust Fund Balances - End of Year	<b>\$399,869</b>

## **NOTE 21. SUBSEQUENT EVENT**

On December 21, 2000, Public Law 106-554 enacted the Dakota Water Resources Act of 2000. Among the many provisions of this Act are amendments to Public Law 89-108 (79 Stat; 433; 100 Stat. 418), and the de-authorization of certain project features and irrigation service areas, including the Taayer Reservoir, Sykeston Canal, and the Lonetree Dam and Reservoir. The legislation is lengthy and complex, and extensive counsel from the Solicitor will be required, in order to determine the intent of the law with regard to the accounting treatment for various project costs. The estimate of costs, which may be written off for these de-authorized features, is approximately \$26.1 million, which is subject to change depending on the Solicitor's analysis of the legislation.

In an unrelated case—Red Lake Band of Chippewa Indians v. United States—the parties reached a settlement after the end of the fiscal year in which the court approved on January 15, 2001. The settlement includes payment of \$53.5 million to the Band by the United States from the Judgement Fund.

These expenses will be reflected in the Department's 2001 financial statements.

## **NOTE 22. WORKING CAPITAL FUNDS**

Interior has four working capital funds established by law to finance a continuing cycle of operations, with the receipts from the operations available for use by the funds without further action by Congress. The four working capital funds, which operate as revolving funds, are established in the Bureau of Reclamation, the Office of the Secretary, the Bureau of Land Management, and the U.S. Geological Survey. 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 nongovernment entities. Some of the significant services provided to customers consist of central reproduction, telecommunications, aircraft services, supplies, publications, training, computer processing and related activities, engineering and technical services, and certain cross-servicing activities such as payroll, personnel, and financial and accounting services. The services provided by the working capital funds are usually those that may be performed more advantageously on a reimbursable basis. In addition, Interior manages the Interior Franchise Fund that is a part of the Franchise Fund Pilot program authorized by the Government Management Reform Act (GMRA) of 1994.

The IFF's authorizing legislation is scheduled to expire October 1, 2001. This creates an uncertainty about the IFF's ability to continue as a going concern. The ability of the IFF to continue as a going concern is dependent on the renewal of their authorizing legislation. Management is exploring alternatives based on congressional actions to address the Franchise Fund Pilot Program sunset provision in the GMRA or other specific departmental remedies. The financial statements do not include any adjustments that might be necessary if the IFF is unable to continue as a going concern.

The following condensed information about assets, liabilities, and net position of the Interior working capital funds is summarized for the year ended September 30, 2000. 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, 2000  
(dollars in thousands)

	Bureau of Reclamation	Bureau of Land Management	U.S. Geological Survey	Departmental Offices	Interior Franchise Funds	TOTAL
<b>Assets</b>						
Fund Balance with Treasury & Cash	\$47,233	\$38,245	\$57,024	\$61,552	\$85,336	\$289,390
Accounts Receivable	9,261	-	2,901	27,375	16,887	56,424
Property Plant & Equipment	37,295	56,446	4,246	32,701	-	130,688
Other Assets	-	138	(6)	2,039	1,321	3,492
<b>Total Assets</b>	<b>\$93,789</b>	<b>\$94,829</b>	<b>\$64,165</b>	<b>\$123,667</b>	<b>\$103,544</b>	<b>\$479,994</b>
<b>Liabilities and Net Position</b>						
Liabilities to the Public						
Accounts Payable and Other	\$7,063	\$163	\$4,725	\$23,258	\$22	\$35,231
Liabilities to Federal Agencies						
Accounts Payable and Other	11,247	1,730	56,387	15,085	103,488	187,937
<b>Total Liabilities</b>	<b>18,310</b>	<b>1,893</b>	<b>61,112</b>	<b>38,343</b>	<b>103,510</b>	<b>223,168</b>
<b>Net Position</b>						
Cumulative Results of Operations	75,479	92,936	3,053	85,324	34	256,826
<b>Total Net Position</b>	<b>75,479</b>	<b>92,936</b>	<b>3,053</b>	<b>85,324</b>	<b>34</b>	<b>256,826</b>
<b>Total Liabilities and Net Position</b>	<b>\$93,789</b>	<b>\$94,829</b>	<b>\$64,165</b>	<b>\$123,667</b>	<b>\$103,544</b>	<b>\$479,994</b>

U.S. Department of the Interior  
Supplemental Statement of Operations  
Combined Working Capital Funds  
for the year ended September 30, 2000  
(dollars in thousands)

	Bureau of Reclamation	Bureau of Land Management	U.S. Geological Survey	Departmental Offices	Interior Franchise Funds	TOTAL
<b>Expenses</b>						
Operating Expenses	\$280,551	\$8,386	\$35,745	\$268,376	\$121,301	\$714,359
Depreciation and Amortization	6,606	9,135	424	2,704	-	18,869
Contingent Expense	-	-	-	1,375	-	1,375
Net Loss (Gain) on Disposition of Assets	198	(400)	-	(38)	-	(240)
Bad Debt Expense	11	-	-	-	488	499
Other Expenses	3	-	1	49	-	53
<b>Total Expenses</b>	<b>\$287,369</b>	<b>\$17,121</b>	<b>\$36,170</b>	<b>\$272,466</b>	<b>\$121,789</b>	<b>\$734,915</b>
<b>Revenues</b>						
Sales of Goods and Services to the Public	\$26,346	\$62	\$0	\$1,985	\$3,654	\$32,047
Sales of Goods and Services to Federal Agencies	255,248	21,585	36,730	270,404	118,249	702,216
Other Revenues	(6)	3,659	-	5,231	-	8,884
<b>Total Revenues</b>	<b>281,588</b>	<b>25,306</b>	<b>36,730</b>	<b>277,620</b>	<b>121,903</b>	<b>743,147</b>
<b>Net Cost of (Profit From) Operations</b>	<b>\$5,781</b>	<b>(\$8,185)</b>	<b>(\$560)</b>	<b>(\$5,154)</b>	<b>(\$114)</b>	<b>(\$8,232)</b>



# Required Supplementary Information

# Deferred Maintenance

The Department of the Interior owns, builds, purchases, and contracts services for assets such as schools, office buildings, roads, bridges, dams, irrigation systems, and reservoirs. These assets are used to support the Department's stated mission. Interior's assets include some deteriorating facilities for which repair and maintenance have not been 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 employees' morale and productivity, and increase the need for costly major repairs or early replacement of structures and equipment. Undue wear on facilities may not be immediately noticeable to users, but inadequate maintenance can require that a facility be replaced or undergo major reconstruction before the end of its expected useful life.

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 estimates of deferred maintenance based on data from a variety of systems, procedures, and data sources. However, the accumulation of deferred maintenance cost estimates is not the primary purpose of many of these sources, so 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) construction contract administration and inspection; (2) construction materials; (3) transportation; (4) removal of existing appurtenances, e.g., guard rails, furnishings, and equipment items that are not physically attached to property, along with related storage, inventorying, and tagging; (5) fixed equipment; (6) employee costs; and (7) indirect costs and/or contract support costs. 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 needed to fund the correction of deferred maintenance throughout the Department may range from approximately \$7 to \$11 billion (*Figure 31*).

**Figure 31**

<b>Estimated Deferred Maintenance (in millions)</b>			
	<i>Estimated Range of Deferred Maintenance General PP&amp;E</i>	<i>Estimated Range of Deferred Maintenance Stewardship PP&amp;E</i>	<i>Total Estimated Range of Deferred Maintenance</i>
Bureau of Indian Affairs	\$2,965 to \$3,041	\$110 to \$110	\$3,075 to \$3,151
Bureau of Land Management	\$90 to \$90	\$103 to \$191	\$193 to \$281
Bureau of Reclamation	\$28 to \$28	-	\$28 to \$28
Fish and Wildlife Service	\$768 to \$1,038	-	\$768 to \$1,038
National Park Service	\$2,867 to \$6,452	\$179 to \$298	\$3,046 to \$6,750
U.S. Geological Survey	\$50 to \$90	-	\$50 to \$90
<b>Total</b>	<b>\$6,769 to \$10,741</b>	<b>\$392 to \$599</b>	<b>\$7,161 to \$11,339</b>

# Intra-Governmental Transaction Disclosures

Intra-governmental amounts represent transactions between federal entities included in the federal government's annual financial report. These transactions include assets, liabilities, and revenue. Net transfers and Conservation Funds include transfers within Interior for the Conservation Funds to other bureaus.

Department of the Interior Intra-Governmental Assets (\$ in thousands)				
Trading Partner	Fund Balance with Treasury	Investments in Treasury Securities	Accounts Receivable Due from Federal Agencies	Receivable From Appropriation
Treasury	\$23,790,481	\$3,411,812	\$411,317	\$334,442
Agriculture	-	-	20,367	-
EPA	-	-	14,348	-
Education	-	-	12,330	-
NASA	-	-	8,075	-
Energy	-	-	9,163	-
Corps of Engineers	-	-	8,079	-
Defense	-	-	34,143	-
Other	-	6,354	30,285	-
Total	\$23,790,481	\$3,418,166	\$548,107	\$334,442

Department of the Interior Liabilities to Federal Agencies (\$ in thousands)								
Trading Partner	Accounts Payable	Deferred Revenue	Accrued Payroll	Loans	Other Liabilities	Custodial Liability	Accrued Unfunded	Estimated Future
Treasury	-	\$399	\$8,911	\$1,473,538	\$99,694	\$880,701	-	\$83,610
Agriculture	\$5,341	11,955	-	-	-	-	-	-
Education	-	4,835	-	-	-	-	-	-
Commerce	-	2,348	-	-	-	-	-	-
Labor	-	-	3,197	-	-	-	\$106,332	-
Navy	-	8,785	-	-	-	-	-	-
Army	-	1,489	-	-	-	-	-	-
GSA	12,338	27,243	-	-	-	-	-	-
OPM	-	-	28,795	-	-	-	-	-
HHS	-	5,320	-	-	-	-	-	-
NASA	-	1,119	-	-	-	-	-	-
Corps of Engineers	-	11,134	-	-	-	-	-	-
Defense	-	72,303	-	-	-	-	-	-
Transportation	7,280	-	-	-	-	-	-	-
EPA	-	2,437	-	-	-	-	-	-
AID	-	2,634	-	-	-	-	-	-
State	-	1,608	-	-	-	-	-	-
Energy	-	3,906	-	-	-	-	-	-
Other	92	4,884	315	-	2,388	-	-	-
Total	\$25,051	\$162,399	\$41,218	\$1,473,538	\$102,082	\$880,701	\$106,332	\$83,610

Department of the Interior Intra-Governmental Revenue and Transfers (\$ in thousands)					
Trading Partner	Financing Sources Transfers, Net	Conservation Funds	Imputed Financing Sources	Sales of Goods and Services	Interest
Agriculture	-	(\$160,429)	-	\$81,031	-
Corps of Engineers	\$20,894	-	\$170	49,578	-
OPM	-	-	247,918	-	-
Treasury	138,816	-	78,344	46,422	\$17,964
Energy	-	-	8,727	343,514	-
Commerce	-	(2,108)	-	13,678	-
USPS	-	-	-	13,925	-
GSA	-	-	-	18,932	-
EPA	-	-	-	44,963	-
HHS	-	-	-	14,826	-
Education	-	-	-	127,684	-
DOD	-	-	-	234,849	-
Other	(9,096)	-	1,599	45,850	2,496
Interior	389,592	(390,256)	-	-	-
Total	\$540,206	(\$552,793)	\$336,758	\$1,035,252	\$20,460



# Required Supplementary Stewardship Information

# Stewardship Assets and Investments

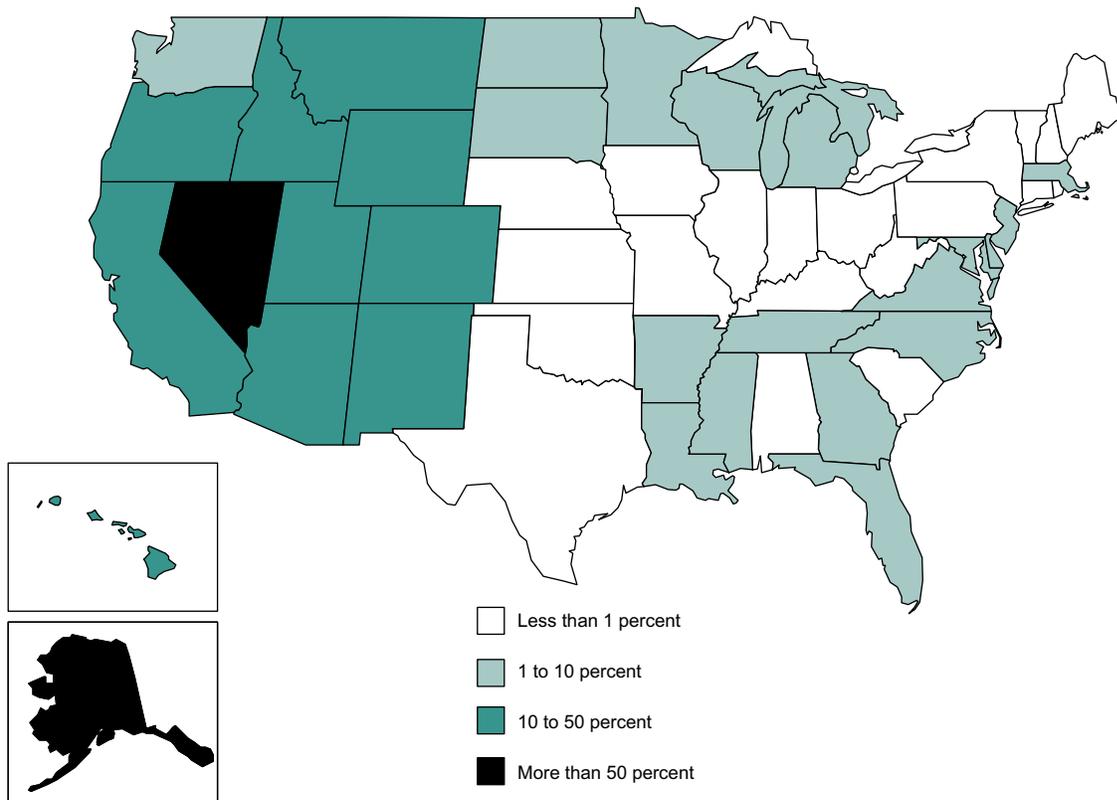
The Department of the Interior serves as steward for approximately 437 million acres of America's public lands and for the natural and cultural resources associated with these lands. The agency also supervises mineral leasing and operations on an estimated 700 million acres of mineral estate that underlie both federal and other surface ownerships. These stewardship assets are valued for 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 managed by Interior were once a part of the 1.8 billion acres of public domain lands acquired by the Nation between 1781 and 1867. The Department manages approximately 70 percent of the estimated 623 million acres of federal land. Each of America's 50 states (*Figure 32*), the Pacific Islands, the Virgin Islands, Guam, and Puerto Rico contain lands that are managed by the Department of the Interior.

**Figure 32**

**Percentage of Each State's Acreage Managed by Interior  
(as of September 30, 2000)**



## 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 Reclamation (BOR) manages a nominal acreage (approximately 5.8 million acres) of stewardship land. The Fish and Wildlife Service (FWS) manages lands primarily to conserve and protect fish and wildlife and their habitat. The National Park Service (NPS) manages lands to conserve, preserve, protect, and interpret the nation's natural, cultural, and recreational resources. The Bureau of Reclamation manages lands to develop and protect water and related resources in an environmentally and economically sound manner for the American people. The Bureau of Land Management is guided by the principles of multiple use and sustained yield in managing its public lands for a variety of purposes. 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 33 shows the acreage of Interior stewardship lands by land type. In addition to the 88.7 million acres shown for the National Wildlife Refuge System, there are approximately 5.2 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 5.4 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, wetlands, lakes, reservoirs, 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 60 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 34. The acreage included in these units is a subset of Interior's 437.1 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 35 shows condition by land type. In adhering to its 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;

Figure 33

Types of Interior Stewardship Lands  
(acres in millions)

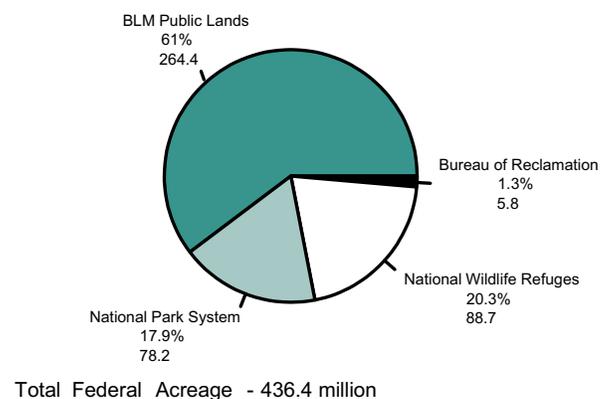


Figure 34

<b>Management Units of Interior Stewardship Lands</b>						
<b>Bureau of Land Management Public Lands</b>						
<u>Management Unit</u>	<u>Number</u>	<u>Federal Acreage</u>	<u>Non-Federal Acreage</u>	<u>Total Acreage</u>	<u>Miles</u>	
National Wild and Scenic River Segments	35	1,001,668	0	1,001,668	2,048	
National Wilderness Areas	138	5,279,532	0	5,279,532	-	
Wilderness Study Areas	618	18,017,211	0	18,017,211	-	
National Conservation Areas	9	11,796,146	0	11,796,146	-	
National Scenic Area	1	101,000	0	101,000	-	
Headwaters Forest Reserve	1	7,400	0	7,400	-	
National Recreation Area	1	1,000,000	0	1,000,000	-	
National Historic Trails	8	-	-	-	3,533	
National Scenic Trails	2	-	-	-	568	
National Recreation Trails	26	-	-	-	429	
Outstanding Natural Area	1	100	0	100	-	
Herd Management Areas	200	36,069,895	0	36,069,895	-	
National Monument	7	3,095,962	0	3,095,962	-	
Areas of Critical Environmental Concern	838	14,045,540	0	14,045,540	-	
Research Natural Areas	152	347,214	0	347,214	-	
Lake Todatonten Special Management Area	1	37,579	0	37,579	-	
National Natural Landmarks	43	599,042	0	599,042	-	
National Back Country Byways	55	-	-	-	2,972	
Globally Important Bird Areas	2	1/	0	1/	-	
BLM Special Management Area Subtotal 2/	2,138	91,398,289	0	91,398,289	9,550	
National Multiple Use Lands	-	172,999,844	0	172,999,844	-	
Bureau of Land Management Subtotal	2,138	264,398,133	0	264,398,133	9,550	
<b>National Wildlife Refuge System</b>						
<u>Management Unit</u>	<u>Number</u>	<u>Federal Acreage</u>	<u>Non-Federal Acreage</u>	<u>Total Acreage</u>	<u>Miles</u>	
National Wildlife Refuges	530	87,790,000	3,069,000	90,859,000	-	
Refuge Coordination Areas	50	197,000	119,000	316,000	-	
Waterfowl Production Areas	201	725,000	2,040,000	2,765,000	-	
National Fish Hatcheries and Other Fish Facilities	83	12,000	6,000	18,000	-	
Fish and Wildlife Service Subtotal	864	88,724,000	5,234,000	93,958,000	-	
<b>National Park System</b>						
<u>Management Unit</u>	<u>Number</u>	<u>Federal Acreage</u>	<u>Non-Federal Acreage</u>	<u>Total Acreage</u>	<u>Miles</u>	
International Historic Site	1	28	16	45	-	
National Battlefields	11	11,940	1,234	13,175	-	
National Battlefield Parks	3	8,060	1,614	9,674	-	
National Battlefield Site	1	1	0	1	-	
National Historic Sites	76	20,138	4,545	24,683	-	
National Historic Parks	39	115,566	47,330	162,896	-	
National Lakeshores	4	145,744	83,226	228,970	-	
National Memorials	28	8,041	490	8,531	-	
National Military Parks	9	35,640	3,083	38,723	-	
National Monuments	72	1,881,500	163,371	2,044,871	-	
National Parks	55	49,839,065	2,123,877	51,962,942	-	
National Preserves	16	21,492,412	2,225,111	23,717,523	-	
National Recreation Areas	19	3,406,267	317,794	3,724,061	-	
National Reserves	2	10,933	22,193	33,126	-	
National Rivers	6	311,143	112,854	423,997	-	
National Wild and Scenic Rivers	9	72,913	146,556	219,469	3,029	
National Scenic Trails	3	158,400	66,910	225,310	27,269	
National Seashores	10	478,290	116,228	594,518	-	
Parks (other)	11	37,723	1,509	39,232	-	
Parkways	4	164,100	9,458	173,558	-	
National Park Service Subtotal	379	78,197,904	5,447,399	83,645,305	30,298	
<b>Bureau of Reclamation Project Lands</b>						
<u>Management Unit</u>	<u>Number</u>	<u>Federal Acreage</u>	<u>Non-Federal Acreage</u>	<u>Total Acreage</u>	<u>Miles</u>	
Reclamation Project Lands	-	5,774,376	-	5,774,376	-	
Bureau of Reclamation Subtotal	-	5,774,376	-	5,774,376	-	
<b>Department of the Interior Total</b>						
<u>Management Unit</u>	<u>Number</u>	<u>Federal Acreage</u>	<u>Non-Federal Acreage</u>	<u>Total Acreage</u>	<u>Miles</u>	
Total Interior Management Units	3,381	264,094,569	10,681,399	274,775,970	39,848	
Total Interior Stewardship Lands	-	437,094,413	10,681,399	447,775,814	-	

1/ The 56,500 acres contained in the two Globally Important Bird Areas are a subset of acres reported in National Conservation Areas and the Outstanding Natural Area.

2/ This Special Management Area includes those byways administratively designated under the BLM's Back Country Byway Program.

Figure 35

Condition of Bureau of Land Management Public Lands				
Rangeland 1/	Forest and Woodlands	Riparian Areas	Wetlands	Aquatic Areas
<u>Alaska</u> Late seral	Healthy 74% Needing restoration 26%	<u>Alaska</u> Properly functioning 91% Functioning at risk Trace Nonfunctional 1% Unknown 8%	<u>Alaska</u> Properly functioning 98% Unknown 2%	<u>Alaska</u> Good
<u>Lower 48 States</u> Potential natural community	5%	<u>Lower 48 States</u> Properly functioning 40% Functioning at risk 43% Nonfunctional 11% Unknown 6%	<u>Lower 48 States</u> Properly functioning 51% Functioning at risk 14% Nonfunctional 2% Unknown 33%	<u>Lower 48 States</u> Unknown
Late seral	30%			
Mid seral	36%			
Early seral	12%			
Unclassified	17%			

1/ This is a composite rangeland condition that rates the rangelands' ability to produce forage. Seral is a series of stages in ecological succession. A potential natural community is a relatively undisturbed vegetation community, i.e., best able to produce forage. The early seral stage is a highly disturbed vegetation community, i.e., less able to produce forage. Disturbances may be natural, such as fire, or human caused.

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 FWS 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 FWS are protected into 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 any adverse effects of previous actions by others, or to enhance existing conditions to improve benefits to fish and wildlife resources. The FWS 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 FWS and the statutory purposes for which these conservation systems were authorized.

The Fish and Wildlife Service assesses the condition of its stewardship land and resources by monitoring habitat characteristics and determining whether management actions are needed to change those characteristics to benefit their usefulness to fish and wildlife resources. The condition of these stewardship lands is not static. Land or habitat condition may be changing, either through the application of management techniques or through natural stressors or processes acting on those lands. It is the goal of the FWS to provide habitat that optimizes the usefulness of stewardship lands to benefit fish and wildlife resources.

**National Park System Lands:** NPS stewardship lands are used and managed in accordance with the statutes authorizing their acquisition or directing their use and management. Subsets of lands within the authorized boundaries of the NPS can have additional stewardship asset designations such as wilderness areas, wild and scenic rivers, and trails. Stewardship areas such as wilderness areas may encompass land owned by entities other than NPS. Changes in NPS boundaries occur only when authorized by Presidential Proclamation or by an Act of Congress. While individual units of stewardship land can be improved, the condition of NPS stewardship lands as a whole is

generally sufficient to support the NPS mission. The NPS conducts various activities to preserve and protect land resources, and to mitigate the effects of activities conducted previously on or near parks that adversely affect the natural state of the land.

**Reclamation Project Lands:** The Bureau of Reclamation operates largely as a business-type entity whose primary stated mission is to manage, develop, and protect water and related resources in an environmentally and economically sound manner in the interest of the American public. BOR provides water and power throughout the 17 western states. Site reviews are performed on 20 percent of the Reclamation project lands each year, with 100 percent required to be reviewed within a 5-year period. Reviews for hazardous waste, improper dumping, or trespass, along with on-site reviews of concessions, provide further safeguarding of the land's condition. While periodic reviews are performed, it is not feasible or cost effective to do full condition assessments of all Reclamation project lands, a large portion of which lie under water or structures. Additionally, there are often large tracts of inaccessible wilderness surrounding the upper surface of the water's edge, which would be difficult and costly to assess. This notwithstanding, the condition of the BOR project lands as a whole is sufficient to support the mission of the agency and is consistent with the statutory purposes for which the lands were withdrawn.

### Net Change in Stewardship Land Acreage from 1999 to 2000

Federally owned stewardship lands under the jurisdiction of the Department of the Interior at the end of 2000 increased by approximately 652,000 from 1999. *Figure 36* shows the distribution of this increase. The FWS increase of 168,201 acres (.19 percent) was due primarily to the acquisition of new refuges and fish hatcheries. The NPS change of 260,410 acres (.33 percent) occurred in several areas.

Figure 36

Net Change in Stewardship Land – 1999 to 2000				
Bureau	1999 Acreage	2000 Acreage	Net Change	% Increase
Bureau of Land Management	264,174,745	264,398,133	223,388	.085%
Fish and Wildlife Service	88,555,848	88,724,049	168,201	.19%
National Park Service	77,937,494	78,197,904	260,410	.33%
Bureau of Reclamation	5,774,376	5,774,376	0	0
<b>TOTAL</b>	<b>436,442,463</b>	<b>437,094,462</b>	<b>651,999</b>	<b>.15%</b>

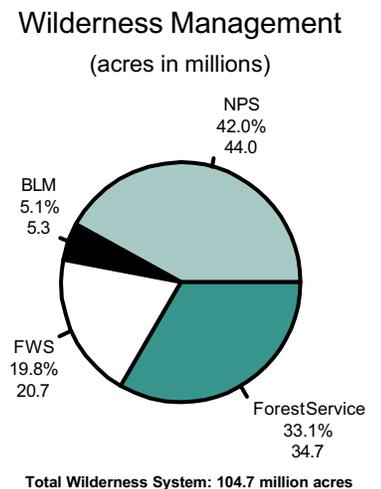
## Natural Heritage Assets

### 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 some 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. These areas, which are generally greater than 5,000 acres, appear to have been affected primarily by the forces of nature, with human development substantially unnoticeable.

America's wilderness system encompasses approximately 104.7 million acres (*Figure 37*). The Department of the Interior manages almost 69 percent of this wilderness system, with 44.0 million acres in NPS, 20.7 million acres in FWS, and 5.3 million acres in BLM, for a total of approximately 70.0 million acres. The remaining acreage is managed by the U.S. Forest Service.

Figure 37



## 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, 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. Studies to determine eligibility and suitability may be the responsibility of either Interior, the Department of Agriculture, or the shared responsibility of both agencies. 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. A second method of designation is for a State Governor to request federal designation of state designated wild and scenic rivers, and for the Secretary of the Interior, after study, to designate that river; seventeen rivers have entered the system by this method.

There are 160 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 11,292 river miles. Fifty-six percent of the river miles in the National Wild and Scenic Rivers System are managed by Interior (*Figure 38*).

### National Natural Landmarks

National Natural Landmarks are management areas having national significance because they represent one of the best-known examples of a natural region's characteristic biotic or geologic features. 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.

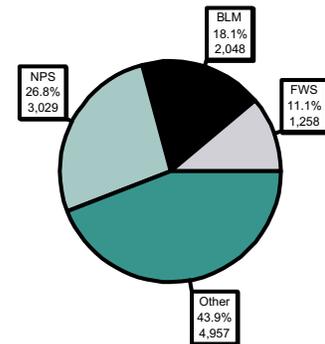
### Paleontological Sites

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 the Interior bureaus take paleontological resources into account on all public lands, the Bureau of Land Management is 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.

Figure 38

Wild and Scenic Rivers Management  
(in miles)



Significant paleontological resources can also be found on other BLM lands. In the fall of 1999, a BLM employee discovered part of a Columbian mammoth skeleton within Utah's Grand Staircase-Escalante National Monument, the first such discovery in this area. Digging and studies continue to try to determine whether the mammoth died of natural causes or was killed by Paleo-Indian hunters.

Fossils have been located in over 146 National Park Service areas. These areas preserve a diversity of fossils, including plants ranging from microscopic algae to petrified logs, animals ranging from marine shells to dinosaurs, and tracks and burrows.

The Bureau of Reclamation has identified ten paleontological sites.

The Department of the Interior manages a number of publicly accessible and interpreted paleontological sites such as the Cleveland-Lloyd Dinosaur Quarry in Utah, 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 the recreational collection of common invertebrate and plant fossils as well as limited amounts of petrified wood.

The National Trails System, created by law in 1968, includes 14 National Scenic Trails; eight National Historic Trails; over 800 National Recreation Trails; and two side/connecting trails. The NPS provides trailwide coordination for 16 of the 22 trails. These 22 trails cover almost 40,000 miles in combined length and cross 56 NPS areas and 90 National Forests; hundreds of miles of trail also cross BLM lands.

### ***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.

### ***Net Change in Natural Heritage Assets from 1999 to 2000***

The number of acres designated as Wilderness increased by 37,200 acres, while the number of Wilderness Areas increased by two. The number of river miles included in the National Wild and Scenic River System that are managed by the Department increased by ten, and the number of rivers increased by one. *Figure 39* shows the net change in these and other selected natural heritage designations from 1999 to 2000.

The Convention on Wetlands of International Importance, adopted in 1971, in Ramsar, Iran, provides a framework for the conservation of wetlands worldwide. The special value of 775 Wetlands of International Importance have been recognized in 93 countries. The FWS has 20 refuges that encompass 17 United States Ramsar sites.

The Western Hemisphere Shorebird Network was created in 1986 to foster international shorebird conservation through partnerships among countries throughout the Americas. At present, 19 sites are managed within FWS, 7 of which hold international status.

Figure 39

Net Change in Selected Natural Heritage Designations – 1999 to 2000			
Special Management Area	Net Change in Number	Net Change in Total Acres	Net Change in Total Miles
Areas of Critical Environmental Concern	+98	+933,711	
Headwaters Forest Reserve	+1	+7,400	
International Historic Site		+5	
National Back Country Byways	-9		-546
National Battlefield Parks		+18	
National Battlefields		-4	
National Conservation Areas	+1	+103,956	
National Fish Hatcheries & other Fish Facilities		-4,083	
National Historic Parks	-1	+852	
National Historic Sites		+614	
National Lakeshores		+96	
National Military Park		+471	
National Monuments	+5	+1,196,388	
National Parks	-1	+191,351	
National Preserves		+82,219	
National Recreation Areas		+2,733	
National Reserves		+103	
National Rivers		+49	
National Scenic Trails		+1,313	
National Seashores		-49	
National Wild and Scenic River Segments	+1	+3,200	+10
National Wilderness Areas	+2	+36,200	
National Wildlife Refuges	+9	+162,484	
Parkways		+61	
Refuge Coordination Areas		-49	
Waterfowl Production Areas	+1	+9,800	
Wilderness Study Areas	-4	+718,781	

## Cultural Heritage Assets

The Department of the Interior is steward for a large, varied, and scientifically important body of cultural heritage assets (*Figures 40 and 41*). These resources include archaeological sites, historical structures, cultural landscapes, and other resources. Many are listed on the National Register of Historic Places, acknowledging their importance to American history. Some are National Historic Landmarks that are exceptional in illustrating the heritage of the United States.

Interior's heritage assets come from public domain 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.

The Department conducts the World Heritage Sites program for the federal government under applicable law (1980) and program regulations (1982). Sites, including non-federal properties nominated with their owners' support, are nominated by the Assistant Secretary for Fish and Wildlife and Parks in a public process and approved by the International World Heritage Committee.

Figure 40

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.

A list of the 20 U.S. World Heritage Sites is provided below; properties have sometimes been grouped for nomination as a single World Heritage Site. Except where another owner is indicated in parentheses after the site name, the properties are National Park units.

1. Cahokia Mounds State Historic Site (State-owned), Illinois
2. Carlsbad Caverns National Park, New Mexico
3. Chaco Culture National Historical Park, New Mexico (includes Aztec Ruins National Monument (NPS) and five smaller BLM properties—Casamero, Kin Nizhoni, Pierre’s Site, Twin Angels, and Halfway House)
4. Everglades National Park, Florida
5. Glacier National Park, Montana
6. Grand Canyon National Park, Arizona
7. Great Smoky Mountains National Park, North Carolina-Tennessee
8. Hawaii Volcanoes National Park, Hawaii
9. Independence Hall, Pennsylvania
10. Wrangell-Saint Elias National Park and Preserve and Glacier Bay National Park, Alaska
11. La Fortaleza (Commonwealth of Puerto Rico) and San Juan National Historic Site, Puerto Rico
12. Mammoth Cave National Park, Kentucky
13. Mesa Verde National Park, Colorado
14. Monticello (private foundation) and the University of Virginia (state-owned), Virginia
15. Olympic National Park, Washington
16. Pueblo de Taos (owned by Taos Pueblo), New Mexico
17. Redwood National Park, California
18. Statue of Liberty, New York
19. Yellowstone National Park, Idaho-Montana-Wyoming
20. Yosemite National Park, California

**Figure 41**

<b>Number, Net Change, and Condition of Cultural Heritage Assets 1999 to 2000</b>			
<b>Type of Asset</b>	<b>Number of Assets</b>	<b>Net Change in Assets 1999 to 2000</b>	<b>Condition</b>
<b>Bureau of Land Management</b>			
National Register of Historic Places	263 Listings 4,107 Contributing Properties	+8 +497	Acceptable
Archaeological and Historical Properties	235,574 Properties	+7,581	Acceptable
National Historic Landmarks	22 Landmarks	-	Acceptable
<b>Fish and Wildlife Service</b>			
National Register of Historic Places	81 Listings	-18	Poor
Archaeological and Historical Properties	11,000 Properties	-	Poor
National Historic Landmarks	9 Landmarks	-	Poor
<b>National Park Service</b>			
Historical Structures	25,727 Structures	+1,502	Good 44% Fair 40% Poor 12% Unknown 4%
National Historic Landmarks	2,300 Landmarks	+2,107	Unclassified
Inventoried Cultural Landscapes	2,743 Landscapes	+2,384	Good 27% Fair 42% Poor 27% Removed 4%
Archaeological Sites	63,000 Sites	+3,000	Good 6% Poor 14% Unclassified 80%
<b>Bureau of Reclamation</b>			
National Register of Historic Places	49 Listings	-12	Unclassified
Archaeological and Historical Properties	10,936	+212	Unclassified
National Historic Landmarks	5	-	Unclassified
<b>Bureau of Indian Affairs</b>			
National Register of Historic Places	35 Listings	-	Unclassified
<b>Other Bureaus</b>			
National Register of Historic Places	9 Listings	-	Unclassified

## Museum Collections

Department of the Interior museum collections contain more than 117 million museum objects (*Figure 42*), including 69 million artifacts and specimens and 48 million documents. Disciplines represented include art, ethnography, archaeology, documents, history, biology, paleontology, and geology. Archaeology and documents account for more than 107 million of the total when documents are reported in terms of number of objects. If converted to linear feet, the 48 million documents reported this year equal 30,000 linear feet of archival documents. The increase 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. Museum collections managed by Department of the Interior bureaus are important both for their intrinsic value and for their associations with federal lands and resources managed by Interior bureaus.

Highlights for 2000 include completing documentation on more than four million objects, thereby improving their accountability and availability for public access. Bureau museum highlights are provided in *Figure 43*. Information on accessions, deaccessions, and conditions is incomplete. Available information is provided below in individual bureau discussions.

The management of the Interior's Museum Program is divided between two offices. The Office of Acquisition and Property Management develops departmentwide policies and strategies and provides oversight for the museum programs in all bureaus and offices. The Branch of Museum Services, in the Department's National Business Center provides departmentwide training and technical assistance to bureaus and offices, as well as managing operations of the Department museum and interpretation of the art and architecture of the Main Interior building. Filling staff vacancies in late 1999 and early 2000 allowed for the resumption of departmentwide training courses for the first time in three years and increased the availability of technical assistance services to bureaus and offices.

**Figure 42**

<b>2000 Data and 1999 Baseline Data for Interior Museum Collections That Are Inventoried or Part of Backlog</b>						
	<b>Total Collection Size</b>	<b>Held Within Interior</b>	<b>Held in Other Institutions</b>	<b>Number of Objects Inventoried (1999 Baseline)</b>	<b>Number of Objects Inventoried (2000 Actual)</b>	<b>Estimated Inventorying Backlog</b>
Bureau of Indian Affairs *	252,000	25,000	227,000*	116,718	128,241	123,000
Bureau of Land Management **	23,842,000	5,900,000	17,942,000	2,219,080	2,299,451	21,543,000
Bureau of Reclamation	8,274,000	3,920,000	4,354,000	3,272,444	4,804,510	3,470,000
Fish and Wildlife Service	4,430,000	825,000	3,605,000	1,200,000	1,327,000	3,103,000
National Park Service	80,356,000	77,385,000	2,971,000	34,814,431	37,265,175	43,090,000
Indian Arts and Crafts Board ***	12,000	12,000	0	11,480	11,615	<1,000
National Business Center	4,000	2,000	2,000	1,711	2,058	<2,000
Minerals Mgmt Service	<1,000	<1,000	0	54	54	0
U.S. Geological Survey	39,000	12,000	27,000	39,216	39,339	0
<b>Interior Totals</b>	<b>117,210,000</b>	<b>88,081,000</b>	<b>29,128,000</b>	<b>41,675,134</b>	<b>45,877,443</b>	<b>71,329,000</b>

\* BIA reduction of collection size reflects correction of a double-reporting error in past reports.

\*\* The Bureau of Land Management reports that estimates of the collection size will be revised.

\*\*\* The Indian Arts and Crafts Board baseline declined due to a congressionally mandated transfer of the Headquarters collection to the National Museum of the American Indian.

The Bureau of Indian Affairs reports 251,499 museum objects, of which approximately 90 percent are housed in 36 non-federal institutions. The remainder are distributed among 106 units in the BIA, where they support BIA's relationships with tribes. The reduction in number from 453,275 museum objects reported in 1999 reflects correction of a double-reporting error in past reports.

The Bureau of Land Management manages most of its collections through associations with approximately 190 non-federal repositories in 34 states and Canada. The condition of collections in non-federal facilities is unknown. The total collection size was last estimated at 23.8 million objects from the public lands; these survey numbers need to be revised. A total of 17.9 million objects are reported to be at the non-federal repositories, while 5.9 million objects and documents have been reported in BLM facilities. The condition of collections at federal facilities is acceptable. Data on 2000 accessions and conditions at non-federal repositories are not available.

The Bureau of Reclamation reports more than 7.8 million museum objects and documents, of which 4.4 million (54 percent) are in BOR facilities and 3.8 million (46 percent) are in non-federal institutions. Data on accessions and condition is not available. The reduction in number from 8.4 million reported in 1999 reflects documentation of collections in non-federal institutions. The BOR exceeded documentation targets by cataloging 1.5 million museum objects during 2000.

The Fish and Wildlife Service collections consist of over 4.4 million objects and documents, of which 825,000 (19 percent) are managed at 144 bureau units, and 3.6 million (81 percent) are managed at 217 non-federal institutions. Data on accessions is not available. The condition of FWS museum collections is estimated to be generally adequate to good, but precise data is not available. The FWS also manages seized and forfeited wildlife specimens and products, which are lent to zoos and other institutions for educational use and to the National Eagle Repository in Denver, Colorado.

National Park Service collections include 35 million artifacts and specimens and 45 million archival documents. Of the total 80 million objects and documents, 77 million objects (96 percent) are housed at 332 park units. A total of 142 non-federal institutions house three million National Park Service museum objects. Park Service museum management staff responded to over 42,000 public research requests and over 18,000 research requests from within the parks. They managed nearly 2,200 loans for over 9.5 million objects. Over 321,800 objects, specimens, and archival documentation were exhibited.

The Indian Arts and Crafts Board now holds 12,403 museum objects at three Board museums. Attendance at the three museums totaled 62,000. The Board acquired seven objects during 2000, three by purchase and four by gift. The general condition of Board collections is stable and safeguarded, as documented in conservation and fire protection surveys at the three Board museums. Of the 12,403 objects at the three Board museums in Montana, Oklahoma, and South Dakota, 11,615 (94 percent) are inventoried.

The National Business Center's Interior Museum collections contain 3,922 objects, 2,037 of which are in the Main Interior Building; the remaining 1,895 are at other institutions. The reduction in collection size from 4,759 objects reported in 1999 reflects more accurate inventorying of the collections. The condition of NBC collections is generally good, although there are concerns about deterioration from environmental threats and deferred preventive conservation measures.

The Minerals Management Service maintains a small collection of 54 objects in its administrative offices. There were no accessions or deaccessions during the year. The collection is fully documented and in stable condition. There are no deferred maintenance issues for the collection.

Figure 43

2000 Interior Museum Program Highlights	
DOI Entity	Selected Activities
Bureau of Indian Affairs	<ul style="list-style-type: none"> <li>- Completed on-site reviews at the three locations with the largest collections.</li> <li>- Increased the pace of NAGPRA compliance through visits to repositories and partnership with the U.S. Army Corps of Engineers to locate BIA collections.</li> </ul>
Bureau of Land Management	<ul style="list-style-type: none"> <li>- Continued facility improvements at Anasazi Heritage Center in Colorado.</li> <li>- Improved security, environmental controls, storage, laboratory and research space at the Billings Center in Montana.</li> <li>- Upgraded permanent exhibits at the National Historic Oregon Trail Interpretive Center.</li> <li>- Updated interactive web sites at BLM' s three facilities.</li> <li>- Received Save America Treasures Millennium Grant for conservation of fragile organic archaeological materials.</li> </ul>
Bureau of Reclamation	<ul style="list-style-type: none"> <li>- Increased numbers of objects inventoried from 3.27 million to 4.8 million.</li> <li>- Partnered with the University of Nevada, New Mexico Museum of Natural History and Sciences, and Museum of Northern Arizona to support exhibits of BOR collections.</li> <li>- Maintained website access to BOR fine art collections, hosting 19,500 visits.</li> </ul>
Fish and Wildlife Service	<ul style="list-style-type: none"> <li>- Initiated conservation and documentation of Civilian Conservation Corps and Works Progress Administration materials associated with 22 refuges and two fish hatcheries in the Rocky Mountain Great Plains Region.</li> <li>- Provided five museum internships in the Northeast Region to document and re-house history and archaeology collections from four refuges and a hatchery.</li> <li>- Upgraded permanent storage for 32,291 objects at Desoto National Wildlife Refuge in Iowa.</li> <li>- Responded to 69 research requests from 20 states on the Bertrand collection at Desoto National Wildlife Refuge.</li> </ul>
National Park Service	<ul style="list-style-type: none"> <li>- Cataloged 2.4 million items and corrected 1,927 planning, environmental, storage, security, and fire protection deficiencies in 230 parks.</li> <li>- Continued expansion of museum pages on the NPS website.</li> <li>- Exhibited over 348,000 objects, responded to over 50,000 public research requests, and over 14,000 research requests from park staff.</li> <li>- Installed 14 major exhibits in parks and completed historic furnishings installations in several parks.</li> </ul>
National Business Center	<ul style="list-style-type: none"> <li>- Presented 10 new exhibits in commemoration of the 150<sup>th</sup> anniversary of the Department' s creation.</li> <li>- Packed and moved Interior Museum collections to a new NPS facility in Maryland.</li> </ul>
Indian Arts and Crafts Board	<ul style="list-style-type: none"> <li>- Established a new Indian Arts and Crafts Board website.</li> <li>- With staff of the National Museum of the American Indian, completed the congressionally mandated transfer of the IACB headquarters collection of 7,000 objects to the National Museum.</li> </ul>
Minerals Management Service	<ul style="list-style-type: none"> <li>- Maintained exhibits at MMS headquarters and other MMS facilities.</li> <li>- Provided training for program managers.</li> </ul>
U.S. Geological Survey	<ul style="list-style-type: none"> <li>- Conducted bureauwide survey to identify additional items and collections for management as part of the museum program.</li> <li>- Completed documentation of USGS museum collections.</li> <li>- Improved storage space and equipment at the National, Central, and Western offices.</li> </ul>

The U. S. Geological Survey's museum collection consists of 39,339 objects, of which 12,488 specimens are housed in USGS facilities. The remaining 26,739 specimens are housed in partnership with two non-federal institutions. USGS Biological Resources Division staff acquire biological specimens through field collections each year. Twenty-six specimens were acquired in 2000. There were no withdrawals from the collections. All USGS collections are fully documented and are in good condition, with no deferred maintenance of the collections.

The number of objects reported as inventoried is a minimum number based on available data. More than 9.4 million objects have been inventoried since baseline data was collected in 1998. Additional collections at non-federal repositories may have been inventoried, but precise data is not available.

Beyond basic accountability, the Department encourages increasing public access to and use of museum collections to support the Department's missions.

## Library Collections

The Interior Department Library contains over 1.1 million 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 to Native American Indians and Alaska Natives. Departmental policy dictates that copies of all publications produced for or by its bureaus and offices be deposited in the Library, thus assuring a continuing, reliable source of information.

The U.S. Geological Survey's library collections cover all aspects of the earth sciences and related interdisciplinary subjects. The collection is comprehensive, covering as much as possible of worldwide literature in the library. There are 21 libraries within the USGS, including the Library Services Group Libraries at the National Center (the largest library) and its three branch libraries. The libraries, with the exception of Library Services Group Libraries, serve USGS personnel field offices, have separate administrations, and have small, specialized collections. Extensive sets of state and foreign geological survey publications, as well as publications from geological and other scientific societies, universities and institutions, and other government agencies throughout the world are included in the library's collection. Special collections include the George F. Kurt collection of books on gems and minerals, the Alvison collection on Russian geology, a minerals and mining collection, extensive photographs taken during USGS field work, field notebooks, and additional material relating to USGS projects.

## Investment in Research and Development

The U.S. Geological Survey Research and Development program was authorized by the March 3, 1879, legislation that created the U.S. Geological Survey to provide for the examination of geological structures, mineral resources, and products within and outside the national domain. Earth science research and information is used to save lives and property, safeguard human health, enhance the economic vitality of the Nation and its people, assess resources, characterize environments, and predict the impact of contamination.

The USGS provides credible, objective, and unbiased information needed by managers of the Nation's natural resources and resource managers within Interior. This information aids in solving critical societal problems through research, investigation, and the application of state-of-the-art geographic and cartographic methods. U.S. Geological Survey research assesses and predicts biological consequences of various policies and management practices. Interior's investment in research and development for 2000 is shown in *Figure 44*.

**Figure 44**

USGS Investment in Research and Development (\$ in millions)			
Type of Research	1998 *	1999	2000
Basic Research	\$62.6	\$78.0	\$63.0
Applied Research	506.6	672.0	656.0
Development	30.8	39.0	53.0
Total	\$600.0	\$789.0	\$771.0

\* 1998 data is based on obligations in lieu of expense data

## Investment in Human Capital

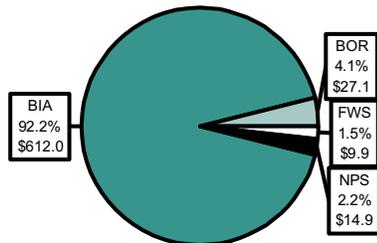
The Bureau of Indian Affairs administers its trust responsibility for education with the long-range goal of promoting healthy Indian communities through lifelong learning. This goal is achieved by providing quality educational opportunities from early childhood throughout life, with consideration given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

Through various Bureau of Indian Affairs programs, a significant investment in education has been made to help brighten the future of American Indians and Alaska Natives. In 2000, a total of \$612 million was expended for education programs benefitting American Indians and Alaska Natives. In 1999, a total of \$709 million was expended for these education programs. This amount was a budgetary amount reported by BIA.

In 2000, the Bureau of Reclamation, the National Park Service, and the Fish and Wildlife Service provided \$51.9 million in residential education and job training for disadvantaged youth through the Job Corps program. Interior's investment in human capital is shown in *Figures 44 and 45*.

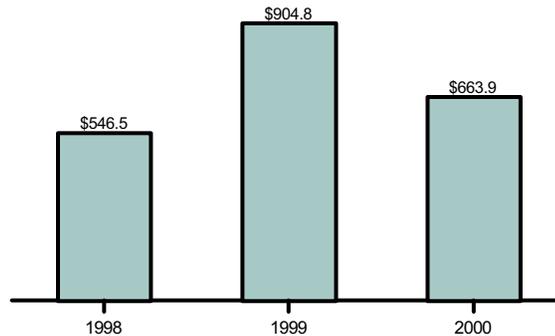
**Figure 44**

2000 Investment in Human Capital  
(\$ in millions)



**Figure 45**

1998 - 2000 Investment in Human Capital  
(\$ in millions)



## Investment In Non-Federal Physical Property

The Department invests in non-federal physical property. Non-federal physical property refers to those expenses incurred by the federal government for the purchase, construction, or major renovation of physical property owned by state and local governments, including major additions, alterations, and replacements; the purchase of major equipment; and the purchase or improvement of other physical assets. Grants for maintenance and operations are not considered investments. In 2000, Interior expended approximately \$823.9 million for non-federal physical property.

The Office of Insular Affairs provides capital improvement grants to United States insular areas to assist the islands in developing more efficient and effective governments. The capital investment in non-federal physical property in the islands was approximately \$31.9 million in 2000 (*Figures 46 and 47*). The Office of Insular Affairs no longer reports funds transferred to the Federal States of Micronesia and the Republic of the Marshall Islands as part of the stewardship assets report. The Compacts of Free Association do not require these governments to report on the use of a fiscal year's funds until the third quarter of the ensuing fiscal year. Thus, there is no data available for 2000.

**Figure 46**

Insular Area Capital Investment (\$ in millions)			
	1998	1999	2000
Commonwealth of Northern Marianas	\$9.0	\$9.7	\$14.1
Republic of Palau	1.4	1.1	0.8
Republic of Marshall Islands	0.2	0.4	0.6
Federated States of Micronesia	1.4	2.4	0.6
American Samoa	7.2	11.5	11.0
U.S. Virgin Islands	0.5	3.4	3.4
Guam	1.9	4.2	1.4
Compact Payments in Marshall Islands	25.0	29.7	*
Compact Payments in Micronesia	17.9	17.9	*
Total	\$64.5	\$80.3	\$31.9

\* Compact payments for 2000 are not available

Figure 47

2000 Insular Area Infrastructure Improvements (\$ in thousands)								
	Commonwealth of the Northern Marianas	Palau	Marshall Islands	Federated States of Micronesia	American Samoa	U.S. Virgin Islands	Guam	Total
Public Buildings <sup>1/</sup>	\$2,653	\$636	\$567	-	\$1,598	-	\$97	\$5,552
Schools <sup>2/</sup>	3,950	-	-	-	4,094	\$3,419	195	11,658
Utilities <sup>3/</sup>	1,641	115	-	\$21	1,325	-	254	3,357
Transportation <sup>4/</sup>	3,515	-	-	-	1,533	-	-	5,048
Sewage <sup>5/</sup>	2,387	89	-	547	1,344	-	879	5,246
Other <sup>6/</sup>	-	-	-	26	1,039	-	-	1,065
<b>Total</b>	<b>\$14,146</b>	<b>\$840</b>	<b>\$567</b>	<b>\$594</b>	<b>\$10,933</b>	<b>\$3,419</b>	<b>\$1,425</b>	<b>\$31,926</b>

<sup>1/</sup> Includes public buildings and hospitals

<sup>2/</sup> Includes schools and school gyms

<sup>3/</sup> Includes electric, water, and power

<sup>4/</sup> Includes transportation, roads, airports, tank farms (storage for airplane and boat gasoline)

<sup>5/</sup> Includes sewage, sewer, solid waste, waste water, sewer/drainage

<sup>6/</sup> Includes ports

The Bureau of Indian Affairs and the Federal Highway Administration jointly administer the Indian Reservation Roads and Bridges Program. In 2000, approximately \$273 million was expended on 1,603 projects, comprising an estimated 5,100 miles of roads. In 1999, the BIA expended approximately \$253.7 million on 1,852 projects. These projects involved road construction and maintenance on 2,932 miles of roads and 33 bridges.

The Fish and Wildlife Federal Aid in Sport Fish Restoration and the Federal Aid in Wildlife Restoration Programs are the mainstays of state fish and wildlife resource management efforts. Excise taxes, collected from manufacturers of equipment used in hunting and fishing, from sport shooting on ranges, and on motorboat fuels, are deposited into a trust fund and Treasury account for investment and then, after appropriate deductions, are apportioned to each state. In 2000, expenses of Sport Fish and Wildlife Restoration funding for the states were approximately \$519 million. The purposes for which these funds are awarded include providing or improving fishing and boating access; improving access trails; maintaining or improving hatchery and other fish and wildlife management support facilities; improving waterfowl impoundments; acquiring fish and wildlife habitat; providing public service announcements and other educational materials on aquatic and other wildlife resources; training students and volunteers in hunter education and aquatic and wildlife resource education; conducting biological investigations or inventories of fish and wildlife populations; and restoring or stocking fish and wildlife. The last five-year average apportionment to the states is over \$176 million for wildlife and more than \$239 million for sport fish restoration. A portion of these funds may be used for investments in non-federal physical property. Based on an analysis performed on 1999 data, this investment may be in excess of 50 percent.



# Other Supplemental Information

**U.S. Department of the Interior**  
**Consolidating Balance Sheet**  
**as of September 30, 2000**  
(dollars in thousands)

	Bureau of Indian Affairs	National Park Service	Bureau of Land Management	Fish and Wildlife Service	U.S. Geological Survey	Bureau of Reclamation
<b>ASSETS</b>						
Fund Balance with Treasury	\$929,733	\$1,605,800	\$772,900	\$898,957	\$224,546	\$3,229,004
Cash and Other Monetary Assets	35,781	366	45	458	47	95
Investments						
Treasury Securities	1,994	65	17,363	406,237	-	-
Public Securities	27,795	-	-	-	-	-
<b>Total Cash and Investments</b>	<b>995,303</b>	<b>1,606,231</b>	<b>790,308</b>	<b>1,305,652</b>	<b>224,593</b>	<b>3,229,099</b>
Accounts Receivable						
Public, Net of Allowance for Doubtful Accounts	19,103	9,136	12,648	4,407	70,997	289,345
Due from Federal Agencies	13,061	13,717	13,600	433,076	80,802	23,315
Advances and Prepayments	120	7,585	134	1,451	8,665	3,400
Loans and Long-Term Receivables	81,253	5,397	-	-	6,164	2,978,740
Inventory	-	-	361,417	628	15,610	-
Other Assets	330,338	7,801	32,612	-	-	394,160
<b>Total Other Assets</b>	<b>443,875</b>	<b>43,636</b>	<b>420,411</b>	<b>439,562</b>	<b>182,238</b>	<b>3,688,960</b>
<b>Property, Plant and Equipment</b>						
Buildings and Structures, Net	1,073,906	508,338	108,896	617,262	62,554	11,873,866
Construction in Progress, Net	115,651	148,412	31,493	82,829	-	1,218,073
Equipment, Vehicles and Aircraft, Net	84,756	140,790	99,835	76,817	84,249	42,433
Other Property and Equipment, Net	-	403	6,546	-	-	16,023
<b>Total Property, Plant and Equipment, Net</b>	<b>1,274,313</b>	<b>797,943</b>	<b>246,770</b>	<b>776,908</b>	<b>146,803</b>	<b>13,150,395</b>
Stewardship Assets						
<b>TOTAL ASSETS</b>	<b>\$2,713,491</b>	<b>\$2,447,810</b>	<b>\$1,457,489</b>	<b>\$2,522,122</b>	<b>\$553,634</b>	<b>\$20,068,454</b>
<b>LIABILITIES AND NET POSITION</b>						
<b>Liabilities</b>						
<b>Liabilities Covered by Budgetary Resources</b>						
Accounts Payable						
Due to the Public	\$93,232	\$49,153	\$33,026	\$50,851	\$95,105	\$199,459
Due to Treasury and Other Federal Agencies	13,947	24,151	8,999	13,674	7,065	23,862
Deferred Revenue						
Received from the Public	1,003	9,254	34,953	2,421	9,759	2,994,751
Received from Federal Agencies	4,880	80,797	27,664	65,409	39,150	2,833
Accrued Payroll and Benefits						
Due to the Public	26,762	50,807	32,903	22,952	31,211	18,024
Due to Federal Agencies	3,541	10,919	5,850	5,808	5,474	6,285
Other Liabilities						
Loan Due to Treasury	25,985	-	1,329,204	-	-	103,332
Custodial Liability due to Federal Agencies	-	-	-	-	-	-
Custodial Liability due to the Public	-	-	-	-	-	-
Due to the Public	15,915	-	230,377	(3,246)	398	40,841
Due to Federal Agencies	95,145	4,199	11,883	-	-	53
<b>Total Liabilities Covered by Budgetary Resources</b>	<b>280,410</b>	<b>229,280</b>	<b>1,714,859</b>	<b>157,869</b>	<b>188,162</b>	<b>3,389,440</b>
<b>Liabilities Not Covered by Budgetary Resources</b>						
Accrued Unfunded Annual Leave						
Due to the Public	21,418	70,819	45,384	35,827	47,860	44,140
Due to Federal Agencies	20,049	39,382	14,619	9,069	6,364	11,407
Actuarial Liabilities Due to the Public	111,897	205,051	69,773	51,949	32,966	84,564
Estimated Future Liability						
Due to the Public	595,810	12,264	22,945	42,000	14,794	5,534
Due to Federal Agencies	83,611	-	-	-	-	-
<b>Total Liabilities Not Covered by Budgetary Resources</b>	<b>832,785</b>	<b>327,516</b>	<b>152,721</b>	<b>138,845</b>	<b>101,984</b>	<b>145,645</b>
<b>Total Liabilities</b>	<b>1,113,195</b>	<b>556,796</b>	<b>1,867,580</b>	<b>296,714</b>	<b>290,146</b>	<b>3,535,085</b>
<b>Net Position</b>						
Unexpended Appropriations	1,125,765	714,260	287,543	380,575	189,111	204,695
Cumulative Results of Operations	474,531	1,176,754	(697,634)	1,844,833	74,377	16,328,674
<b>Total Net Position</b>	<b>1,600,296</b>	<b>1,891,014</b>	<b>(410,091)</b>	<b>2,225,408</b>	<b>263,488</b>	<b>16,533,369</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$2,713,491</b>	<b>\$2,447,810</b>	<b>\$1,457,489</b>	<b>\$2,522,122</b>	<b>\$553,634</b>	<b>\$20,068,454</b>

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

**U.S. Department of the Interior**  
**Consolidating Balance Sheet**  
**as of September 30, 2000**  
(dollars in thousands)

Office of Surface Mining	Minerals Management Service	Department Offices and Other	Conservation Funds	Custodial Activity	Elimination of Intra Department Activity	Total
\$44,699	\$88,654	\$672,918	\$14,952,023	\$328,616	-	\$23,747,850
-	-	5,838	-	-	-	42,630
1,832,171	-	231,802	905,329	23,205	-	3,418,166
-	-	127,844	-	-	-	155,639
1,876,870	88,654	1,038,402	15,857,352	351,821	-	27,364,285
2,492	496	5,235	-	660,478	-	1,074,337
10	24,543	46,707	-	-	(\$100,724)	548,107
-	15	179,838	-	-	(158,564)	42,644
-	-	14,679	-	-	-	3,086,233
-	-	497	-	-	-	378,152
-	-	12,252	-	-	-	777,163
2,502	25,054	259,208	-	660,478	(259,288)	5,906,636
-	-	41,777	-	-	-	14,286,599
-	-	222,103	-	-	-	1,818,561
2,891	11,410	30,217	-	-	-	573,398
-	-	3,520	-	-	-	26,492
2,891	11,410	297,617	-	-	-	16,705,050
\$1,882,263	\$125,118	\$1,595,227	\$15,857,352	\$1,012,299	(\$259,288)	\$49,975,971
\$2,441	\$31,543	\$22,645	-	-	-	\$577,455
119	1,532	28,014	-	-	(\$96,312)	25,051
-	2,708	360	-	-	-	3,055,209
342	1,284	91,396	-	-	(151,356)	162,399
2,334	6,263	12,584	-	-	-	203,840
463	1,155	1,723	-	-	-	41,218
-	-	15,017	-	-	-	1,473,538
-	-	-	-	\$880,701	-	880,701
-	-	-	-	131,598	-	131,598
529	-	10,956	-	-	-	295,770
22	-	2,399	-	-	(11,620)	102,081
6,250	44,485	185,094	-	1,012,299	(259,288)	6,948,860
4,150	9,947	12,939	-	-	-	292,484
669	1,344	3,429	-	-	-	106,332
2,485	5,929	20,213	-	-	-	584,827
120,677	156,500	10,325	-	-	-	980,849
-	-	-	-	-	-	83,611
127,981	173,720	46,906	-	-	-	2,048,103
134,231	218,205	232,000	-	1,012,299	(259,288)	8,996,963
38,438	9,306	604,063	-	-	-	3,553,756
1,709,594	(102,393)	759,164	\$15,857,352	-	-	37,425,252
1,748,032	(93,087)	1,363,227	15,857,352	-	-	40,979,008
\$1,882,263	\$125,118	\$1,595,227	\$15,857,352	\$1,012,299	(\$259,288)	\$49,975,971

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

**U.S. Department of the Interior**  
**Consolidating Statement of Net Cost of Operations**  
**for the year ended September 30, 2000**  
(dollars in thousands)

	Bureau of Indian Affairs	National Park Service	Bureau of Land Management	Fish and Wildlife Service
<b>Expenses</b>				
Operating Expenses	\$2,376,127	\$2,209,397	\$1,513,659	\$1,615,065
<b>Other Expenses</b>				
Depreciation and Amortization	91,613	57,627	27,729	40,177
Changes in Actuarial and Contingent Liabilities	118,660	47,805	30,877	16,177
Net Loss on Disposition of Assets	14,065	3,590	2,673	1,170
Interest on Borrowings from Treasury	6,559	0	0	0
Bad Debt Expense and Changes in Loan Subsidies	(4,966)	(77)	414	(23)
Other Interest Expense	289	313	52	64
<b>Total Other Expenses</b>	<b>226,220</b>	<b>109,258</b>	<b>61,745</b>	<b>57,565</b>
<b>Total Expenses</b>	<b>2,602,347</b>	<b>2,318,655</b>	<b>1,575,404</b>	<b>1,672,630</b>
<b>Revenues</b>				
Sales of goods and Services to the Public	50,734	242,837	183,278	47,807
Sales of goods and Services to Federal Agencies	164,109	57,479	35,373	87,049
<b>Interest Revenue</b>				
From the Public	10,191	95	8	(93)
From Federal Sources	7,613	5	477	0
<b>Total Interest Revenues</b>	<b>17,804</b>	<b>100</b>	<b>485</b>	<b>(93)</b>
<b>Total Revenues</b>	<b>232,647</b>	<b>300,416</b>	<b>219,136</b>	<b>134,763</b>
<b>NET COST OF OPERATIONS</b>	<b>\$2,369,700</b>	<b>\$2,018,239</b>	<b>\$1,356,268</b>	<b>\$1,537,867</b>

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

**U.S. Department of the Interior**  
**Consolidating Statement of Net Cost of Operations**  
**for the year ended September 30, 2000**  
(dollars in thousands)

U.S. Geological Survey	Bureau of Reclamation	Office of Surface Mining	Minerals Management Service	Department Offices and Other	Elimination of Intra Department Activity	Total
\$1,190,405	\$1,103,934	\$391,731	\$391,477	\$1,104,456	(\$428,909)	\$11,467,342
19,184	194,043	624	1,662	2,858	0	435,517
14,170	9,994	199	157,910	(65,931)	0	329,861
2,153	1,793	99	449	96	0	26,088
0	17,769	0	0	1,451	0	25,779
(1,365)	(209)	2	0	483	0	(5,741)
54	17	1	91	68	0	949
34,196	223,407	925	160,112	(60,975)	0	812,453
1,224,601	1,327,341	392,656	551,589	1,043,481	(428,909)	12,279,795
159,017	250,572	61	125,834	50,440	0	1,110,580
214,383	389,404	1,999	143,817	370,523	(428,883)	1,035,253
(1,064)	13,368	0	0	10,734	0	33,239
(3)	(736)	0	0	13,130	(26)	20,460
(1,067)	12,632	0	0	23,864	(26)	53,699
372,333	652,608	2,060	269,651	444,827	(428,909)	2,199,532
\$852,268	\$674,733	\$390,596	\$281,938	\$598,654	\$0	\$10,080,263

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

**U.S. Department of the Interior**  
**Consolidating Statement of Net Cost of Operations**  
**for the year ended September 30, 2000**  
(dollars in thousands)

	Protect the Environment and Preserve Our Nation's Natural & Cultural Resources	Provide Recreation for America	Manage Natural Resources for a Healthy Environment and Strong Economy
<b>Expenses</b>			
Operating Expenses	\$2,911,660	\$1,839,264	\$1,952,165
<b>Other Expenses</b>			
Depreciation and Amortization	64,394	44,102	202,008
Changes in Actuarial and Contingent Liabilities	34,630	39,251	183,024
Net Loss on Disposition of Assets	4,289	570	4,307
Interest on Borrowings from Treasury	0	0	39,205
Bad Debt Expense and Changes in Loan Subsidie	(84)	(35)	173
Other Interest Expense	161	231	137
<b>Total Other Expenses</b>	<b>103,390</b>	<b>84,119</b>	<b>428,854</b>
<b>Total Expenses</b>	<b>3,015,050</b>	<b>1,923,383</b>	<b>2,381,019</b>
<b>Revenues</b>			
Sales of goods and Services to the Public	227,325	189,719	434,260
Sales of goods and Services to Federal Agencies	125,120	43,117	434,556
<b>Interest Revenue</b>			
From the Public	0	94	11,047
From Federal Sources	10,617	3	1,231
<b>Total Interest Revenues</b>	<b>10,617</b>	<b>97</b>	<b>12,278</b>
<b>Total Revenues</b>	<b>363,062</b>	<b>232,933</b>	<b>881,094</b>
<b>NET COST OF OPERATIONS</b>	<b>\$2,651,988</b>	<b>\$1,690,450</b>	<b>\$1,499,925</b>

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

**U.S. Department of the Interior**  
**Consolidating Statement of Net Cost of Operations**  
**for the year ended September 30, 2000**  
(dollars in thousands)

Provide Science for a Changing World	Meet Our Responsibilities to American Indians & Island Communities	Working Capital Funds	Elimination of Intra- Department Activity and Other	Total
\$1,306,739	\$3,219,143	\$714,359	(\$475,988)	\$11,467,342
20,465	92,396	18,869	(6,717)	435,517
17,266	120,964	1,375	(66,649)	329,861
2,153	14,199	(240)	810	26,088
0	8,009	0	(21,435)	25,779
(126)	(4,960)	499	(1,208)	(5,741)
56	309	53	2	949
39,814	230,917	20,556	(95,197)	812,453
1,346,553	3,450,060	734,915	(571,185)	12,279,795
157,669	62,006	37,382	2,219	1,110,580
226,030	173,775	705,765	(673,110)	1,035,253
0	20,925	0	1,173	33,239
0	10,606	0	(1,997)	20,460
0	31,531	0	(824)	53,699
383,699	267,312	743,147	(671,715)	2,199,532
\$962,854	\$3,182,748	(\$8,232)	\$100,530	\$10,080,263

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

**U.S. Department of the Interior**  
**Consolidating Statement of Changes in Net Position**  
**for the year ended September 30, 2000**  
(dollars in thousands)

	Bureau of Indian Affairs	National Park Service	Bureau of Land Management	Fish and Wildlife Service	U.S. Geological Survey
<b>Change in Net Position from Entity Operations</b>					
Net Cost of Operations	(\$2,369,700)	(\$2,018,239)	(\$1,356,268)	(\$1,537,867)	(\$852,268)
Financing Sources					
Appropriations Used	2,170,283	1,733,840	1,346,717	903,183	791,909
Abandoned Mine Fees Collected	-	-	-	-	-
Taxes, Fines & Penalties	-	23	23	235,379	-
Imputed Financing Sources	27,675	61,768	43,832	30,231	42,858
Reclamation Fund Revenue and Other Revenue	-	(114)	-	22,787	-
Transfers, Net	52,756	194,172	(61,534)	326,307	5,057
Donated and Other Revenue and Financing Sources	21,753	67,263	43,503	30,592	7,438
Changes in Net Position from Financing Sources	<u>2,272,467</u>	<u>2,056,952</u>	<u>1,372,541</u>	<u>1,548,479</u>	<u>847,262</u>
<b>Total Change in Net Position from Entity Operations</b>	<u>(97,233)</u>	<u>38,713</u>	<u>16,273</u>	<u>10,612</u>	<u>(5,006)</u>
<b>Change in Net Position from Non-Entity Operations</b>					
Custodial Activity					
Collection of Custodial Revenue	-	-	-	-	-
Distribution of Custodial Revenue	-	-	-	-	-
Net Change in Royalties to be Transferred	-	-	-	-	-
Net Change from Custodial Activity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Conservation Fund Activity					
Conservation Fund Revenues and Inflows	-	-	-	-	-
Distributions from Conservation Funds	-	-	-	-	-
Net Change from Conservation Fund Activity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Results of Operations</b>	<u>(97,233)</u>	<u>38,713</u>	<u>16,273</u>	<u>10,612</u>	<u>(5,006)</u>
Prior Period Adjustments					
Change in Accounting for Non-Appropriated Funds	83,293	294,667	70,923	733,140	(3,623)
Other Prior Period Adjustments	99,915	(97,930)	7,160	(29,504)	(15,733)
Total Prior Period Adjustments	<u>183,208</u>	<u>196,737</u>	<u>78,083</u>	<u>703,636</u>	<u>(19,356)</u>
<b>Change In Net Position from Operations</b>	<u>85,975</u>	<u>235,450</u>	<u>94,356</u>	<u>714,248</u>	<u>(24,362)</u>
Decrease in Unexpended Appropriations	<u>(13,264)</u>	<u>(252,609)</u>	<u>(61,017)</u>	<u>(724,239)</u>	<u>38,962</u>
<b>Total Change In Net Position</b>	<u>72,711</u>	<u>(17,159)</u>	<u>33,339</u>	<u>(9,991)</u>	<u>14,600</u>
<b>Net Position - September 30, 1999</b>	<u>1,527,585</u>	<u>1,908,173</u>	<u>(443,430)</u>	<u>2,235,399</u>	<u>248,888</u>
<b>Net Position - September 30, 2000</b>	<u>\$1,600,296</u>	<u>\$1,891,014</u>	<u>(\$410,091)</u>	<u>\$2,225,408</u>	<u>\$263,488</u>

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

**U.S. Department of the Interior**  
**Consolidating Statement of Changes in Net Position**  
**for the year ended September 30, 2000**  
(dollars in thousands)

Bureau of Reclamation	Office of Surface Mining	Minerals Management Service	Department Offices and Other	Conservation Funds	Custodial Activity	Elimination of Intra Department Activity	Total
(\$674,733)	(\$390,596)	(\$281,938)	(\$598,654)	-	-	-	(\$10,080,263)
170,785	96,376	115,414	762,702	-	-	-	8,091,209
-	275,066	-	-	-	-	-	275,066
8	85	-	3,061	-	-	-	238,579
104,246	3,661	9,585	12,902	-	-	-	336,758
528,185	98,010	-	119	-	-	-	648,987
(74,403)	(20)	6,031	91,840	-	-	-	540,206
7,926	1	-	(135,049)	-	-	-	43,427
736,747	473,179	131,030	735,575	-	-	-	10,174,232
62,014	82,583	(150,908)	136,921	-	-	-	93,969
-	-	-	-	-	\$6,745,908	-	6,745,908
-	-	-	-	-	(8,495,503)	-	(8,495,503)
-	-	-	-	-	1,749,595	-	1,749,595
-	-	-	-	-	-	-	-
-	-	-	-	\$1,952,465	-	-	1,952,465
-	-	-	-	(552,793)	-	-	(552,793)
-	-	-	-	1,399,672	-	-	1,399,672
62,014	82,583	(150,908)	136,921	1,399,672	-	-	1,493,641
354,252	288,727	56,703	280,627	162	-	-	2,158,871
(670,840)	14	(5,320)	6,885	-	-	-	(705,353)
(316,588)	288,741	51,383	287,512	162	-	-	1,453,518
(254,574)	371,324	(99,525)	424,433	1,399,834	-	-	2,947,159
(322,174)	(283,361)	(63,842)	(450,695)	-	-	-	(2,132,239)
(576,748)	87,963	(163,367)	(26,262)	1,399,834	-	-	814,920
17,110,117	1,660,069	70,280	1,389,489	14,457,518	-	-	40,164,088
\$16,533,369	\$1,748,032	(\$93,087)	\$1,363,227	\$15,857,352	-	-	\$40,979,008

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

**U.S. Department of the Interior**  
**Consolidating Statement of Changes in Net Position**  
**for the year ended September 30, 2000**  
(dollars in thousands)

	Environment and Preserve Our Nation's Natural & Cultural Resources	Provide Recreation for America	Resources for a Healthy Environment and Strong Economy	Provide Science for a Changing World
<b>Change in Net Position from Entity Operations</b>				
Net Cost of Operations	(\$2,651,988)	(\$1,690,450)	(\$1,499,925)	(\$962,854)
Financing Sources				
Appropriations Used	1,677,231	1,469,336	848,896	888,750
Abandoned Mine Fees Collected	275,066	-	-	-
Taxes, Fines & Penalties	234,737	23	32	-
Imputed Financing Sources	59,002	57,321	114,683	46,395
Reclamation Fund Revenue and Other Revenue	120,363	2,308	3,341	-
Transfers, Net	447,544	215,117	173,186	5,539
Donated and Other Revenue and Financing Sources	6,799	41,354	5,148	7,438
Changes in Net Position from Financing Sources	<u>2,820,742</u>	<u>1,785,459</u>	<u>1,145,286</u>	<u>948,122</u>
<b>Total Change in Net Position from Entity Operations</b>	<u>168,754</u>	<u>95,009</u>	<u>(354,639)</u>	<u>(14,732)</u>
<b>Change in Net Position from Non-Entity Operations</b>				
Custodial Activity				
Collection of Custodial Revenue	-	-	-	-
Distribution of Custodial Revenue	-	-	-	-
Net Change in Royalties to be Transferred	-	-	-	-
Net Change from Custodial Activity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Conservation Fund Activity				
Conservation Fund Revenues and Inflows	-	-	-	-
Distributions from Conservation Funds	-	-	-	-
Net Change from Conservation Fund Activity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Results of Operations</b>	<u>168,754</u>	<u>95,009</u>	<u>(354,639)</u>	<u>(14,732)</u>
Prior Period Adjustments				
Change in Accounting for Non-Appropriated Funds	-	-	-	-
Other Prior Period Adjustments	(268,730)	(84,829)	(533,728)	(15,175)
Total Prior Period Adjustments	<u>(268,730)</u>	<u>(84,829)</u>	<u>(533,728)</u>	<u>(15,175)</u>
<b>Change In Net Position from Operations</b>	<u>(\$99,976)</u>	<u>\$10,180</u>	<u>(\$888,367)</u>	<u>(\$29,907)</u>
Decrease in Unexpended Appropriations				
<b>Total Change In Net Position</b>				
<b>Net Position - September 30, 1999</b>				
<b>Net Position - September 30, 2000</b>				

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

**U.S. Department of the Interior**  
**Consolidating Statement of Changes in Net Position**  
**for the year ended September 30, 2000**  
(dollars in thousands)

Responsibilities to American Indians & Island Communities	Working Capital Funds	Conservation Funds	Custodial Activity	Elimination of Intra- Department Activity and Other	Total
(\$3,182,748)	\$8,232	-	-	(\$100,530)	(\$10,080,263)
2,941,292	66,740	-	-	198,964	8,091,209
-	-	-	-	-	275,066
-	-	-	-	3,787	238,579
29,338	9,131	-	-	20,888	336,758
119	-	-	-	522,856	648,987
53,682	1,026	-	-	(355,888)	540,206
43,959	(61,271)	-	-	-	43,427
3,068,390	15,626	-	-	390,607	10,174,232
(114,358)	23,858	-	-	290,077	93,969
-	-	-	\$6,745,908	-	6,745,908
-	-	-	(8,495,503)	-	(8,495,503)
-	-	-	1,749,595	-	1,749,595
-	-	-	-	-	-
-	-	\$1,952,465	-	-	1,952,465
-	-	(552,793)	-	-	(552,793)
-	-	1,399,672	-	-	1,399,672
(114,358)	23,858	1,399,672	-	290,077	1,493,641
-	-	-	-	2,158,871	2,158,871
99,915	2,365	-	-	94,829	(705,353)
99,915	2,365	-	-	2,253,700	1,453,518
(\$14,443)	\$26,223	\$1,399,672	-	\$2,543,777	\$2,947,159
-	-	-	-	-	(2,132,239)
-	-	-	-	-	814,920
-	-	-	-	-	40,164,088
-	-	-	-	-	\$40,979,008

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

**U.S. Department of the Interior**  
**Combining Statement of Budgetary Resources**  
**for the year ended September 30, 2000**  
(dollars in thousands)

	Bureau of Indian Affairs	National Park Service	Bureau of Land Management	Fish and Wildlife Service
<b>Budgetary Resources</b>				
Budget Authority	\$2,415,385	\$2,129,248	\$1,421,861	\$1,575,325
Appropriations Available for Investment, Not Obligation	-	-	-	-
Unobligated Balances - Beginning of Period	611,712	922,789	253,434	702,750
Spending Authority from Offsetting Collections	210,700	139,810	122,624	76,999
Appropriations Available for Investment, Not Obligation	-	-	-	-
Other Adjustments	24,868	15,174	14,725	(92,411)
<b>Total of Budgetary Resources</b>	<b>3,262,665</b>	<b>3,207,021</b>	<b>1,812,644</b>	<b>2,262,663</b>
<b>Status of Budgetary Resources</b>				
Obligations Incurred	2,608,101	2,242,764	1,566,498	1,834,181
Unobligated Balances - Available	649,809	863,082	245,822	425,256
Unobligated Balances - Not Available	4,755	101,175	324	3,226
<b>Total Status of Budgetary Resources</b>	<b>3,262,665</b>	<b>3,207,021</b>	<b>1,812,644</b>	<b>2,262,663</b>
<b>Outlays</b>				
Total Obligations Incurred	2,608,101	2,242,764	1,566,498	1,834,181
Spending Authority from Offsetting Collections and Adjustments	(262,977)	(178,541)	(143,126)	(204,115)
Obligated Balance, Net - Beginning of Period	531,928	637,113	266,765	824,835
Obligated Balance Transferred, Net	1,861	-	-	-
Obligated Balance, Net - End of Period	(651,639)	(648,918)	(303,384)	(889,071)
<b>Total Outlays</b>	<b>\$2,227,274</b>	<b>\$2,052,418</b>	<b>\$1,386,753</b>	<b>\$1,565,830</b>

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

**U.S. Department of the Interior**  
**Combining Statement of Budgetary Resources**  
**for the year ended September 30, 2000**  
(dollars in thousands)

U.S. Geological Survey	Bureau of Reclamation	Office of Surface Mining	Minerals Management Service	Department Offices and Other	Conservation Funds	Custodial Activity	Total
\$817,192	\$921,351	\$410,945	\$116,940	\$863,167	-	\$694,262	\$11,365,676
-	-	1,507,745	-	-	\$905,023	-	2,412,768
79,823	355,439	61,302	5,830	335,279	-	-	3,328,358
413,876	573,141	2,086	299,910	566,246	-	-	2,405,392
-	-	(1,507,745)	-	-	(905,023)	-	(2,412,768)
(168)	(63,977)	32,961	15,558	11,022	-	-	(42,248)
<b>1,310,723</b>	<b>1,785,954</b>	<b>507,294</b>	<b>438,238</b>	<b>1,775,714</b>	<b>-</b>	<b>694,262</b>	<b>17,057,178</b>
1,224,922	1,549,176	437,137	427,880	1,400,965	-	694,262	13,985,886
68,679	235,302	65,461	9,041	370,264	-	-	2,932,716
17,122	1,476	4,696	1,317	4,485	-	-	138,576
<b>1,310,723</b>	<b>1,785,954</b>	<b>507,294</b>	<b>438,238</b>	<b>1,775,714</b>	<b>-</b>	<b>694,262</b>	<b>17,057,178</b>
1,224,922	1,549,176	437,137	427,880	1,400,965	-	694,262	13,985,886
(420,861)	(573,141)	(39,387)	(316,649)	(580,801)	-	-	(2,719,598)
123,260	547,240	268,890	74,060	409,597	-	12	3,683,700
-	-	-	-	-	-	-	1,861
(130,015)	(643,092)	(277,325)	(78,296)	(414,829)	-	-	(4,036,569)
<b>\$797,306</b>	<b>\$880,183</b>	<b>\$389,315</b>	<b>\$106,995</b>	<b>\$814,932</b>	<b>-</b>	<b>\$694,274</b>	<b>\$10,915,280</b>

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



# Inspector General Audit Report



# United States Department of the Interior

OFFICE OF INSPECTOR GENERAL  
Washington, D.C. 20240

FEB 28 2001

## Memorandum

To: Secretary

From: Earl E. Devaney  
Inspector General

Subject: Independent Auditors Report on the Department of the Interior Annual Report for Fiscal Year 2000 (No. 01-I-257)

We found that the Department of the Interior's (DOI) Consolidated Balance Sheet as of September 30, 2000 and the Consolidated Statement of Net Cost of Operations, Consolidated Statement of Changes in Net Position, Consolidated Statement of Custodial Activity, Combined Statement of Budgetary Resources, and Combined Statement of Financing for the fiscal year ended September 30, 2000 were fairly presented in all material respects.

We also identified 14 internal control weaknesses and other reportable conditions, some of which are material and long-standing, and noncompliance with laws and regulations. These weaknesses, which the DOI has made progress in correcting, did not affect our audit opinion. However, continued improvement in these areas is critical to the DOI's ability to prepare financial statements in the future that are accurate and timely. These areas are as follows:

Description	Number of Affected Bureaus
<b>Internal Control Weaknesses</b>	
- Account Analysis and Reconciliation	9
- Construction-in-Progress	4
- Unliquidated Obligations	7
- Lands and Land Rights	1
- Accruals	4
- Trading Partners	9
- Property, Plant and Equipment	5
- Financial Management and Accounting - MMS	1
- Security and General Controls Over Financial Management Systems	4
- Trust Funds	1
- Budgetary Data Reporting	3
<b>Reportable Conditions</b>	
- Deferred Maintenance Management and Reporting	2
- Grant Payments at Fish and Wildlife Service	1
- Interior Franchise Fund	1
<b>Noncompliance With Laws and Regulations</b>	
- Debt Collection Improvement Act of 1996	1
- Prompt Payment Act	2
- Federal Financial Management Improvement Act of 1996	5

These issues are discussed in more detail in the Independent Auditors Report (Attachment 1), and recommendations to address the specific internal control and compliance issues are presented in separate reports to the bureaus and offices.

Of equal importance to financial management improvement is the support of senior officials of the DOI. During the audit of the fiscal year 2000 financial statements, we identified 32 potential qualification issues. When senior officials were tasked by the Chief of Staff to become more actively involved in resolving these issues, including a commitment of support from program staff, 31 of the 32 issues were resolved. Continued commitment from senior management and the support to finance offices from program personnel are essential to the future improvements in accounting and reporting of the DOI.

#### TOP MANAGEMENT CHALLENGES

We identified, in accordance with Public Law 106-531, Reports Consolidation Act of 2000, the most serious management challenges facing the DOI. The challenges, identified below, are discussed in detail in "Management Challenges" (Attachment 2).

- Financial Management
- Information Technology
- Health and Safety
- Maintenance of Facilities
- Responsibility to Indians and Insular Areas
- Resource Protection/Restoration
- Revenue Collection
- Implementation of the Government Performance and Results Act
- Procurement, Contracts, and Grants

The Independent Auditors Report is intended for the information of management of the Department of the Interior, the Office of Management and Budget, and the Congress. The report, however, is a matter of public record, and its distribution is not limited.

Section 5(a) of the Inspector General Act (5 U.S.C. app. 3) requires the Office of Inspector General to list this report in its semiannual report to the Congress. In addition, the Office of Inspector General provides this audit report to the Congress.

We appreciate the cooperation and assistance of DOI personnel during the audit. If you have any questions, please contact me at (202) 208-5745.

Attachments (2)

# **Independent Auditors Report**

## **Department of the Interior**

### **Financial Statements**

### **Fiscal Year 2000**

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We have audited the Department of the Interior's (DOI) principal financial statements for the fiscal year ended September 30, 2000. The DOI's principal financial statements consist of the Consolidated Balance Sheet as of September 30, 2000 and the Consolidated Statement of Net Cost of Operations, Consolidated Statement of Changes in Net Position, Consolidated Statement of Custodial Activity, Combined Statement of Budgetary Resources, and Combined Statement of Financing for the fiscal year ended September 30, 2000. These financial statements are the responsibility of the DOI. Our responsibility is to express an opinion, based on our audit, on these principal financial statements.

We did not audit the financial statements of the Interior Franchise Fund (IFF) or the National Park Service, for which statements reflect total assets and expenses constituting 5 percent and 20 percent, respectively, of the consolidated totals of the DOI. In addition, we did not audit the amounts included by the Office of the Special Trustee for American Indians (OST) in the Fund Balance with Treasury, Treasury Securities, Other Government Securities, and Public Securities accounts, which represent less than 1 percent of the total consolidated assets of the DOI. The financial statements for the IFF and the National Park Service and the amounts included in the previously identified accounts by the OST were audited by other auditors, whose reports or work has been provided to us. Our opinion, insofar as it relates to the amounts included for the IFF and the National Park Service and the amounts included by the OST for the identified accounts, is based solely on the reports or work of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards, the "Government Auditing Standards," issued by the Comptroller General of the United States, and with Office of Management and Budget (OMB) Bulletin 01-02, "Audit Requirements for Federal Financial Statements." These 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 contained 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, as well as evaluating the overall financial statement presentation. We believe that our audit work and the work of the other auditors provide a reasonable basis for our opinion. The objective, scope, and methodology of our audit are discussed in Appendix 1.

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## Opinion on Principal Financial Statements

In our opinion, based on our audit and the reports or work of other auditors, the principal financial statements (pages 102-135) present fairly, in all material respects, the financial position of the DOI as of September 30, 2000 and its consolidated statement of net cost, consolidated statement of changes in net position, consolidated statement of custodial activity, combined statement of budgetary resources, and combined statement of financing for the fiscal year ended September 30, 2000 in conformity with generally accepted accounting principles.

As discussed in Note 18, the DOI changed its accounting for appropriations of trust and special receipt revenues in accordance with new guidance from the Department of Treasury. This change required a restatement of the beginning balances from Unexpended Appropriations to Cumulative Results.

As discussed in Note 22, the IFF's authorizing legislation is scheduled to expire on October 1, 2001, which creates uncertainty about the IFF's ability to continue as a going concern. The DOI's plans in regard to this matter are described in Note 22. The financial statements do not include any adjustments that might be necessary if the IFF is unable to continue as a going concern.

Our audit was conducted for the purpose of forming an opinion on the principal financial statements taken as a whole, and our opinion relates only to the principal financial statements. The supplemental financial and management information contained in the DOI's Accountability Report is presented for additional analysis and is not a required part of the principal financial statements. It is supplementary information required by the Federal Accounting Standards Advisory Board or OMB Bulletin 97-01, "Form and Content of Agency Financial Statements," as amended. We applied certain limited procedures, including discussions with management, on the methods of measurement and presentation of this information to ensure compliance with OMB guidance and consistency with the financial statements. However, we were unable to assess control risk relevant to the DOI's intragovernmental transactions and balances with non-Department of the Interior trading partners, because the DOI did not perform all of the required reconciliations with its trading partners, as required by the January 7, 2000 technical amendment to OMB Bulletin No. 97-01. We found that the information presented in the Management's Discussion and Analysis, Required Supplementary Information, Required Supplementary Stewardship Information, and Other Information sections were consistent with the principal financial statements. This information, however, has not been subjected to the auditing procedures applied to our audit of the principal statements, and accordingly, we express no opinion on it.

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## Report on Internal Controls

We conducted our audit in accordance with generally accepted auditing standards, the "Government Auditing Standards," issued by the Comptroller General of the United States, and with Bulletin 01-02.

In planning and performing our audit, we considered the DOI's internal controls over financial reporting by obtaining an understanding of the internal controls, determining whether the internal controls had been placed in operation, assessing control risks, and performing tests of controls to determine our auditing procedures for the purpose of expressing an opinion on the principal financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in Bulletin 01-02. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA), such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal controls, and accordingly, we do not express an opinion on the internal controls.

Our consideration of the internal controls over financial reporting would not necessarily disclose all matters in the internal controls over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls that, in our judgment, could adversely affect the DOI's ability to record, process, summarize, and report financial data consistent with the assertions made by management in the financial statements. Because of inherent limitations in internal controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected. We noted certain matters involving the internal controls and their operation that we considered to be material weaknesses or reportable conditions.

### Material Weaknesses

#### A. Account Analysis and Reconciliation

Account analyses and reconciliations between accounts, subsidiary records, and financial statements were not performed routinely throughout the year to identify and correct errors or inaccuracies. In fiscal year 2000, the DOI produced interim financial statements and performed limited account analyses and reconciliations for the period ended June 30, 2000, a positive step in improving financial management within the DOI. Most of the account analyses and reconciliations, however, were performed after the close of the fiscal year, resulting in over 1,000 adjustments to produce accurate financial information.

Although the DOI recognized the importance of ongoing account analyses and reconciliations, it has not been able to consistently implement these controls because of

limited resources in the finance offices. This weakness has not been disclosed in the DOI's FMFIA report.

**Departmental Response:** The Department concurs with this finding. While some adjustments are a normal and necessary part of the preparation of audited financial information, the Department understands the need for ongoing account analyses and reconciliations at the Bureau level. During FY 2000, the Department improved access to the Hyperion Enterprise Consolidated Financial Statement Application and began producing quarterly financial statements, which highlighted the need for periodic reconciliation of critical accounts during the year. The Department is reviewing the reconciliation processes based on an analysis of FY 2000 financial statement adjustments to identify areas for improvement and to streamline the reconciliation process. In addition, the Department is taking steps to address resource issues in finance offices, where possible, to provide resources for the reconciliation processes.

#### **B. Construction-in-Progress (Repeat Condition)**

The general ledger control accounts for construction-in-progress incorrectly included costs for completed projects, costs that should have been expensed when incurred, costs for land that should have been recorded in the standard general ledger for land, costs for grants that should have been expensed, and costs for projects where the construction had been placed in abeyance. To address these issues, DOI agencies need to establish and implement guidance identifying the appropriate charges to construction-in-progress.

**Departmental Response:** The Department concurs with this finding. Interior bureaus involved in this issue worked closely with the Office of Inspector General to resolve construction-in-progress reporting issues in FY 2000. Individual Bureaus are working to establish and implement guidance to ensure that the construction-in-progress improvements are maintained on an on-going basis.

#### **C. Unliquidated Obligations (Repeat Condition)**

Unliquidated obligations were not timely deobligated or adequately supported. In this regard, the DOI needs to (1) implement adequate policies and procedures to ensure that periodic assessments of the validity and accuracy of the unliquidated obligation transactions were conducted, (2) have procedures to update the general ledger undelivered orders account, (3) timely remove or deobligate the unliquidated obligations, and (4) follow established procedures for reviewing unliquidated obligations.

**Departmental Response:** The Department concurs with this finding. In FY 2000, improvements were made in individual bureaus to ensure the timely deobligation of unliquidated obligations. However, the Department recognizes that additional work is needed to appropriately address this issue and is committed to continuing to make improvements in this area.

#### **D. Lands and Land Rights (Repeat Condition)**

The inventory system to support the lands and land rights did not have complete and accurate information. To correct this problem, the DOI needs to establish adequate procedures for maintaining an accurate inventory of land and land rights and for reconciling its subsidiary records with its financial accounting system. The DOI has developed a five-year plan to address this issue.

**Departmental Response:** The Department concurs with this finding. This issue affects one bureau of the Department. Efforts are underway to continue to improve this bureau's procedures for maintaining land and land right records.

#### **E. Accruals (Repeat Condition)**

Liabilities were not properly accrued at year-end. During fiscal year 2000, the DOI estimated accrued liabilities for goods and services received at year-end. We found, however, that it did not include all goods and services that had been accepted but not billed to the DOI. To ensure proper year-end balances, invoices for goods and services that are not available when financial statements are prepared should be estimated for financial statement purposes. The intent of accruing liabilities at year-end is to properly report liabilities and expenses in the appropriate accounting period.

**Departmental Response:** The Department concurs with this finding. In FY 2000, the Department made certain improvements in recognizing accrual information. Additional efforts are planned for FY 2001 to further streamline the accrual process and provide more consistency in accounting for accruals across the Department.

#### **F. Trading Partners (Repeat Condition)**

Trading partners data, that is, transactions with other Federal agencies (intragovernmental) and within the DOI (intra-Departmental), were not properly summarized as required by the Treasury Financial Manual or accurately identified in the accounting system. The DOI sent out 32 requests to other Federal agencies requesting confirmation of \$11.3 billion in intragovernmental transactions. Of the 32, only 10 Federal agencies representing \$9 billion in transactions provided partial responses. Based on these partial responses, the DOI was able to reconcile transactions valued at \$3.8 billion, leaving \$7.5 billion unreconciled. For intra-Departmental transactions, the DOI was initially out of balance by over \$2 billion. The DOI was eventually able to reconcile the intra-Departmental transactions to within \$71 million; however, a significant amount of time and resources on the part of the DOI and bureau accounting staff were required to reconcile the data.

**Departmental Response:** The Department concurs with this finding. Intra-Department activity includes revenue and expense transactions of approximately \$890 million, assets and liabilities of approximately \$325 million, and transfers of approximately \$1,910 million. As noted above, DOI was able to reconcile the intra-Departmental

transactions to a net balance of under \$5 million, with a potential absolute value variance of up to \$71 million when considering individual account match-ups. This represents less than 3% of total intra-Department activity. In FY 2000, the Department made a major effort to improve tracking and reconciliation of activity with its trading partners that resulted in a significant improvement in the accuracy of data within the Department. The Department recognizes that additional steps, including quarterly reconciliations, are needed to streamline this process to eliminate the major effort required at the end of the year to reconcile out of balance conditions.

### **G. Property, Plant, and Equipment**

The buildings subsidiary ledger, other structures and facilities subsidiary ledger, and equipment subsidiary ledger did not have sufficient internal control procedures to ensure that account balances were stated in accordance with Statement of Federal Financial Accounting Standards No. 6, "Accounting for Property, Plant and Equipment." For example, we identified items that had incorrect acquisition costs, items that had been demolished but not removed from the ledgers, and items that had not been included in the ledgers. We also found that property items that should have been expensed were included in the subsidiary ledgers as capitalized property. This weakness has not been disclosed in the DOI's FMFIA report.

**Departmental Response:** The Department concurs with this finding. Major steps have been taken in the Bureau of Indian Affairs and in other bureaus to improve property, plant and equipment accounting. However, much of this effort occurs at the end of a fiscal year. The Department intends to continue the improvements being made in accounting for property, plant and equipment to minimize year-end adjustments.

### **H. Financial Management and Accounting Processes at Minerals Management Service (Repeat Condition)**

We were unable to express an opinion on the Minerals Management Service's (MMS) fiscal year 2000 financial statements for its appropriated funds because the MMS did not have financial data that were accurate, complete, and timely for fiscal year 2000. As a result of these and other conditions, the MMS missed critical milestones for the preparation of its fiscal year 2000 statements, resulting in the Office of Inspector General being unable to complete its audit.

The MMS has taken positive steps, however, to improve its financial management operations by creating a new unit that will be responsible for producing the financial statements and ensuring general ledger integrity. The MMS is in the process of hiring additional staff and implementing recommendations that were made by an outside contractor. The contractor was hired to review the MMS's internal control process.

**Departmental Response:** The Department concurs with this finding. The Minerals Management Service made significant improvements in FY 2000 and is placing a high priority on hiring additional personnel and addressing organization issues that led to this

situation. The Department and Minerals Management Service recognize additional improvements are necessary and are taking steps to ensure the continued improvement in the financial management of the bureau.

### **I. Security and General Controls Over Financial Management Systems**

Security and general controls over the DOI's financial management systems were not adequately established or were not operating effectively to ensure that sensitive or critical financial data or systems were safeguarded. In addition, documents such as risk assessments, security plans, and control reviews were prepared with little or no support for the determinations presented and without an indication that senior management had a clear understanding of the risks being accepted. Although the Chief Information Officer has drafted a DOI computer security management program, the DOI reported the lack of effective security and general controls over automated information systems as a material weakness under the FMFIA. DOI senior management needs to emphasize the importance of implementing effective computer security management programs that include financial management systems.

**Departmental Response:** The Department concurs with this finding. Computer security has been identified as a material weakness of the Department and appropriate steps are being taken to address this issue, recognizing that computer security is a major issues facing the Federal government as a whole as well as private sector organizations.

### **J. Trust Funds**

The OST is responsible for maintaining approximately 1,400 accounts for tribal and other special trust fund entities with combined monetary assets in excess of \$2.7 billion. The OST also maintains about 270,000 Individual Indian Monies accounts with a fund balance of approximately \$400 million. The independent auditors qualified audit report on trust funds concluded that (1) cash balances reflected in the accompanying combined financial statements are materially greater than balances reported by the U.S. Treasury; (2) inadequacies in various DOI Indian Trust Fund historical accounting systems and subsystems, controls, and records caused the systems to be unreliable; and (3) various tribal organizations and classes of individual Indians for whom the Office of Trust Funds Management (OTFM) holds financial assets in trust do not agree with certain OTFM accountings and balances recorded by the OTFM and certain of these parties have filed or are expected to file claims against the U.S. Federal Government. This may result in a potential liability of the U.S. Federal Government that is not reasonably estimable. The DOI's corrective action plan for these weaknesses is contained in the "High Level Implementation Plan."

**Departmental Response:** The Department concurs with this finding. There are long-standing, complicated problems with Indian Trust Fund management. The Department places a high priority on comprehensive Indian Trust reform efforts, including implementation of vital improvements to systems, policies and operations necessary to ensure meeting the trust obligations to Indian tribes and individuals.

## **K. Budgetary Data Reporting**

Budgetary accounting information included in Hyperion (the system used by the DOI to prepare its financial statements) required a significant number of adjusting entries to reconcile to the budgetary information reported in the FACTS II (Federal Agencies' Centralized Trial-Balance System II) system. FACTS II is an automated system that allows agencies to submit one set of accounting data that fulfills the needs of the OMB and the U.S. Department of the Treasury. Unsupported adjustments were made to FACTS II budgetary data in order to comply with FACTS II system edit restrictions and to correct budgetary amounts. To address these issues, the DOI needs to (1) ensure beginning balances are accurate, (2) correct system posting model problems, and (3) enter transactions and adjustments accurately. This weakness has not been disclosed in the DOI's FMFIA report.

**Departmental Response:** The Department concurs with this finding. FY 2000 was the first year that the Department was required to submit budget execution data to the Department of the Treasury through the FACTS II reporting process. The issues identified relate primarily to implementing this new system, and actions are underway to address the issues raised in the implementation of the FACTS II system. In November 2000, the Department established a Budget Execution Reporting Working Group consisting of bureau and Departmental budget and finance personnel to improve the reporting of budget execution data. In addition, the Department is working closely with the OMB and the U.S. Department of the Treasury to address specific budget execution issues unique to the Department of the Interior. The Department is also arranging for comprehensive training of finance and budget execution personnel on budget accounting and reporting topics.

## **Reportable Conditions**

### **L. Deferred Maintenance Management and Reporting (Repeat Condition)**

Amounts reported for deferred maintenance were not adequately supported. We found that formal policies and procedures for conducting periodic condition assessment surveys and for computing, compiling, and reporting deferred maintenance funding estimates needed to be established by the DOI and the bureaus to promote consistency and accuracy. In addition, the supervisory and monitoring controls over deferred maintenance reporting require strengthening to ensure that deferred maintenance estimates are accurate and complete and are supported by adequate documentation.

**Departmental Response:** The Department concurs with this finding. The Department recognizes the need to continue to improve controls over deferred maintenance management and reporting. Progress is being made in implementing a process to perform condition assessments of facilities throughout the Department to appropriately determine estimated deferred maintenance costs. This process is a high priority of the Department,

and the Department has established a five-year capital planning process to improve facilities maintenance and construction planning.

#### **M. Grant Payments at Fish and Wildlife Service**

The Fish and Wildlife Service (FWS) could not verify that the drawdowns by grantees were for costs that the grantee incurred during fiscal year 2000. The FWS needs to improve its process to obtain information on costs incurred from grant recipients. Currently, the DOI is working with other Federal agencies as part of the Interagency Electronic Grants Committee to develop and implement electronic processes to streamline reporting processes for grantees, which will address this issue.

**Departmental Response:** The Department concurs with this finding. This issue has been identified as a material weakness of the Department and is being addressed by an improvement plan established by the Fish and Wildlife Service to resolve financial assistance management issues.

#### **N. Interior Franchise Fund**

The independent auditors report on the IFF identified a lack of key controls over the IFF's financial reporting process. Specifically, improvements are needed in controls over the monitoring of service provider relationships, disbursements made to service providers, pricing knowledge, the check receipt and deposit function, and accounts receivable balances. The independent auditors also noted the need for documented policies and procedures for the year-end closing process and for one of the IFF's service providers, a lack of risk assessments, and inadequate software change controls. The IFF has developed a corrective action plan for the identified weaknesses and the DOI.

The independent auditors also reported that the IFF's authorizing legislation is scheduled to expire on October 1, 2001. The ability of the IFF to continue as a going concern is dependent on the renewal of its authorizing legislation. The DOI is investigating alternatives based on Congressional actions to address the Franchise Fund Pilot Program sunset provisions or other specific DOI remedies.

**Departmental Response:** The Department concurs with this finding. The Department recognizes the need to continue to improve procedures in the IFF pilot program and plans to make further improvements in procedures and systems building on this pilot experience. Further, the Department recognizes that the ability of the IFF to continue as a going concern is dependent on renewal of their authorizing legislation. Management is exploring alternatives based on congressional actions to address the Franchise Fund Pilot Program sunset provision in the Government Management Reform Act of 1994 (GMRA) or other specific Departmental remedies.

## **Stewardship and Performance Measures**

We considered the DOI's internal controls over the Required Supplementary Stewardship Information by obtaining an understanding of the DOI's internal controls, determining whether these internal controls were operating, assessing control risk, and performing tests of controls as required by Bulletin 01-02. Our review was not of sufficient scope to provide assurance on these controls. Accordingly, we do not provide an opinion on such controls.

With respect to internal controls related to performance measures reported in the Management's Discussion and Analysis section, we obtained an understanding of the existence and completeness assertions, as required by Bulletin 01-02. Our procedures were not designed to provide assurance over internal controls over reported performance measures, and accordingly, we do not provide an opinion on such controls.

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## **Report on Compliance With Laws and Regulations**

We conducted our audit in accordance with generally accepted auditing standards, the "Government Auditing Standards," issued by the Comptroller General of the United States, and with Bulletin 01-02.

Management of the DOI is responsible for complying with applicable laws and regulations. As part of obtaining reasonable assurance as to whether the DOI's financial statements are free of material misstatement, we performed tests of the DOI's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in Bulletin 01-02, including the requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. We limited our tests of compliance to these provisions, and we did not test compliance with all laws and regulations applicable to the DOI.

The results of our tests of compliance with laws and regulations discussed in the preceding paragraph exclusive of the FFMIA disclosed instances of noncompliance that are required to be reported under the "Government Auditing Standards" or Bulletin 01-02. The areas of noncompliance are described below.

### **O. Debt Collection Improvement Act of 1996**

The Debt Collection Improvement Act of 1996 requires that all eligible receivables delinquent for more than 180 days be referred to the U.S. Treasury for collection or offset. Eligible receivables are those receivables that are not in bankruptcy, litigation, or foreclosure status and that have not been referred to a private collection agency or the Internal Revenue Service for tax refund offset.

The Bureau of Indian Affairs (BIA) did not timely transfer all eligible accounts receivable that were delinquent for more than 180 days to the Treasury for collection or offset. For example, the BIA reported that it had referred delinquent accounts receivable of \$7.6 million to the Treasury for collection or offset at September 30, 2000. However, we found that the BIA had additional accounts receivable of at least \$6.7 million that were delinquent for more than 180 days and were eligible for referral at September 30, 2000.

**Departmental Response:** The Department concurs with this finding. The Bureau of Indian Affairs has made significant progress in resolving or transferring debt from delinquent loans to the Department of the Treasury. Further, the Bureau has made the transfer of delinquent debt related to irrigation and power projects to the Department of the Treasury on a timely basis a top priority of the Bureau.

#### **P. Office of Management and Budget Circular A-11**

Office of Management and Budget Circular A-11, "Preparation and Submission of Budget Estimates," requires that a financing disbursement for a downward reestimate of credit program subsidy cost be made from a financing account to a general fund receipt account that has been established for each credit program. The BIA did not transfer its fiscal year 1999 downward reestimate of subsidy cost for its guaranteed loan program to the related general fund receipt account that was established for guaranteed loans. In addition, the BIA did not ensure that a general fund receipt account for downward reestimates of subsidy cost for its direct loan program had been established.

**Departmental Response:** The Department concurs with this finding. The Bureau of Indian Affairs is taking corrective actions to address certain loan accounting issues through organizational, procedural and training initiatives.

#### **Q. Prompt Payment Act**

The Prompt Payment Act 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. For example, quality control reviews prepared by the Chief, Accounting Operations Branch, National Business Center, for fiscal year 2000 stated that the accuracy of the BIA's Prompt Payment Report was not acceptable because of the number of payment processing errors found. Our review of all fiscal year 2000 quality control quarterly reports disclosed that the BIA had made incorrect data entries into the Federal Financial System ranging from 15 to 30 percent for those items tested. In another instance, the U.S. Geological Survey did not timely compensate vendors for purchases totaling an estimated \$24 million and did not pay late payment interest penalties totaling an estimated \$89,000.

**Departmental Response:** The Department concurs with this finding. The prompt payment of bills has been and continues to be a high priority of the Department. Although, overall, the Department has reached its target of paying 97% of bills on a timely basis, individual bureaus need to continue to improve controls over this process.

The Bureau of Indian Affairs' quarterly review process is an integral part of the Bureau's management of prompt pay performance. These reviews continue to highlight the need to improve the Bureau of Indian Affairs' prompt pay process. To resolve this issue, the Bureau intends to streamline the current process, reduce the complexity of current procedures and improve the training of personnel throughout the Bureau to improve the timely processing of payments. Further, the U.S. Geological Survey is reviewing their prompt payment procedures to ensure full compliance with the Prompt Payment Act.

### **Federal Financial Management Improvement Act**

Under the FFMIA, we are required to report whether the DOI's financial management systems substantially comply with Federal financial management system requirements, applicable Federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA section 803(a) requirements.

The results of our tests disclosed no instances in which the DOI did not substantially comply with the U.S. Government Standard General Ledger at the transaction level. However, the results of our tests disclosed instances described below where the DOI was not in full compliance with the accounting standards and the financial management system requirements.

#### **R. Accounting Standards**

- **Stewardship Investment:** Statement of Federal Financial Accounting Standards No. 8, "Supplementary Stewardship Reporting," requires that investments in non-Federal physical property be reported as a part of Required Supplementary Stewardship information. The FWS did not separately report on investments in non-Federal physical property made by grantees under its Federal Aid in Sport Fish and Wildlife Restoration Programs in fiscal year 2000. Subsequently, the DOI reported the entire amount of the grant programs, \$519 million, as a part of its stewardship investment. In contrast, the FWS reported that grantees made stewardship investments totaling \$191.2 million for acquiring and improving lands and non-Federal physical property in fiscal year 1999. Because the DOI reported the entire expenditure for the program, not just the amount expended for investment in non-Federal physical property, the DOI was not in compliance with the reporting requirements of Standard No. 8.

**Departmental Response:** While the Department concurs that FWS should report its investment in non-Federal physical property, the Department does not agree that this represents a substantial noncompliance with Standard No.8. The FY 2000 Departmental reporting is limited to information maintained by the Department of grant monies provided to non-Federal entities. These amounts may be used for multiple purposes including investments in non-Federal physical property. Before the Department could separately report accurate investments in non-Federal physical property, the Department would need to capture information from grant recipients on specific types of expenditures. Currently, this information is difficult to obtain and cannot be verified.

- **Cost Accounting:** The BIA had not developed managerial cost accounting systems that adequately captured all elements necessary for assigning indirect costs on a reasonable basis. Specifically, the BIA did not allocate indirect costs to its responsibility segments or identify its indirect costs as a separate segment as of September 30, 2000. For fiscal year 2000, the BIA intermingled its indirect costs within the \$345.8 million reported for expenses in the responsibility segment identified as Tribal Quality - Administration and Support Services.

Although the BIA was not in full compliance with cost accounting, overall the DOI is making significant progress in this area. The DOI has developed an implementation strategy to bring it into full compliance.

**Departmental Response:** The Department concurs with this finding. The Bureau of Indian Affairs is currently evaluating certain cost accumulation and allocations processes. The focus of this evaluation is to ensure that costs accumulated for financial statement reporting of responsibility segment information is consistent with the Government Performance Results Act (GPRA) reporting of GPRA Program Segment information and properly relates to budget reporting for the Bureau.

#### **S. Financial Management System Requirements**

The DOI's financial management systems did not substantially comply with Federal financial management system requirements. Although the DOI has made some improvements in its financial management systems, its controls overall have been weak and have resulted in unreliable, untimely, and inconsistent financial information. In addition, bureaus and offices do not have computer security management programs to ensure that their financial data and systems are adequately safeguarded and that financial data have integrity. In that regard, the DOI does have a draft plan for a computer security management program, which includes financial management systems, but the DOI plan has not been implemented.

The DOI has identified inadequate security and general controls over automated systems as a material weakness under the FMFIA and has established a remediation plan and time frames for implementing corrective actions.

**Departmental Response:** The Department concurs with this finding. The Department recognizes that integrity over financial management systems is critical to maintaining the accuracy of financial data used in the preparation of financial statements. The Department is committed to continuing improvements in the quality of financial data. Further, computer security has been identified as a material weakness of the Department and appropriate steps are being taken to address this issue.

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit, and accordingly, we do not provide such an opinion.

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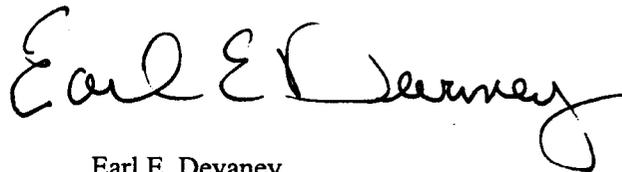
## Prior Audit Coverage

We reviewed prior Office of Inspector General and General Accounting Office audit reports related to the DOI's financial statements to determine whether these reports contained any unresolved or unimplemented recommendations that were significant to the DOI's financial statements or internal controls. The internal control issues identified as repeat conditions in the Internal Control section were identified in prior Office of Inspector General reports. These issues remain unresolved. We found that there were no General Accounting Office audit reports that contained significant unresolved or unimplemented recommendations related to the DOI's consolidated financial statements or internal controls.

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Section 5(a) of the Inspector General Act (5 U.S.C. app. 3) requires the Office of Inspector General to list this report in its semiannual report to the Congress. In addition, the Office of Inspector General provides copies of this audit report to the Congress.

This report is intended for the information of management of the DOI, the OMB, and the Congress. However, this report is a matter of public record, and its distribution is not limited



Earl E. Devaney  
Inspector General  
February 27, 2001

## Objective, Scope, and Methodology

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Management of the Department of the Interior (DOI) is responsible for the following:

- Preparing the principal financial statements and the required supplementary information in conformity with generally accepted accounting principles and preparing the other information contained in the Accountability Report for fiscal year 2000.
- 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 DOI's principal financial statements.
- Obtaining an understanding of the internal controls based on the internal control objectives contained in Office of Management and Budget Bulletin 01-02, "Audit Requirements for Federal Financial Statements," which require that transactions be properly recorded, processed, and summarized to permit the preparation of the principal financial statements and the required supplementary information in accordance with Federal accounting standards, that assets be safeguarded against loss from unauthorized acquisition, use, or disposal, and that transactions and other data that support reported performance measures be properly recorded, processed, and summarized to permit the preparation of performance information in accordance with criteria stated by management.
- Testing the DOI's compliance with certain provisions of laws and regulations that could materially affect the principal financial statements or the required supplementary information.

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 the safeguarding of assets, compliance with laws and regulations, including the execution of

transactions in accordance with budget authority, financial reporting, and certain performance measure information reported in the Accountability Report.

- Tested relevant internal controls over the safeguarding of assets, compliance with laws and regulations, including the execution of transactions in accordance with budget authority, and financial reporting.

- Tested compliance with certain 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 needed to achieve the objectives outlined in our report on internal controls.

## **Management Challenges**

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**1. Financial Management.** The preparation of reliable financial statements as required by the Chief Financial Officers (CFO) Act continues to be a major challenge facing the Department of the Interior (DOI) and its bureaus. The DOI has made progress in producing reliable financial statements. In that regard, we issued unqualified opinions on the fiscal year 1999 financial statements for the DOI and seven of the nine bureaus. The Minerals Management Service (MMS) was unable to issue financial statements for its appropriated funds because its financial data were not accurate, complete, and timely because of insufficient internal controls. The BOR needed to make significant adjustments to its construction-in-progress account. In addition, the certified public accounting firm that conducted the audit of the financial statements for Indian Trust Funds held by the Office of the Special Trustee for American Indians issued a qualified opinion because the statements were not accurate and there was an irreconcilable difference of about \$35 million between recorded cash balances and the balances reported by the U.S. Treasury.

We also identified several areas where internal controls needed to be strengthened and where the bureaus had not fully complied with certain laws and regulations. For example, the Bureau of Indian Affairs (BIA), the U.S. Geological Survey (USGS), and the Fish and Wildlife Service (FWS) did not have adequate controls to ensure that unliquidated obligations were timely deobligated and adequately supported. Tests during our audit of the 1999 statements disclosed that the unliquidated obligation balance of September 30, 1999 was overstated by \$46.6 million. During the audit, the bureaus made the necessary adjusting entries. Our 1999 audit also disclosed noncompliance by certain organizations with the CFO Act, the Debt Collection Improvement Act of 1996, the Prompt Payment Act, the Government Management Reform Act of 1994, and the Federal Financial Management Improvement Act.

**2. Information Technology.** With advances in information technology, such as interconnectivity between physical and cyber-based critical infrastructures and interconnectivity among the Federal Government and private companies and citizens through the Internet, Federal agencies will be required to implement adequate safeguards to secure their systems.

The General Accounting Office (GAO) and the Office of Inspector General (OIG) have performed numerous audits of the controls over the DOI's computer-based systems, including financial and nonfinancial systems, and have identified many weaknesses. For example, the DOI and its bureaus and offices do not have an effectively operating system security management program. Although the DOI Chief Information Officer has drafted a plan for a computer security management program that provides for the DOI's systems to meet minimum standards and to operate effectively, the plan has not been implemented. Further, the DOI's bureaus and offices need to develop and implement individual system security management plans to ensure that their systems security responsibilities are assigned and carried out, security plans for all computer-based systems are updated when appropriate or mandated, risks and vulnerabilities are mitigated and residual risks are accepted by senior management, computer security training is

provided on a continuing basis, systems users' access/passwords and user authorizations are controlled, and operating systems and networks are adequately safeguarded.

**3. Health and Safety.** The DOI is responsible for protecting the health and safety of the increasing number of recreational visitors to its lands and facilities, as well as its own workforce. In fiscal year 1999, the National Park Service's (NPS) park system had more than 280 million visits, the Bureau of Land Management's (BLM) public lands had about 75 million visits, the FWS's National Wildlife Refuge System had about 36 million visits, and the Bureau of Reclamation's (BOR) water projects created water-based recreation opportunities for about 90 million visitors. Accordingly, ensuring employee and visitor safety is clearly a priority and a challenge.

Key in addressing this challenge is protecting visitors and residents from the dangers of fire and crime, ensuring that concessions are operated in a safe manner, and ensuring that employees have safe working conditions and are adequately trained in safe working practices. Both the BLM and the NPS have reported material weaknesses in employee and public safety. BLM management is concerned that it has not assigned appropriate resources to provide required safety training for state safety managers and needs to intensify its monitoring of its safety program. The NPS reported in November 2000 that its Structural Fire Program does not provide adequate protection of people, contents, structures, and resources from the effects of fire. Both bureaus are taking steps to correct these deficiencies.

A long-standing problem is the DOI's liability for cleaning up sites contaminated by hazardous materials, abandoned mine sites, oil and gas wells, leaking underground storage tanks and pipelines, and illegal dumping. In its Accountability Report for fiscal year 1999, the DOI estimated that its contingent liability could be over \$390 million.

**4. Maintenance of Facilities.** Adequate maintenance of the DOI's large and aging inventory of buildings, structures, facilities, and equipment continues to be one of the most challenging issues facing the DOI. The DOI is responsible for maintaining a wide variety of assets, including schools, office buildings, bridges, dams, irrigation systems, roads, and historic buildings and structures. The deferred maintenance backlog for these assets is growing, and the DOI reported that as of September 30, 1999, the backlog ranged from \$7.8 billion to \$13.7 billion. Reviews conducted by our office, the GAO, and the bureaus show that the DOI has not been able to effectively carry out its maintenance responsibilities or even develop a reliable estimate of the extent of the backlog.

The lack of an adequate, standardized automated maintenance management system has severely inhibited the DOI's ability to effectively carry out its maintenance management responsibilities. The DOI has recognized this problem and has reported "Inadequate Department-wide Maintenance Management Capability" as a mission-critical material weakness in its Accountability Report for fiscal year 1999. The DOI has developed an adequate plan to correct this condition.

## **5. Responsibility to Indians and Insular Areas.**

### Responsibility to Indians

For a number of years, the BIA has experienced administrative and management problems that have constrained its ability to effectively carry out its mission to enhance the quality of life; to promote economic opportunity; and to protect and improve the trust assets of American Indians, Indian tribes, and Alaska Natives. Several of these problems were highlighted in an August 1999 report by the National Academy of Public Administration entitled "A Study in Management and Administration: The Bureau of Indian Affairs." The report identified problems in the areas of the BIA's trust responsibility, Indian self-determination, and self-governance through contracting and compacting, facilities management and roads maintenance, safety management, law enforcement, housing, social services, and education. Many of these problems are long-standing and had been identified in previous OIG and GAO audit reports. The Academy's report recommended wide-ranging changes in organization, policies and procedures, and staffing to correct these problems.

Another area of special concern is Indian education. The BIA administers a school system for the American Indian population consisting of 185 schools, which have almost 50,000 students in 23 states. Of the 185 schools, 64 are operated by the BIA and 121 are operated by tribal organizations under contracts or grants. For fiscal year 2000, the BIA received education program funding of approximately \$686 million. The administration of this complex system is also impacted by the poor physical condition of Indian schools, which has been well documented in past OIG and GAO reports and in the Academy's recent report.

### Responsibility to Insular Areas

Our audits have shown that long-standing financial and program management deficiencies continue to exist in the U.S. insular areas. Specifically, the insular area governments experience difficulties in accurately accounting for expenditures, collecting taxes and other revenues, controlling the level of expenditures, and delivering program services. Contributing to the long-standing problems is the fact that although each of the insular areas has an internal audit organization, with few exceptions, those organizations do not have the staff, resources, or independence necessary to provide effective and objective audit coverage of local government operations.

Under the Insular Areas Act of 1982, the OIG has audit authority covering both federal and nonfederal funds in Guam, American Samoa, the U.S. Virgin Islands, and the Commonwealth of the Northern Mariana Islands. The OIG also has audit authority over federal funds in the Federated States of Micronesia, the Republic of Palau, and the Marshall Islands pursuant to the Compact of Free Association Act of 1985. However, neither the OIG nor the DOI has the authority to enforce resolution and implementation of OIG audit recommendations made to insular area government officials. As a result, the OIG recommendations and recommendations contained in single audit reports issued

by independent accounting firms are rendered meaningless, and some insular areas remain in financial crisis.

**6. Resource Protection/Restoration.** The DOI administers over 437 million acres of Federal land throughout the United States and the insular areas and has myriad responsibilities for protecting and restoring the Nation's natural and cultural resources. For example, the Office of Surface Mining Reclamation and Enforcement is responsible for ensuring that coal mining operations are conducted in an environmentally sound manner and for restoring lands damaged by past coal mining practices; the BLM is responsible for ensuring the appropriate economic and recreational uses of public lands and for protecting the wild horse and burro population; the FWS is responsible for maintaining a healthy habitat for fish and wildlife resources, particularly for endangered and threatened species; the NPS is responsible for protecting the natural and cultural resources in our parks; and the BOR and the USGS are responsible for protecting and improving the quality and quantity of our Nation's water. The DOI faces growing challenges in these areas as the demand for economic and recreational uses of our lands and water resources increases.

**7. Revenue Collections.** While the DOI collects over \$8 billion in revenues each year, our audits have shown that the bureaus can make improvements to enhance revenue collections in various programs, such as those covering royalties and fees, and in cost recovery of reclamation projects. Since 1998, the OIG and the Department of Justice have recovered underpaid royalties of more than \$330 million under settlements with oil companies resulting from OIG investigations. We have also identified more than \$140 million in lost or potential additional revenues through audits conducted over the past 3 years. This amount includes \$71.7 million resulting from the undercollection of royalties, \$17.5 million that the BOR could have earned if it had identified and sold excess lands, and \$6.6 million that the BLM did not recover for firefighting costs.

**8. Government Performance and Results Act (GPRA) of 1993.** The DOI and the bureaus face a significant challenge in implementing the GPRA requirements for establishing performance goals and measures that effectively demonstrate the accomplishment of their missions. At the request of the Chairman of the Senate Committee on Governmental Affairs, we conducted a special review of the DOI's implementation of the GPRA. We concluded that while the DOI has made progress in implementing the GPRA, the bureaus could improve their performance plans and reports by refocusing specific goals to better measure performance results, establishing goals for all significant program elements, better describing methods used to establish target levels of accomplishment, and linking performance measures with program results. While we did not verify the accuracy of reported performance data, we are working with the DOI to develop a reliable verification and validation process to apply to performance data throughout the DOI.

**9. Procurement, Contracts, and Grants.** The DOI spends substantial resources each year in contracting for goods and services and providing federal assistance to states and Indian organizations. In fiscal year 1999, the volume of procurement activity exceeded

\$3 billion, and the DOI provided over \$2 billion to states and Indian tribes in grants and other types of Federal aid assistance. Procurement has historically been an area subject to fraud and waste Governmentwide, and the OIG has received several hotline complaints in this area.

In its fiscal year 1999 Accountability Report, the DOI reported that the BIA's acquisition management organization, policies, procedures, and guidelines are inadequate and has been reporting this material weakness since 1991. The DOI also reported that management oversight and accountability in the FWS's Federal Aid Program have been ineffective because of the lack of adequate management controls, a centralized audit followup program, and guidance governing the administration of the Program.

Another area of concern is the DOI's new integrated credit card program, which accounted for more than \$300 million of the DOI's procurement expenditures in fiscal year 2000. While this program is expected to substantially reduce administrative costs, there is a greater opportunity for unauthorized purchases because of the limited internal controls in the program.

## Glossary of Acronyms

AML	Abandoned Mine Lands
BFC	Budget Functional Classification
BIA	Bureau of Indian Affairs
BLM	Bureau of Land Management
BOA	Bank of America
BOR	Bureau of Reclamation
C-I-P	Construction in Progress
CBA	Centrally Billed Accounts
CERCLA	Comprehensive Environmental Response, Compensation, and Liability Act
CFO	Chief Financial Officer
CIO	Chief Information Officer
COPS	Community Oriented Policing Sources
CSRS	Civil Service Retirement System
DCIA	Debt Collection Improvement Act of 1996
DOL	Department of Labor
EFT	Electronic Funds Transfer
EIRF	Environmental Improvement and Restoration Fund
EPA	Environmental Protection Agency
ESA	Endangered Species Act
FASAB	Federal Accounting Standards Advisory Board
FBU	Funds Put to Better Use
FERS	Federal Employees Retirement System
FFMIA	Federal Financial Management Improvement Act
FFS	Federal Financial System
FHWA	Federal Highway Administration
FIRM	Foundation Information for Real Property Management
FMFIA	Federal Managers' Financial Integrity Act
FTE	Full-Time Equivalent
FWS	Fish and Wildlife Service
GAAP	Generally Accepted Accounting Principles
GAO	General Accounting Office
GLO	General Land Office
GMRA	Government Management Reform Act
GPR	Government Performance and Results Act
HLIP	High Level Implementation Fund
HMA	Herd Management Area
HTF	Highway Trust Fund
IACB	Indian Arts and Crafts Board
IBLA	Interior Board of Land Appeals
IFF	Interior Franchise Fund
IIM	Individual Indian Monies
LCS	List of Classified Structures
MCAF	Management Control and Audit Followup
MMS	Minerals Management Service
MRM	Minerals Revenue Management
NAGPRA	Native American Graves Protection and Repatriation Act
NAPA	National Academy of Public Administration
NBC	National Business Center
NRDAR	National Resources Damage Assessment and Restoration Fund
NEPA	National Environmental Policy Act
NPS	National Park Service
NWRS	National Wildlife Refuge System
OCS	Outer Continental Shelf
OCSLA	Outer Continental Shelf Lands Act
OHA	Office of Hearings and Appeals
OIA	Office of Insular Affairs
OIG	Office of Inspector General
OMB	Office of Management and Budget
OSM	Office of Surface Mining
OST	Office of the Special Trustee for American Indians
OTFM	Office of Trust Funds Management
PILT	Payments in Lieu of Taxes
PP&E	Property Plant and Equipment
RCRA	Resource Conservation and Recovery Act
RIK	Royalty-in-Kind
SFFAS	Statement of Federal Financial Accounting Standards
SGL	Standard General Ledger
TAAMS	Trust Asset and Accounting Management System
TCCC	Tribally Controlled Community Colleges
TFAS	Trust Funds Accounting System
USGS	U.S. Geological Survey
VSC	Visitor Survey Card
VSP	Visitor Survey Project

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For additional copies of this report, please contact:

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Office of Surface Mining (*[www.osmre.gov](http://www.osmre.gov)*)

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The scene above is from one of two new murals by artist Daniel Galvez. The murals were commissioned by the Department as part of its 150<sup>th</sup> anniversary celebration. The theme of the oils on canvas is Interior employees carrying out current Interior conservation, interpretation, and environmental protection activities at national parks, monuments, refuges, and recreational areas. The mural above, titled "Stewards for the Future" captures the sense of wonder that is engendered by contemplating and experiencing the beauty of the unspoiled, natural world.

The mural is located in the Main Interior Building on the second floor corridor near the E Street entrance of the building.



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