

Part 1.
Management's
Discussion and
Analysis

21st Century Stewardship: The Challenges Ahead

For more than 150 years, the Department of the Interior has been serving the public.

We are the stewards of the Nation's treasures, protecting the environment and preserving natural and cultural resources. We provide parks, refuges, and reserves for recreation. We manage natural resources, advance natural science, and administer America's trust responsibilities to native peoples and affiliated island communities.

Launched by Congress in 1849 as "The Home Department," we were initially the Nation's house-keeper, evolving into our larger stewardship responsibilities as new responsibilities were added to our mission.

Today, driven by necessity, we are evolving again. Our multi-dimensional mission challenges keep getting more complex, while our resources remain limited. To succeed in the 21st century, we must ensure accountability for results so that we work efficiently and well; find more means of leveraging available resources through mutually beneficial arrangements, volunteerism and other innovative resource enhancing strategies; and continue to tap into process and technological improvements that allow us to improve our productivity and maintain the quality of our products and services.

Today's Department is a complex organization serving a diverse customer and public base (see *Figure 1*). Operations are extremely decentralized, and although the nature of our responsibilities and functions are widely varied, our nearly 70,000 employees are dedicated to meeting our goal of management excellence and our five primary missions:

- Protecting the environment and preserving our Nation's natural and cultural resources;
- Providing quality recreational opportunities on public land;
- Managing resources for a healthy environment and a strong economy;
- Providing science for a changing world; and

FIGURE 1

Interior and Bureau Missions			
U.S. Department of the Interior “Protects and manages the Nation’s natural and cultural heritage; provides scientific and other information about those resources; and honors special responsibilities and commitments to American Indians, Alaska Natives, and affiliated island communities.”			
			
<p>BUREAU OF INDIAN AFFAIRS</p> <p>Enhance the quality of life and to promote economic opportunity in balance with meeting the responsibility to protect and improve the trust resources of American Indians, Indian tribes, and Alaska Natives.</p>	<p>NATIONAL PARK SERVICE</p> <p>Preserve unimpaired the natural and cultural resources and values of the National Park System for the enjoyment, education, and inspiration of this and future generations. The Park Service cooperates with partners to extend the benefits of natural and cultural resource conservation and outdoor recreation throughout this country and the world.</p>	<p>U.S. FISH AND WILDLIFE SERVICE</p> <p>Conserve, protect, and enhance fish and wildlife and their habitats for the continuing benefit of the American people.</p>	<p>BUREAU OF LAND MANAGEMENT</p> <p>Sustain the health, diversity, and productivity of the public lands for the use and enjoyment of present and future generations.</p>
			
<p>BUREAU OF RECLAMATION</p> <p>Manage, develop, and protect water and related resources in an environmentally and economically sound manner in the interest of the American public.</p>	<p>U.S. GEOLOGICAL SURVEY</p> <p>Provide the nation with reliable, impartial scientific information to describe and understand the earth.</p>	<p>MINERALS MANAGEMENT SERVICE</p> <p>Manage the mineral resources on the Outer Continental Shelf in an environmentally sound and safe manner and collect, verify, and distribute mineral revenues from federal lands and Indian lands in a timely manner.</p>	<p>OFFICE OF SURFACE MINING</p> <p>Ensure that coal mines are operated in a manner that protects citizens and the environment during mining; assure that land is restored to beneficial use following mining; and mitigate the effects of past mining by aggressively pursuing reclamation of abandoned mine lands.</p>

- Meeting our trust responsibilities to Indian tribes and our commitments to island communities.

Some of our responsibilities are particularly well known and significant to America. The Department manages:

- 507 million acres of land, or about one in every five acres in the United States, and about 1.7 billion acres of the Outer Continental Shelf;
- Some of the most beautiful areas of our Nation, from the sandy beaches of the Cape Cod seashore to the meadows and valleys of Yosemite; and some of the most revered symbols of our Nation,

such as the Statue of Liberty and Mount Rushmore;

- Nearly 900 dams and reservoirs that provide drinking water for more than 31 million people and their employers, which deliver irrigation water to one of every five western farmers, and supply 17% of America’s hydropower;
- Energy resources on federal lands and offshore areas, which supply about 28% of the Nation’s domestic energy production, including 35% of its natural gas, 29% of its oil, 40% of its coal, 20% of its wind power, and 40% of its geothermal energy;

- 56 million acres of land held in trust for American Indian tribes and individuals as well as educational services for 48,000 Indian children;
- Relationships with 562 American Indian tribes, including support for self-governance and self-determination of American Indians, Alaska Natives, and island communities;
- Threatened and endangered species and much of the habitat that allows them to prosper; and
- Scientific research, including monitoring, analyzing, interpreting, and disseminating scientific information to describe and understand the earth, minimize loss of life and property from natural disasters, and manage water, biological, energy, and mineral resources.

The Department fulfills these responsibilities with a \$13 billion total annual budget. We generated more than \$9.4 billion in revenues in FY 2002 from energy, mineral, grazing, timber, recreation, land sales, and other programs. Most of these revenues are paid to state, Indian, county, local, and other federal agency accounts.

Our responsibilities are becoming ever more complex, reflecting broader forces of social change that shape and reshape the Nation as a whole.

With the growth of our population and the expansion of our economy, pressures have increased correspondingly on our undeveloped land, water resources, and wildlife. America's population is moving west, slowly but surely, creating new demands on the natural landscape. Newcomers look for more and more varied recreational opportunities on our public lands. Demand builds for energy and water. Natural habitat for wildlife and wildfowl is fragmented, increasing the risks to their survival. At the same time, the global nature of our economy brings new invasive species into our natural domain, challenging the native species and sometimes exacerbating fire potential.

Meeting this increased complexity requires the Department to develop new skills and attitudes. We are working to craft a "new environmentalism"—a model that empowers people to become citizen-

conservationists, giving landowners, land-user groups, environmental organizations, communities, local and state governments, and industries the resources and technical support to undertake conservation projects that advance the health of the land, benefitting all of us.

Our goal is citizen-centered governance, responsiveness, and cost-efficiency, helping to ensure a future for America that includes a healthy environment and a dynamic economy. We want to emphasize performance, progress, and partnership. We seek common ground by using local information about the best way to solve problems, providing incentives to create a Nation of self-motivated stewards in a climate of environmental innovation and imagination.

The Department will need to tap new mediation skills and partnership capacity to succeed in this environment. We must listen better to our customers and interested citizens, working with diverse interests towards solutions, implementing what Secretary Norton calls the "4 C's:" consultation, communication, and cooperation, all in the service of conservation.

The historic evolution of the Department as a composite of compartmentalized bureaus complicates efforts to address today's mission challenges. Increasingly, the management of lands and resources under our stewardship involves ecological, scientific, economic, and social factors that extend well beyond any single bureau's boundaries. An endangered species does not know the difference between private land, refuge land, trust land, or parkland. Wildfire knows no boundaries. To succeed, the Department must effectively bridge its internal boundaries, too.

The organization of the Department as eight bureaus and the Office of the Secretary both complicates and enhances opportunities to address our management challenges. As the Office of Management and Budget (OMB) noted in its mid-session review of the FY 2002 Budget: "Interior is making progress in addressing the President's Management Agenda (PMA), but is struggling to approach the agenda from a departmentwide perspective." The report further stated, "Some of the struggle is due

to Interior's complex, multi-mission organization and structure, with everything from vast lands and national parks and island trust territories within its areas of responsibility. Interior recognizes the challenges it faces, and is putting substantial time and resources into improving performance."

Several trends have demonstrated that a continued "stove-pipe" orientation is not optimal. First, the activities of most bureaus have expanded in response to congressional and Administration initiatives, resulting in increased mission overlap or conflict. Second, advances in science have enhanced our understanding of how policy decisions in one area may produce consequences in another.

From a programmatic perspective, an introspective approach limits opportunities for greater effectiveness and efficiency. From an administrative perspective, a combination of relatively flat budgets and greater workloads creates almost irresistible pressures on the Department and its bureaus to forge an integrated enterprise approach to pursuing its mission.

Simply put, we can accomplish more by working together than we can by working apart.

The change to an integrated Department is underway, driven by new business practices, new technology, and new ways of looking at people, budget, performance measurement, and strategic planning. Here, too, elements of the Secretary's 4 C's are at work: cooperation, communication, and consultation, the building blocks of successful conservation, are also helping us build a more integrated Department.

The Department has already developed integrated Government Performance Results Act (GPRA), workforce, technology investment, and performance management plans. These will allow us to set consistent multi-agency goals, with a common agenda that reflects the Administration's and the Secretary's priorities. They will give us the means to increase our focus on performance results, help make our managers more accountable, and create a springboard for communication, collaboration, and coordination with interested citizens, organizations, and constituents on our future direction.

No one can predict exactly what shape the Department and its bureaus will take in the future, but our programs and our service to the American people will be increasingly integrated, transparent, and effective.

We look forward to the challenges of the future, determined to ensure that public and partner expectations are met with the highest standards of stewardship and service. We look forward to creating a legacy of citizen-centered governance within a more integrated Department.

Strategic and Long-Term Goals

The Department of the Interior works continuously to improve performance, to provide the public with responsive service, and to produce solid results. Regardless of where or for which bureau or office we work, we are joined in our common pursuit of the Department's mission, as spelled out in our 2002-2005 Strategic Plan.

In its 2002-2005 Strategic Plan, Interior established six overarching strategic goals that support our core mission of protecting the Nation's natural environmental and cultural heritage and honoring our trust responsibilities to Indian tribes and island communities (see *Figure 2*). Under these goals, we have established 18 long-term goals that guide the varied programs and activities of Interior's bureaus and offices. Each of the long-term goals describes a specific, desired outcome, with progress toward that outcome being measured annually using quantitative performance indicators.

This report describes in detail why these goals are important, what they mean to American citizens, and how we have progressed in meeting the goals. Specific discussions can be found in chapters related to specific goals. FY 2002 Annual Performance Results can be found in the appendix.

Strategic Goal 1: Protect the Environment and Preserve Our Nation's Natural and Cultural Resources
Because people and their environment are interdependent, we must ensure that our lands, waters, and other resources remain healthy. Only lands that are in healthy condition can sustain communities that rely upon them. Our natural and cultural resources are more than national treasures—they

are an inheritance that we must and can conserve to ensure future generations will enjoy the benefits of these resources.

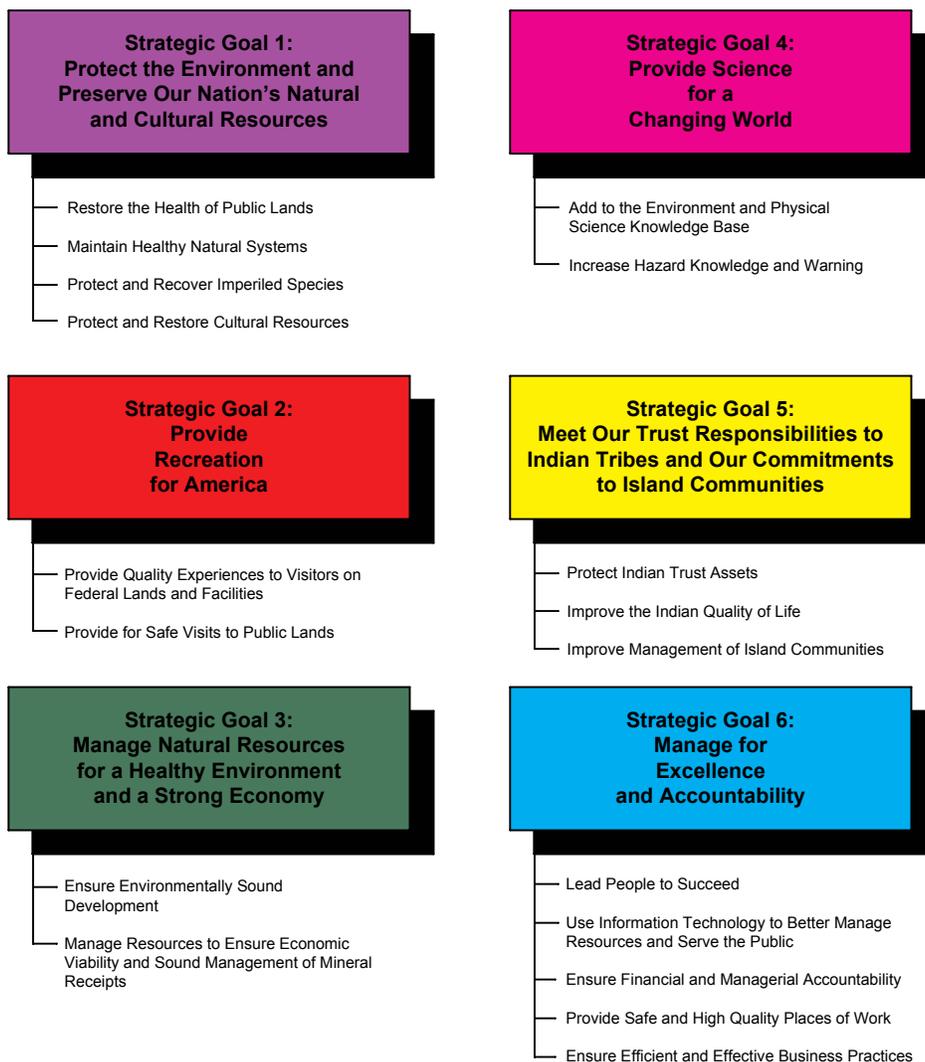
Our long-term goals for Strategic Goal 1 are to:

Restore the Health of Public Lands. Public lands, whether parklands, rangeland, refuges, or recreation sites, need more than protection. Conservation today means repairing and healing the land where it has been damaged through prior use and development, including non-public lands affected by coal mining.

Maintain Healthy Natural Systems. There is a tendency to view the environment as a collection of components—land, water, and air—inhabited by plants, animals, and people. Even as we understand these components in habitats and ecosystems, we are looking beyond these components to broader landscapes to capture the full sense of functioning natural systems. It is at this level that we seek to maintain and restore these systems.

Protect and Recover Imperiled Species. Protection and recovery of threatened and endangered fish, wildlife, and plants is central to the Department's mission. The condition of individual species is often a gauge of the overall health of our environment. The success of restoration efforts associated with this strategic goal is sometimes measured using indicator species.

FIGURE 2
Overarching Strategic Goals



Protect and Restore Cultural Resources. In addition to natural landscapes, our Nation's treasures include historic and prehistoric sites that link us to our past. These resources include landscapes associated with historical events, structures such as historical homes, and sites that provide clues to prehistoric life.

Strategic Goal 2: Provide Recreation for America Federal lands provide outstanding recreational opportunities, including hunting, fishing, camping, hiking, boating, biking, bird-watching, and more. Interior continues to promote and provide recreational opportunities consistent with other land

uses while maintaining the health of the land. We are committed to providing access to federal lands and enhancing opportunities for everyone to enjoy the benefits of our Nation's heritage. We want our visitors to leave satisfied and re-energized by their recreation experience, and we want them to come back in the future. We also want their visit to be safe.

Our long-term goals for Strategic Goal 2 are to:

Provide Quality Experiences to Visitors on Federal Lands and Facilities. Americans visit their public lands and historic and cultural resources for adventure, relaxation, and the opportunity to sample the rich diversity of our natural and cultural treasures. Interior is committed to providing opportunities for everyone to enjoy our Nation's heritage.

Provide for Safe Visits to Public Lands. Interior is committed to providing safe, enjoyable experiences for the millions of people who visit our lands and facilities each year.

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

Interior manages a wide variety of natural resources for commercial activities in ways consistent with assuring environmental protection. These resources, produced from public lands—including energy and non-energy minerals, water, timber, grazing land, and electricity—contribute substantially to virtually all sectors of the American economy. In FY 2002, Interior generated \$9.4 billion in revenue from the lands and waters we manage. The Department's stewardship responsibility is to manage America's natural, as well as cultural, resources, while ensuring environmentally sound development and economic vitality.

Interior's long-term goals for Strategic Goal 3 are:

Ensure Environmentally Sound Development. The Department achieves an outcome that provides for necessary development while maintaining the integrity of the environment through a combination of strong environmental assessment, critical public input, strict regulation, and inspection requirements.

Manage Resources to Ensure Economic Viability and Sound Management of Mineral Receipts.

When that access to resources on public lands for development purposes is environmentally and economically prudent, the responsibility of the government is to realize fair market value for those resources consistent with federal statutes. Once revenues accrue from industry exploration and development efforts, it is essential that an accurate accounting of the revenue occur, and that disbursements of payments to the U.S. Treasury and royalty recipients be done effectively and in a timely manner. In the case of water for power generation or use by the many non-power users, we must deliver this critical resource economically and efficiently.

Strategic Goal 4: Provide Science for a Changing World

Scientific principles and research adds to our knowledge and understanding of the physical and natural environment. Collecting, analyzing, and disseminating the scientific information needed to answer these questions, and providing the critical science for resource management decisions, are major responsibilities of the Department.

Our long-term goals for Strategic Goal 4 are to:

Add to the Environmental and Physical Science Knowledge Base. Sound decisionmaking depends on having scientific information and an understanding of the natural environment. The Department is acquiring and synthesizing data that add to the quality of our knowledge base and is providing this scientific information to appropriate natural resource decisionmaking authorities.

Increase Hazard Knowledge and Warning. The ability to understand processes that produce natural disasters, to use that information to create more reliable predictive models, and to deal more effectively with the aftermath of a disaster can mean saving untold lives and costs. For Interior, research and predictive model development for hazards focuses primarily on U.S. Geological Survey (USGS) work on earthquakes, flooding, volcanic events, and coastal storm damage.

Strategic Goal 5: Meet Our Trust Responsibilities to Indian Tribes and Our Commitments to Island Communities

America's 1.5 million native people are committed to revitalized communities that are spiritually strong and economically vibrant—places where people are secure in their culture, heritage, and government, and are hopeful for the future of their children. The Department of the Interior shares this commitment. Today, there are 562 federally recognized American Indian and Alaska Native tribal governments in the United States. Each possesses inherent governmental authority deriving from its original sovereignty. 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 Indians and Alaska Natives. Interior 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 oversight of 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. Our objective is to foster more efficient and effective government in the insular areas by recommending policies, providing financial and technical assistance, and strengthening federal-insular relationships.

Our long-term goals for Strategic Goal 5 are to:

Protect Indian Trust Assets. Trust assets are the fiscal resources maintained for tribes and Indians, including land and heirship records; natural resources on nearly 56 million acres of trust lands, including forests, minerals, water, fisheries, and farmland; and infrastructure, including maintenance of roads, bridges, irrigation and power systems, and housing.

Improve the Indian Quality of Life. Quality of life includes a range of human services, such as social service programs for children, families, the elderly, and the disabled; economic development programs and business loans; elementary and secondary education for more than 48,000 students, as well as post-secondary education through 25 tribally controlled community colleges; and tribal government

support, law enforcement, judicial courts, and adult and juvenile detention facilities.

Improve Management of Island Communities.

The Department provides financial and technical assistance to meet a variety of needs, including assistance for basic services like education, health care, and public safety. We also help build critical infrastructure like wastewater systems, hospitals, and schools.

Strategic Goal 6: Manage for Excellence and Accountability

The Secretary is committed to customer service and management excellence. She encourages senior managers to seek creative approaches to make the Department a more responsive, dynamic, and citizen-centered agency. In support of the President's Management Agenda and the Secretary's vision for management excellence, the Department now has an integrated strategy to improve performance and reduce inefficiency and duplication. Interior's management improvement strategy closely follows the President's Management Agenda, tailoring it to the unique mission of the Department. As we implement change, we will seek additional opportunities to better advance our mission, identify roadblocks to their achievement, and build accountability for results.

Our long-term goals for Strategic Goal 6 are to:

Lead People to Succeed. Reaching our resource protection, recreation, science, resource management, and trust-related goals requires the support of a competent and effectively managed workforce. The Department has developed specific programs to meet its workforce challenges of increasing workforce diversity, facilitating effective workforce planning, and providing the training and development needed to fulfill our mission.

Use Information Technology to Better Manage Resources and Serve the Public. We are using information technology to improve our operational efficiency, improve transactional services, and transform our relationship with the public. To improve the delivery of our services and products to internal and external customers, We are expanding our efforts to align information technology

with our organization, business lines, and strategic direction, and develop a departmentwide body of information technology policies, standards, and requirements.

Ensure Financial and Managerial Accountability.

We need accurate and timely financial information to ensure the best performance and highest measure of accountability. Our specific goals for improving financial performance include replacing outdated technology, linking critical transaction systems and budget formulation systems with core financial system, and implementing activity-based cost management to improve the management of the Department at all levels.

Provide Safe and High Quality Places of Work.

Interior is responsible for a large number and variety of capital assets. We have one of the largest inventories of facilities in the federal government. As steward of these assets, we are committed to the safety and efficiency of these facilities, particularly in improving our maintenance of existing facilities and making capital investments in new facilities that are essential to our mission.

Ensure Efficient and Effective Business Practices.

As part of strategically managing our workforce, we must restructure our administrative functions and improve our organizational structures, while making better use of technology and automation tools to manage our resources—human, physical, and natural—and carry out our mission.

FY 2002 Performance Results

The Department of the Interior met or exceeded 55% of the 351 performance measures monitored during FY 2002 (see Appendix D). Although the Department did not fully meet 35% of the goals in accordance with its stringent criterion for success (within 0.5% of the goal), it met an additional 18.5% at the 80% or greater level. Nine percent of our measures were not reportable because of insufficient data at this time. Performance information for these measures will be reported in the FY 2003 Annual Report on Performance and Accountability.

This year, for better accountability, the Department separated goals that previously included clustered

measures. Other than separating clustered measures into individual goals, only 14 new goals were added.

A significant number of goals that were not achieved can be attributed to factors outside of the Department's span of control. These include:

- *Procedural delays.* Procedural items include court cases and orders, administrative procedures processing, days pending, legal collection requirements, and states' fiscal year cycles. From December 2001 through May 2002, Interior's Internet access was shut down by court order due to a pending case. The ramifications of this action were far-reaching and significantly impacted the continuity of our operations.
- *Drought and wildfire.* One of the worst wildfire seasons, compounded by severe drought conditions across the country, required the Department to readjust many of its priorities and redistribute some of its resources to address these threats to public safety.
- *Impact of external events on our customers.* In 2002, visitation to DOI parks and recreation areas was down due in part to the events of 9/11, a large number of wildfires in and around federal lands, and a sluggish economy both domestically and internationally. Additionally, requests for some services, such as offshore lease actions, decreased in 2002 in part because of continuing economic concerns.

The performance results indicate the need for Interior to continue working to achieve superior results. Accordingly, we are taking the following actions that should result in improved performance:

- *Improve Accountability.* We plan to hold Senior Executive Service (SES) members responsible for achieving the GPRA performance goals; all goals will have a "goal owner" from the SES and senior manager corps. All of the FY 2003 performance measures will be incorporated into SES/senior managers' performance agreements.
- *Enhance Senior Management Oversight.* We are initiating quarterly reviews of progress toward

departmental goals to monitor progress and take action in areas of low performance.

- *Intensify Program Reviews.* We plan to initiate more program reviews, factoring in OMB's Program Assessment Rating Tool (PART) information to identify and close gaps in program planning and performance.
- *Conduct Self-Assessments.* Interior will continue using an internal scorecard approach, modeled after the OMB scorecards, to monitor our progress toward achieving the President's Management Agenda and the Secretary's goals for citizen-centered governance. As part of the DOI scorecard process, Interior bureaus and offices conduct a self-assessment of their status and progress every six months. Based on the self-assessment, the Department and its bureaus identify the next actions that need to be taken by specific bureaus and offices to "get to green."

During FY 2003, the Department will reassess our performance "success" criteria. We will perform comparisons and benchmark performance measures of other federal agencies to determine if our standard of "within 0.5% of the goal" is comparable to that of other federal agencies.

Our new GPRA Strategic Plan should also contribute to improved performance. We began revising our five-year strategic plan ahead of the statutory requirement for revision in order to align our planning process with the FY 2004 budget formulation process. The early revision has brought us closer to realizing our vision of a more integrated Department, migrating eight separate bureau planning documents and a departmental overview into a single, cohesive, departmentwide strategic plan. The proposed new Strategic Plan is a more effective, outcome-oriented, and organizationally unified planning framework. Our Strategic Plan, along with other business practice enhancements such as the application of activity based costing/management, are laying a solid groundwork for enabling the Department's offices and bureaus to coordinate financially and programmatically in unprecedented ways. These management tools make it possible to conduct meaningful analyses and discussions about performance data and improvements.

Strategic Goal 1: Protect the Environment and Preserve Our Nation's Natural and Cultural Resources

Supporting Citizen Conservation

The ranch wasn't much when Kimberly de Castro bought it in the mid-1990s: 50 windswept acres outside San Jose, New Mexico, over grazed, eroded, and barren.

But de Castro knew what the land needed, and she wasn't afraid of hard work. With the help of a small grant from the U.S. Fish and Wildlife Service's Partners for Fish and Wildlife Program, she planted over 5,000 trees and shrubs. She drilled in grass seed, placing tons of straw bales with seed and fertilizer where erosion had become most severe, and then developed and installed a five-mile drip irrigation system to provide water for her new plants.

De Castro's small ranch bloomed, once again supporting sustainable grazing, the ranch's traditional use. But that was just her first step. Next she rallied her neighbors, convincing them to develop similar small-scale projects on their land, spreading conservation across another 5,000 acres. Those acres, in turn, became a living classroom, as de Castro brought teachers and students from neighborhood schools into the partnership, teaching environmental and habitat protection to hundreds of children.

There are scores of stories like de Castro's in America today. But they rarely get noticed. Americans like to think big. Fifty acres, or even 5,000, doesn't sound like much in the context of the country as a whole, and de Castro's effort is not as visible as landmark laws as the Clean Water or Clean Air Acts.

But the measure of conservation success isn't in laws or litigation. Success comes from achieving real conservation on the ground, one acre at a time, driven by the sweat and vision of people like de Castro, who live on, work on, and love the land.

People and their environment are interdependent. So we must ensure that our lands, waters, and other resources remain healthy if our communities are to thrive.

That 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



For twenty-five years, the Office of Surface Mining has been making America's coal country a safer place to work and live—and a more attractive one, restoring worked out mines like this pit in Kentucky to their former natural beauty.

tackle the future; healing damaged public lands and restoring natural systems and habitats; helping native species; and protecting cultural resources.

The Department is directly responsible for 507 million surface acres of public lands, including 386 parks and 540 wildlife refuges, and for 700 million subsurface acres, as well as 1.76 billion acres on the Outer Continental Shelf. Rich in natural heritage, representing diverse and complex ecosystems, these lands contain exceptional geological formations, rare and vulnerable plant and animal communities, wild and scenic rivers, and numerous historical, paleontological, and archeological sites.

The Department's responsibilities stretch far beyond these public lands, however. We focus every day on preserving the natural habitat in America's backyards, protecting local green space, improving water and air quality, sustaining wildlife, and providing families with places to play and relax. The decisions we make on land management, wildlife, invasive species, and other resources will help shape the America our children inherit.

Successful conservation by its very nature must be a partnership between the American people and their government. The more the Department can empower people as stewards of the land we share, the more effective we can be in our conservation mission. We emphasize environmental performance and progress through partnership and cooperation. We seek common ground by using local informa-

tion about the best way to solve problems, providing incentives to create a Nation of self-motivated stewards, and creating a climate of environmental innovation and imagination.

Conservation presents new challenges to 21st Century America. We have dealt with many of the most dramatic and visible problems: the bald eagle on the verge of extinction, rivers so polluted that one even caught on fire, smokestacks belching fumes in our cities. Now we are facing the more subtle and difficult problems of meeting the increasing demands on the land while also conserving the land. We need a new approach to environmentalism, an approach more productive and less contentious than the old command-and-control punitive framework of the past.

The Department is committed to developing this new approach, built around what Secretary Norton calls "the 4 C's: consultation, cooperation, and communication, all in the service of conservation." And consultation, cooperation, and communication must work at all levels: between landowners and environmentalists, between all levels of government and federal officials, between government leaders and the media, and between all people of goodwill who share the common goal of protecting our wild places and the habitat that surrounds them.

The best examples of this new era of environmentalism are two innovative grant programs, the

Landowner Incentive Program and the Private Stewardship Grants Program.

Launched in FY 2002, the Landowner Incentive Program authorized \$40 million in competitive matching grants to states, territories, the District of Columbia, and tribes to help private landowners interested in conserving natural habitat while they continue to engage in traditional land uses. The Private Stewardship Grants program provides \$10 million in federal grants and other assistance on a competitive basis to individuals and groups engaged in voluntary conservation efforts that benefit at-risk species on private lands.

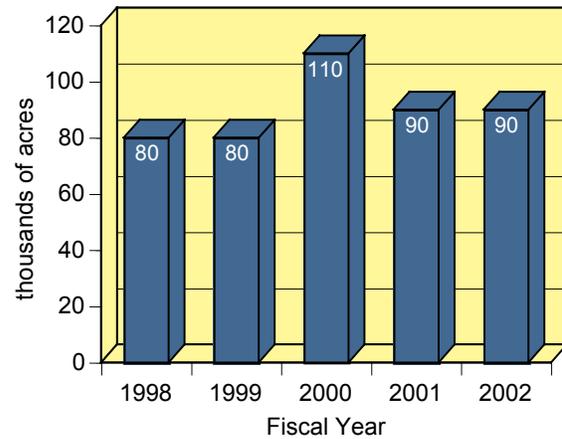
Both programs are works in progress. FY 2002 was spent consulting with potential program participants and other interested citizens, soliciting input, and developing implementation plans. Initial awards funding was scheduled for January 2003, to be distributed to private landowners in the form of technical assistance and material support. Projects will likely involve the restoration of marginal farmland to wetlands, the removal of invasive plants to restore natural prairies, a change in grazing practices and fencing to maintain important habitats, in-stream structural improvements to benefit aquatic species, and road closures to protect habitats and reduce disturbances.

In another example of consultation, cooperation, and communication in the service of conservation, the Department planned to use "4 C's" tools to manage 11 of the 13 new monuments created in 2000 and 2001. These monuments are under the purview of the Bureau of Land Management.

The national monument designations were controversial when announced by former President Clinton. The areas involved were huge, mostly in the West, covering an area roughly the size of Connecticut. Many designations were made without input on the potential impact from state or local elected officials, and over the objections of many local residents. Nor had the Administration made plans to assure the monuments receive proper care. No money had been set aside for rangers or visitors' centers, or even for signs.

FIGURE 3

BIA Restoration of Trust Land to Agricultural Productivity



Last year, the Department began to correct that. In April 2001, Secretary Norton wrote more than 350 letters to state and local elected officials, asking for their advice and written suggestions on how best to use the newly set-aside lands. Then she invited each local community involved to help develop the specific plans. The process should be "open, inclusive, and comprehensive," she insisted, challenging the Bureau of Land Management and the National Park Service "to make the planning process a model of how to involve the people who live and work closest to these monuments."

It was an auspicious beginning. Interested citizens were invited to participate in planning directly through citizen advisory panels. Land exchanges were developed to resolve access and resource issues with state lands, mineral and grazing interests, and wildlife habitat, subject to the Monument Proclamation and applicable local laws. To provide monument services, the Department will rely on local governments, volunteer groups, and businesses, with partnership arrangements to manage on-going traditional activities like recreation and grazing. Transportation plans will be developed using environmentally sound best management practices, with input from the people who use the roads, trails, and waterways.

Citizen-centered planning is "the only way management of the monuments can be effective," Bureau

of Land Management Director Kathleen Clarke commented. "Our door is open. We must ensure that local communities have a true stake in these national monuments to guarantee that generations of future Americans can enjoy them, too."

The Power of Partnership

The Department is using several tools to maximize the value of its conservation dollars, including land exchanges, conservation easements, and the purchase of development rights, and more flexible funding for state and tribal programs.

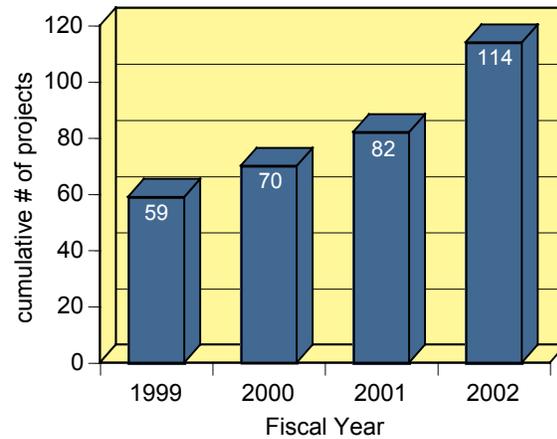
The Landowner Incentive Program is based on the model of the 15-year-old U.S. Fish and Wildlife Service's (FWS) Partners for Fish and Wildlife Program that today links more than 25,000 individual landowners into conservation partnerships. Together they have restored more than a half million acres of wetlands, a half million acres of uplands, and more than 4,200 miles of riparian and in-stream aquatic habitat.

Thousands of different cooperative projects and partnerships are ongoing today across virtually all of the Department's bureaus. Consider the work to preserve the beauty and habitat in the Upper Snake/South Fork Snake River north of Idaho Falls. Groves of cottonwood trees line the river, which is a blue ribbon fishery for cutthroat trout, habitat for 17 bald eagle nesting territories, and primary habitat for 126 bird species. Credit for the cleanup and preservation is spread among the combined stewardship of the Bureau of Land Management, Ducks Unlimited, Trout Unlimited, the Shoshone-Bannock Tribe, and private river corridor landholders. Initial funding came from a \$6 million grant from the Bonneville Power Administration, while private landowners donated \$6.9 million in conservation easements.

In Muddy Creek, Wyoming, ranchers, miners, and environmental groups are among the 35 partners working together to protect streams and eliminate invasive species on 500,000 acres of land, an area equal to one-quarter the size of Yellowstone. In Arizona, volunteers donated \$2 million in labor to help rebuild game and nongame fisheries in Lake Havasu, including restoring endangered bonytail chubs and razorback suckers. In North Carolina

FIGURE 4

Partnerships at Work—Cumulative Number of DOI Restoration Projects



and Tennessee, 2,200 volunteers ranging from schoolchildren to professional scientists are working to inventory nearly 1,500 species as part of conservation efforts at Great Smokey Mountains National Park.

Not all partnerships work so smoothly. The larger and more complex the project, and the greater the number of interested stakeholders, the more difficult it can be to reconcile multiple varied interests. Consider work in the South Florida ecosystem that stretches from Lake Okeechobee through the Everglades to the coral reefs off Key West, an 18,000 square-mile restoration effort that is one of the Department's largest projects, for example. Despite significant progress by multiple partners over the last decade, perplexing and delaying challenges remain.

A key goal of the project is to restore more natural water flows and improve habitat for endangered species, which requires a balance between the need to provide continued flood protection and the need to minimize impacts to private property and tribal interests. This challenge is exemplified by the implementation of a "Combined Structural and Operational Plan" (CSOP) for the modified water deliveries.

Over the last several years, the Army Corps of Engineers has worked with the National Park Service,

the U.S. Fish and Wildlife Service, and the South Florida Water Management District to develop a series of interim water management operations to avoid placing the endangered Cape Sable seaside sparrow in further jeopardy. The most recent of these, the “Interim Operational Plan” (IOP), is now in place. Although the IOP helps protect the sparrow and avoids impacts to private property, it causes negative impacts to natural resources within the state-managed water conservation areas, which is of great concern to the Miccosukee Tribe.

To manage the challenge of achieving more natural water flows and improving habitat for endangered species while also maintaining flood protection, the Army Corps of Engineers, the National Park Service, the Fish and Wildlife Service and the South Florida Water Management District are working collaboratively to implement the IOP. Using principles of adaptive management, these agencies are monitoring and evaluating actual IOP operations and incorporating the results into the development of the CSOP. Additionally, the agencies are working together to increase citizen input into the decisionmaking process for CSOP.

A key element to increased citizen input for CSOP is an “avian summit.” The Department plans to hold the avian summit early in 2003, under the auspices of the Task Force, to review all scientific information on federally listed and key indicator avian species in South Florida, including the Cape Sable seaside sparrow, wood stork, snail kite, and roseate spoonbill. This forum is anticipated to improve interagency coordination and decisionmaking on Endangered Species Act (ESA) issues during implementation of the CSOP and other future Everglades restoration projects.

Endangered and Invasive Species

We need to involve private landowners in conservation to preserve the Nation's endangered species: half of all endangered species have at least 80% of their habitat on private lands. Farmers, ranchers, and loggers are often the best stewards of their land.



The National Park Service's Student Conservation Association (SCA) serves as a liaison between young people and conservation organizations. Each year, the SCA recruits hundreds of interns and volunteers to work at national parks. The Resource Assistant Program connects young people with internship and research assistant opportunities in areas such as ecological restoration, endangered species protection, and interpretive services.

We can achieve more by working with them, capitalizing on their intimate knowledge of the land.

Responsibility for the administration of the ESA is shared by Interior's U.S. Fish and Wildlife Service and the Department of Commerce's National Marine Fisheries Service. FWS works with state, local, and tribal governments to develop large-area, multiple-species habitat conservation plans. It also facilitates the implementation of recovery actions by partners such as conservation organizations and private landowners. Interior measures annual performance by three gauges: the number of endangered or threatened species listed for over a decade that are stable or improving, the number of species de-listed due to recovery, and the number of species for which listing is made unnecessary due to conservation agreements. In FY 2002, the Department met its target for using conservation agreements to eliminate the need to list three species, but it fell short of its goals for de-listing and stabilizing existing endangered and threatened species.

Beyond this year's targets, however, it is clear that change is needed in the way the Department addresses the issue of endangered and threatened species. Today, there are over 1,200 listed species, yet de-listing species is far too rare. After massive efforts, we have fully recovered only 10 species since the ESA was enacted in 1973. Seven more—the Santa Barbara sparrow, the Blue Pike, and five other

species—were de-listed because they no longer exist.

At the same time, more and more private landowners have found themselves caught in a regulatory web, a web that makes adversaries of the very people with whom we should be working to preserve habitat for species.

One step forward would be to invest in species that have the greatest biological need, prioritizing our limited funds left over after compliance with existing court-ordered critical habitat designations. But this, too, is difficult, given current circumstances. The ESA might be compared to a metaphorical emergency room for imperiled plants and animals. In this emergency room, some species need immediate help. Unfortunately, they often can't get it, because attorneys and court dates, not biologists and habitat needs, are deciding what species get attention. The Department currently faces 35 active listing and critical habitat lawsuits, and has received an additional 22 notices of intent to sue. Such suits drain precious resources, resources that could otherwise be used to provide more species with the basic protections of the ESA.

The Department hopes to change the emphasis and dynamic of ESA efforts. We believe the program could have greater success if it were supplemented with incentive-based programs involving private landowners, conservation partnerships, and other innovative programs.

Recent experience demonstrates how well such programs work. Consider the aggressive conservation initiative launched by International Paper, a winner of 2002's Conservation Service Award for Private Partners.

Protecting America's Coastal Environments

Few areas are as treasured, or so often at risk, as America's coasts. They provide habitat for 85% of all waterfowl and migratory birds, and more than 70% of commercial and recreational fish and shellfish. They are also home to some of the country's fastest growing communities and draw millions of visitors each year.



Protecting and restoring them is the challenge facing the Coastal Program of the U.S. Fish and Wildlife Service.

Currently at work in 15 high-priority coastal watersheds, the program develops action-oriented partnerships that directly enhance coastal communities by conserving pristine habitat, restoring damaged habitat, and providing local governments with the information and planning assistance they need to make good land use decisions.

The results have been impressive. In FY 2002, the program and its partners protected or restored 57,100 acres of wetlands, 21,400 acres of coastal upland habitat, and 248 miles of coastal riparian habitat. Since 1994, the program has protected nearly 1,132,500 acres of coastal habitat through conservation easements and acquisitions and reopened nearly 3,600 miles of coastal streams for anadromous fish passage.

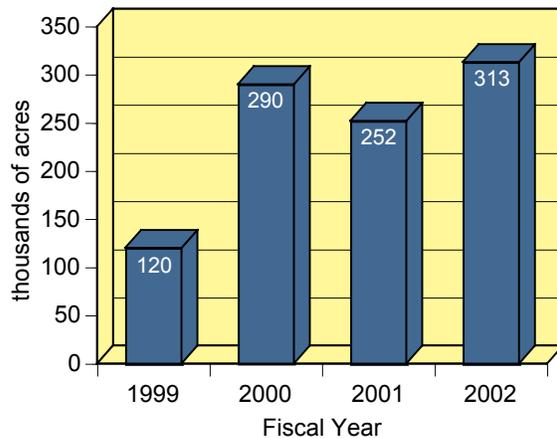
The program's ability to stretch budget dollars is equally impressive, historically leveraging non-federal to federal funds at nearly a 4:1 ratio.

International Paper is an active participant in the FWS's Habitat Conservation Plan and Safe Harbor Agreement programs for species like the endangered red-cockaded woodpecker and the threatened Red Hills salamander. The company protects more than 20% of the remaining Red Hills salamander habitat and has established the first mitigation bank for red-cockaded woodpeckers. It provided a land donation of 49,000 conservation acres that became the core of the Great Dismal Swamp National Wildlife Refuge. At the same time, it played a key part in restoring longleaf pine and the last remaining habitat for the Louisiana pine snake, helped develop a program to focus on species management on private lands, and helped teach at the FWS's National Conservation Training Center.

The most severe challenge to endangered species—and one of the most serious ecological problems

FIGURE 5

BLM Treatment of Acres to Prevent Spread of Invasive Species



facing our Nation—is the spread of invasive non-native plants and animals.

It is a silent invasion, spread at the expense of native plants and animals, and sometimes destroying entire ecosystems, with huge losses for agriculture, livestock, fisheries, and other systems as a result. Often, dangerous plants are like purple loosestrife, with attractive purple flowers that lead people to underestimate their threat. For all its beauty, loosestrife is deadly to wetlands. It grows tall and fast, crowding out desirable native plants and grasses, with each loosestrife producing several million seeds a year.

There are signs of progress, however (*Figure 5*). A program launched by the Bureau of Reclamation involves releasing a tiny native beetle that feeds on loosestrife leaves. Turned loose over a 5,000-acre tract of loosestrife at the Winchester Waterway in Washington State, they munched through nearly half those acres in five years, helping to keep irrigation waters flowing. Likewise, the BLM has had success through its participation in cooperative Weed Management Areas throughout the western states.

Programs that harness the energy and enthusiasm of America's younger conservationists are particularly encouraging. Cody, Wyoming, for example, enlisted student interns through a partnership with the Student Conservation Association, placing

young people with degrees in natural resources and communication at BLM field sites with weed problems. In Milard County, Utah, 200 junior and senior high school students came from a radius of 175 miles to learn about plant ecology and dig out invasive weeds.

Such cooperative efforts are the new environmentalism at its best: stewardship based on good will and common ground, thanks to the next generation of Americans, a new generation of self-motivated citizen-conservationists.

Performance and Costs at a Glance

Tables 1 and 2 summarize FY 2002 performance and cost data for Strategic Goal 1.

Interior incurred costs of over \$4.2 billion for Strategic Goal 1, an increase of 14.5% over FY 2001. The Department established 129 performance measures for Strategic Goal 1. Of the 129 performance measures, the Department achieved or exceeded the goals for 74 measures (57%), did not meet the goal for 47 performance measures (36%), and is unable to report performance information at this time on 8 performance measures (6%) because performance data is not available.

Three GPRA program activities, "Sustainability of Fish and Wildlife Populations," "Habitat Conservation—A Network of Lands and Waters," and "Preserve Park Resources," accounted for 62% or about \$2.6 billion of the \$4.2 billion cost incurred for Strategic Goal 1. There were 43 measures related to these three program activities. Of the 43 performance measures, 32 performance measures (74%) were accomplished or exceeded. Of the 11 performance measures that were not accomplished, progress was made but the goals were not achieved. The reasons for not meeting the goals include the impact of changing environmental conditions, delays in required regulations, increased species control and habitat management needs, a shift in focus of volunteer assistance from restoring upland habitat to wetlands, and the impact of conditions outside of Interior control such as air pollution affecting park air quality.

More detailed information concerning performance results is available in Appendix D.

TABLE 1

Strategic Goal 1 FY 2002 Performance Measure Scorecard						
GPRA Program Activity	Number of Measures	Exceeded Goal	Met Goal	Did Not Meet Goal	No Report	Percent Exceeding or Meeting Goal
Resources Management	7	2	2	1	2	57%
Trust Services	13	8	0	5	0	62%
Preserve Natural and Cultural Heritage Resources	10	3	3	2	2	60%
Understand the Condition of Public Lands	6	0	1	5	0	17%
Restore At-Risk Resources and Maintain Functioning Systems	9	4	0	5	0	44%
Manage, Develop, and Protect Water and Related Resources	17	8	2	7	0	59%
Sustainability of Fish and Wildlife Populations	13	3	7	3	0	77%
Habitat Conservation—A Network of Lands and Waters	8	5	1	2	0	75%
Preserve Park Resources	22	9	7	6	0	73%
Strengthen and Preserve Natural and Cultural Resources	8	1	1	3	3	25%
Environmental Restoration	2	0	0	2	0	0%
Environmental Protection	2	0	0	2	0	0%
Overview	12	6	1	4	1	58%
TOTAL	129	49	25	47	8	57%

TABLE 2

Strategic Goal 1 Costs (in millions)		
GPRA Program Activity	FY 2002	FY 2001
Resources Management	\$359	\$286
Trust Services	206	161
Preserve Natural and Cultural Heritage Resources	175	152
Understand the Condition of Public Lands	157	138
Restore At-Risk Resources and Maintain Functioning Systems	214	187
Manage, Develop, and Protect Water and Related Resources	210	174
Sustainability of Fish and Wildlife Populations	608	590
Habitat Conservation—A Network of Lands and Waters	1,138	1,014
Preserve Park Resources and Strengthen and Preserve Natural and Cultural Resources	838	700
Environmental Restoration	194	162
Environmental Protection	56	62
Overview (Departmentwide Initiatives)	15	16
Total Gross Cost Prior to Eliminations	4,170	3,642
Less: Elimination of Intra-Department Activity	(45)	(52)
Total Gross Cost After Eliminations	\$4,125	\$3,590

Law Enforcement—Security in the Wake of 9/11

by Larry Parkinson, Deputy Assistant Secretary for Law Enforcement and Security



The push to make the Department's law enforcement capability a professional component of Interior began well before 9/11.

In March 2001, Secretary Norton asked the Inspector General to assess the Department's public safety organization, the third largest in the federal government. This review resulted in strategic realignment of functions, including the establishment of a senior-level position to provide overall Departmental leadership. The Inspector General's proposals for new supervisory and management structures, in turn, were analyzed by a Department Law Enforcement Review Panel, which suggested a wide range of new policies, procedures, and techniques that became Secretarial directives.

I joined the Department in July 2002, the day after the Secretary approved the review panel's recommendations, coming over from the Federal Bureau of Investigation (FBI) to serve as Deputy Assistant Secretary for Law Enforcement and Security.

The challenge we face today is how to balance and maintain our current law enforcement activities, while addressing increased homeland security issues. That means rethinking the nature of the threats to facilities and visitors for which the Department is responsible.

For a long time, security was in the background at most of our facilities, with good reason. We have a very open society, and we treasure that openness. We did not want to put barriers, metal detectors, and law enforcement personnel around our national parks and monuments any more than we thought was necessary.

The events of 9/11 showed us that everybody is vulnerable, however, and reminded us that the Interior Department is responsible for many prime targets of potential terrorists. That caused us to rethink how we look at and protect our assets, along with the millions of visitors who come to see them. We have to balance a reasonable assessment of the risks with the freedom of movement that we cherish.

We have taken a balanced approach to identifying potential targets, too. Although we have more than 2,400 facilities, most of our attention has been and will continue to be focused on a smaller group, structures that not only would be likely targets but, if attacked successfully, would have significant or severe consequences. Our efforts to enhance security are focusing on national icons, dams, reservoirs, and energy facilities on DOI-managed lands.

We have tightened up controls at the official points of entry on main highways that run across DOI-managed lands. With traditional points of entry under greater security, "bad guys" may, instead, seek to pass through Department lands, a national park or refuge, BLM lands, or an Indian reservation.

That is a problem we are trying to address. Today, the Department has law enforcement personnel along the entire southwest border. The border patrol has some 1,800 Border Patrol Agents for the Nation's borders. We have identified our most critical assets and put resources there, while coordinating our efforts with the Border Patrol.

The Department has been enormously effective since 9/11 in redirecting law enforcement and security resources between the various bureaus to those places that need them. The best example involves the Bureau of Reclamation (BOR), which had no law enforcement authority prior to 9/11 except for a small force at the Hoover Dam. We are building capability from scratch for the BOR, but until that is up to speed, BOR has asked the Bureau of Land Management, the Bureau of Indian Affairs, the National Park Service, and the U.S. Fish and Wildlife Service for help. And all of those bureaus have stepped up and lent a hand.

Security arrangements are one more indication of the need for a coordinated approach to issues in the post-9/11 Department. We are expanding our headquarters office to provide coordination, but that staff will remain small. The real work will have to be done in the field, with professionals from each of the bureaus working together to meet whatever threats arise.

Getting them to work together presents a challenge, given their long tradition of autonomy. They had different missions and operated in different worlds, without having to borrow from and coordinate with one another to the degree they now do.

Our challenges create an opportunity, as well. Departmentwide, we have significant resources; if we can learn to pool them in response to threats like the potential of terrorism, we can be far more effective than we have ever been as seven law enforcement entities working independently.

One way we are linking the different bureau capabilities together is through common programs. We are developing inter-bureau staffing models and methods, common training programs, standardized position descriptions, and inter-bureau cross-training. As law enforcement professionals work in other bureaus, they will bring new ideas to each bureau's programs, while gaining new experiences for their own bureaus. That cross-fertilization, combined with shared best practices, should make all of the Department's law enforcement teams more effective, both in their day-to-day work and with the new homeland security issues that are sure to arise in the years ahead.

Strategic Goal 2: Provide Recreation for America

Preserving Our National Treasures

America's national parks were starting to look a little frayed at the edges as the 21st Century began.

You could still feel a shiver of pride at Baltimore's Fort McHenry National Monument and Historic Shrine, where the original Star Spangled Banner once waved. But it helped to shut your eyes. Over 1,300 feet of the fort's historic seawall had started to crumble and tumble into the sea.

And you could still imagine the excitement the prospectors felt at the head of the famous Chilkoot trail in Klondike Gold Rush National Historic Park. But you couldn't hike the trail yourself. The support timbers beneath the bridges had rotted out and the decking was falling apart.

Providing Americans with recreational opportunities, consistent with other land uses and our stewardship responsibility, is the Department's second strategic goal. But the very popularity of the Nation's parks, refuges, and public lands, in a context of constrained resources, has made that goal especially challenging.

Consider the National Park Service (NPS). The mission of the NPS is the same today as when it was established in 1916: conserve park scenery, wildlife, and natural and historic objects, and provide for their enjoyment in a manner that will leave them unimpaired for future generations. But today's Park Service faces challenges that could never have been imagined by the Service's early leaders. The visitation last year at Yellowstone National Park alone exceeded the visitation to the entire national park system in 1916. The infrastructure is aging and stressed by increasing visitor use and years of inadequate maintenance funding. The magnificent natural resources are no longer remote sanctuaries. They face heavy use and invasion by non-native plants and animals.

With 386 different park units, each unique, the NPS faces massive facilities maintenance challenges. The infrastructure is extensive and varied, including over 26,000 historic structures and other buildings, 8,505 physical monuments and statues, 13,013 miles of trails, 1,804 bridges and tunnels, 4,389 housing units, 250 radio systems, 680 water

and wastewater systems, over 400 dams, and more than 200 solid waste systems.

Over time, much of this infrastructure has deteriorated. Many park facilities are historic structures. Others were erected by the Civilian Conservation Corps in the 1930s, or constructed during the Mission 66 program in the 1950s and 1960s. Maintenance has not kept pace with their aging or the increasing number of visitors, while the addition of new units has stretched available funding over a larger infrastructure base.



Though Congress has increased the National Park Service budget in recent years, increasing visitation, aging public use facilities, unfunded mandates, visitor and employee safety concerns, and resource protection needs stretch available funds. Servicewide, the National Park Service has deferred maintenance needs totaling billions of dollars.

During his Presidential campaign, on September 13, 2000, President Bush announced that he would attack that problem, pledging a five-year \$4.9 billion program to preserve the national parks.

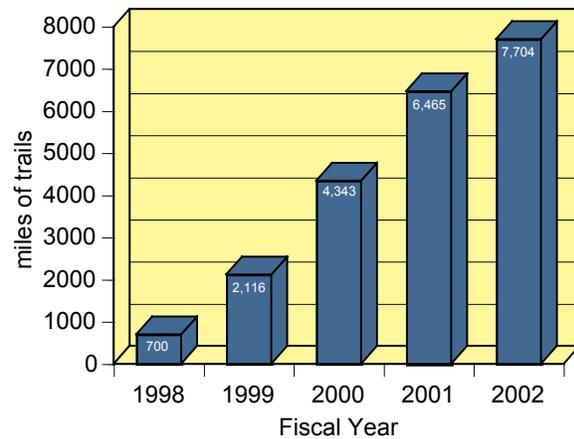
In FY 2002, the President committed over \$660 million to pay for nonroad deferred maintenance projects. This funding is part of the President's commitment to eliminate the NPS maintenance backlog in five years. Of that money, \$75 million came from the recreation fee program.

The projects were as varied as the parks themselves, from small but critical repairs that increased visitor safety to complex restorations of sites that play an important role in the Nation's history. Among the completed projects were the replacement of deficient guard rails at the Blue Ridge Parkway, replacement of a failing water line in the Petrified Forest National Park, and restoration of the historic structures at the Ulysses S. Grant National Historic site, along with sea wall restoration at Ft. McHenry and the repair of rotten trail bridges at Klondike Park. In selecting projects, the NPS gave priority to actions that protect public health and safety, address environmental problems, or enhance the preservation of natural resources.

Deferred maintenance is not just an issue for the NPS. It affects the three other recreation providers as well, including the Bureau of Land Management, the U.S. Fish and Wildlife Service, and the Bureau of Reclamation. It is not enough merely to make repairs, either. The Department is responsible for a massive, and massively decentralized, infrastruc-

FIGURE 6

Miles of Trails Conserved by the National Park Service



ture. To keep that infrastructure healthy requires a comprehensive departmentwide facilities and maintenance program.

Creating such a program represents a huge management challenge—and one of the Department's signal successes in FY 2002. Interior has begun a Facilities Condition Assessment Survey Program that will yield a complete inventory of constructed assets and identify deferred maintenance and the costs of correcting maintenance needs associated with these assets. The Facilities Condition Assessment Program establishes a systematic and effective method for monitoring the condition of Interior's

constructed assets and measuring the accomplishments of the bureaus in bringing these assets to a “good” condition.

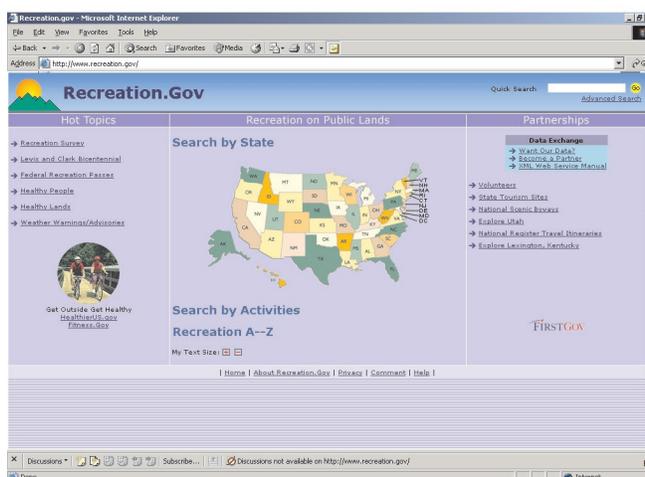
Happy Campers

Americans come to their national parks, refuges, and public lands for all kinds of reasons: to renew their sense of self, to experience adventure and relaxation, and to sample the rich diversity of our landscape and culture on water or land, 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.

Attendance at national parks and recreation sites was expected to soar in the wake of 9/11, as Americans searched for vacation options that let them stay closer to home. That projection turned out to be only partially correct, however. Overall attendance was down slightly from last year’s historical high. The decline is due to a large decline in the number of visits to parks in the Washington, D.C. and New York areas, along with a decline in the number of foreign visitors to the United States for many reasons, including 9/11, a high incidence of wildfires, and economic issues.

In FY 2002, the National Park Service logged more than 286 million visits to its 386 national parks, battlefields, historic sites, monuments, and recreation areas. The Bureau of Land Management saw another 53 million visits to its 1,600 recreational sites, primarily in the 12 western states. The U.S. Fish and Wildlife Service’s National Wildlife Refuge System welcomed 39 million visits to its 540 refuges, while the Bureau of Reclamation welcomed 90 million visits to its 308 water recreation areas. National Parks focus on preserving our natural treasures for generations to come. However, they also serve as economic engines in many communities. Visitors to National Parks, according to the Trust for Public Land, generate an estimated \$10 billion in benefits to local economies. They also provide employment, directly and indirectly, for thousands of people, as well as serving as a catalyst for state, regional, and local programs at the same time.

FIGURE 7



The reintroduction of www.recreation.gov—a one-stop easy-to-use portal for information about federal, state, and local recreational activities nationwide—made it even easier for people to access recreation information (Figure 7). Initially created in 1998, winner of a “Best of the Feds” award, the site was re-launched in late September 2002. Managed by the Department, it gives users new resources and tools, including new information about Smithsonian Museums and affiliates, National Park Service museum collections, the National Oceanic and Atmospheric Administration’s National Marine Sanctuaries and Estuarine Reserves, and newly designated Department of Transportation National Scenic Byways and All-American Roads. The upgraded site also features an improved online mapping system and a redesigned interface, based on customer feedback and usability tests.

There is a link to President Bush’s health initiative Web site, too. “If you’re interested in doing something about your health, go to one of our parks—and take a hike,” the President suggested when he launched his Healthier US initiative. Our www.recreation.gov is “just what the doctor ordered,” Secretary Norton agreed.

Visitor satisfaction at NPS sites remains high. The NPS 2002 visitor survey found 95% of park visitors responding to the survey were satisfied with the overall quality of park facilities, services, and recreational opportunities.

In FY 2002, as part of the President's call for citizen-centered government, the Fish and Wildlife Service (FWS) launched its own survey at 45 National Wildlife Refuges across the country as well. Results showed that more than 90% of visitors surveyed were satisfied or very satisfied with their experience.

The Power of People

Public citizens aren't merely the Department's customers. They are also our most important partners, particularly the men and women who give their time to help maintain the Nation's parks, refuges, and public lands. (See "The Power of Volunteers," by Robert Lamb, at the end of this section.)

You can see them in almost every office and field location across the country, working as campground hosts or clearing trails, surveying bird activity, collecting information for maps, or monitoring water quality. Without them, it is unlikely our shared treasures could be protected, let alone so heavily used.

An estimated 200,000-plus volunteers came to work with the Department's bureaus last year, almost three times the number of employees in our paid workforce. Volunteerism has more than doubled over the past decade, an upward trend we expect to continue.

For the volunteers, the work represents the opportunity to share in the stewardship of their heritage. For the Department, volunteers are a source of dedicated high-quality help, who undertake work that leverages taxpayer money and offer more programs and services at the same time. In FY 2001, for example, volunteers with the BLM, FWS, USGS, BOR, and NPS provided help valued at over \$90 million. In FY 2002, we estimate this value to be about \$132 million (*Figure 8*). Their impact goes far beyond dollar estimates, however. They are model citizen conservationists, building partnerships in the communities we serve, and breathing life into the Secretary's 4 C's philosophy.

The energy and dedication they bring does not come entirely free, however. Regardless of where they work, all volunteers require orientation, ap-

FIGURE 8

Value of Volunteer Services Provided to DOI

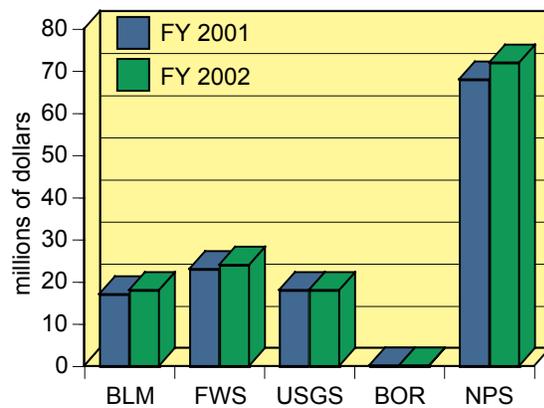
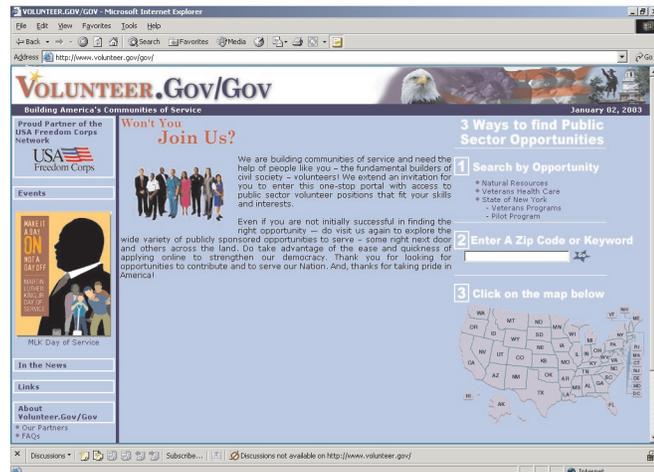


FIGURE 9



propriate skills or training, and supervision. They deserve recognition for their work, too.

Overseeing Interior's mix of career and volunteer staff provides a unique challenge to our field managers. Our new Human Capital Strategic Plan acknowledges that need, and will develop recruitment and training procedures to fill it.

The creation of www.volunteer.gov/gov is a way to spread the Department's successful model still farther afield (*Figure 9*). Led by Interior and built through a cooperative partnership including governmental partners at all levels, the site offers potential volunteers a one-step e-government portal

for public sector volunteer recruitment and information sharing. Presently it provides access to opportunities in nine federal natural and cultural resource agencies, along with a pilot demonstration for the Department of Veteran's Affairs and the state of New York to include veteran-related volunteer opportunities.

This is merely a first step, however. The Department and its partners are currently working to expand the site's resources and links. Like www.recreation.gov, the site is likely to expand rapidly, driven by ease of use and the logic of the Internet.

The ability to nurture energetic volunteers in active partnership will determine what tomorrow holds for recreation on America's parks, refuges, and public lands. It will be a tomorrow of new ideas, new capabilities, and new challenges—if it is anything like what the NPS is accomplishing in the San Francisco Bay area today.

The Golden Gate National Recreation Area is the largest urban national park in the world. With 75,398 acres of land and water and 28 miles of coastline within its boundaries, it is nearly two and one-half times the size of San Francisco itself. It is one of the Nation's most highly visited parks, too, drawing throngs each year to attractions like Alcatraz, Marin Headlands, Fort Funston, Fort Mason, Muir Woods, Fort Point, and the Presidio, each with its own unique natural, cultural, and military history.

Like most large parks or park systems, Golden Gate has a general management plan and supporting strategic, resource management, and business plans that govern its work. But its approach to partner-

The Value of Volunteers

How much are volunteers Chuck and Pat Williams (front left and center in photo) worth to Nevada's Red Rock Canyon National Conservation area?

If you're counting dollars, the estimate is \$271,000 in 2001 alone—money their innovations and hard work saved the Bureau of Land Management.



But the real value of their contributions goes far beyond dollars. Since starting as members of the Friends of Red Rock Canyon in 1999, Pat has become membership chair and works today for the Interpretive Association and as manager of the Visitor's Center bookstore. Chuck became president of the Friends in 2000, leading a volunteer workforce that numbers over 500. Together, the couple have increased financial support for the Canyon, coordinated community events like festivals and an art contest, issued grants to partner groups and scholarships to schools, developed school science kits and children's programs, and launched new projects to monitor, protect, and rehabilitate Red Rock's natural and cultural resources. Now they are helping spread the word to other sites, sharing their expertise with start up "friends" groups at other BLM sites.

Interested in trying to make a difference yourself? Just click on www.volunteer.gov and see which of the thousands of possible opportunities is right for you.

ship serves as the focal point for all of the park's activities.

Realizing that it needed a solid foundation upon which to build its partnership efforts, the park established the Golden Gate National Park Association as its principal non-profit partner. The Association started modestly in 1981 as a cooperating bookstore. In 1985, a handful of members donated slightly under \$9,000 to support the park. Today, the Association's cash contribution exceeds \$14 million a year. Its noncash contributions are equally impressive, including producing educational material and interpretive products, managing park visitor centers and book stores, co-managing native plant nurseries and site-based stewardship programs, and raising private and other public funds for both major capital and operational projects.

The park has become an innovative lab for creative financing, too. Meeting the needs of the park's maintenance, resource management, and visitor services will require hundreds of millions of dollars

of investment, needs that cannot be met fully with federal government dollars alone. Consequently, the park leadership has pursued and leveraged funds from other public sources, including private philanthropy, aggressive cost recovery, fee-for-service approaches, and expansive business and program partnerships. In FY 2002, the park brought in \$0.83 for every \$1 of appropriated funds through its partnership, revenue, and volunteer programs.

To build community ownership of the park's mission and values, the park staff has had to learn to work in a new way. Rather than being the "doers" of all things, employees see themselves as the "facilitators," utilizing the talent of the community to assist in how work is done in the park. In FY 2002, 380 Golden Gate employees worked with over 11,000 volunteers in nearly all of its varied programs. To sustain this intense community engagement and resource leveraging, the park has realigned its organizational structures to facilitate the use of volunteer and community resources, and recruited and trained a park staff whose skills and talents mirror its partnership approach to managing the park.

Performance and Costs at a Glance

Tables 3 and 4 summarize FY 2002 performance and cost data for Strategic Goal 2.

Interior incurred costs of approximately \$2.1 billion for Strategic Goal 2, an increase of approximately 3.4% over FY 2001. The Department established 33 performance measures for Strategic Goal 2. Of the 33 performance measures, the Department achieved or exceeded the goals for 17 measures (52%), did not meet the goal for 12 performance measures (36%), and is unable to report performance information on 4 performance measures (12%) because performance data is not available at this time.

Two GPRA program activities, "Provide for Public Enjoyment and Visitor Experience of Parks" and "Enhance Recreation Opportunities Managed by Others", accounted for 85.6% or approximately \$1.7 billion of the \$2.1 billion cost incurred for Strategic Goal 2. There are nine measures related to these two program activities. Six performance measures (67%) were accomplished or exceeded. Of the two performance measures that were not accomplished,

both performance measures were within 1% of their targets for FY 2002 based on current or partial information. For one measure, data was not available at this time.

More detailed information concerning performance results is available in Appendix D.

TABLE 3

Strategic Goal 2 FY 2002 Performance Measure Scorecard						
GPR Program Activity	Number of Measures	Exceeded Goal	Met Goal	Did Not Meet Goal	No Report	Percent Exceeding or Meeting Goal
Responsible Recreation	4	1	1	0	2	50%
Land Management and Development	2	2	0	0	0	100%
Greater Public Use on Service (FWS) Lands	3	1	0	2	0	33%
Partnerships in Natural Resources	10	3	1	6	0	40%
Provide for Public Enjoyment and Visitor Experience of Parks	4	1	1	2	0	50%
Enhance Recreational Opportunities Managed by Others	5	3	1	0	1	80%
Ensure Organizational Effectiveness	5	0	2	2	1	40%
TOTAL	33	11	6	12	4	52%

TABLE 4

Strategic Goal 2 Costs (in millions)		
GPR Program Activity	FY 2002	FY 2001
Responsible Recreation	\$94	\$86
Land Management and Development	36	35
Greater Public Use on Service (FWS) Lands	175	160
Partnerships in Natural Resources	-	3
Provide for Public Enjoyment and Visitor Experience of Parks	1,560	1,503
Enhance Recreational Opportunities Managed by Others	251	258
Ensure Organizational Effectiveness	*	*
Total Gross Cost Prior to Eliminations	2,116	2,045
Less: Elimination of Intra-Department Activity	(13)	(6)
Total Gross Cost After Eliminations	\$2,103	\$2,039

* Costs not separately identified for this GPR Program Activity.

The Power of Volunteers

by Robert Lamb, Senior Advisor to the Assistant Secretary for Policy, Management, and Budget



I've spent 31 years working in financial management and government, 20 of them with Interior's Office of the Secretary, involved in our overall budgetary work. So I have a fairly good idea of what our challenges are, and what the limitations are on the federal budget overall. We do a good job of competing for financial resources, but the scope and complexity of the financial challenges we face go well beyond the resources we will likely obtain through appropriations.

We have one unique advantage in the Department, however, in meeting these challenges. Our work is deeply and genuinely appreciated by the American people.

I recall a survey of Americans about what government services deliver the greatest value. The Postal Service was ranked number one. You pay 37 cents and a letter carrier delivers your letter quickly. The second best value, they said, is the services delivered by a park ranger. "My gosh, these people are committed," they say when they visit a national park. "They're doing a good job, and preserving something of value."

Most Americans can't differentiate between a park ranger, a Fish and Wildlife Service refuge biologist, or a public recreation specialist for the Bureau of Land Management. They don't make distinctions between the Department's bureaus. Instead, they see us all as rangers of some sort, protecting vital resources, whether it's migrating birds, historic monuments, or towering sand dunes. It's a mission they admire, a mission they'd like to be part of. So they volunteer their help in increasing numbers. Today, over 200,000 volunteers assist us and we expect that number to continue to grow.

At the Department's annual employee award ceremony, we often reflect how blessed we are to be able to have careers in public service. Even if we spend a long day overcoming the obstacles of getting something done in a large and complex organization, we go home knowing that we're working for a high and noble purpose. Cities rise and fall. Wealth vanishes. But we have the privilege of working on things that endure. The land. Its waters. Wildlife. We're doing something to preserve them for generations to come, and that is a distinct honor and important challenge.

Others who have spent their lives watching the bottom line for their companies, produce value for our society as well. Nevertheless, many of them are looking for other ways to leave a lasting legacy. They often volunteer to work alongside us because they, too, want to build something that may last beyond their daily pursuits. In the process of becoming involved with our programs, they find their lives transformed.

For volunteerism to work, it can't just transform our volunteers, however. It has to transform those of us in Interior as well. We have to find ways of thinking how to reach our goals in concert with others. How can we use the growing numbers of interested, talented, and experienced private citizens to help us accomplish our mission? We have to reconsider how we hire people, and how we train them to work with others. Managing and rewarding volunteer efforts present new and different challenges for us as managers.

Fortunately, we have many examples in the Department of people who successfully are incorporating new, more flexible approaches to management. Our challenge is to identify those individuals, hold up their experience, and make it widely known throughout the Department so others can build on their successes.

We are starting a new volunteerism initiative within our senior management council, with a field manager, Brian O'Neill, Superintendent of the Golden Gate National Recreation Area, serving as the group leader. Some 93% of our employees work in the field; they are the ones who can best make volunteerism succeed. Our role in Washington is simply to help guide the effort by providing the resources, removing obstacles, and shining the spotlight on success.

Our Assistant Secretary for Policy, Management and Budget, P. Lynn Scarlett, recently told of a visit she made to a Fish and Wildlife Service refuge. The refuge manager said, "We really need to develop a business plan for our refuge. But we don't know how to do it. I wish I had pursued an MBA degree."

"Have you heard about what the Park Service is doing?" she asked. "The Park Service has been bringing in MBA candidates from Harvard, Wharton, and the Sloan School, volunteers who spend a summer working side by side with park staff to develop park business plans."

The refuge manager was unaware of this development. News of the Park Service Business Plan initiative hadn't spread beyond Park boundaries. Here's an opportunity for the Fish and Wildlife Service and the National Park Service to work together to develop a common approach to accomplishing a similar objective. But those kinds of connections don't happen inside the Department often enough. Instead, each bureau tries to invent its own processes, absorbing precious amounts of energy, talent, and resources.

If we can learn to turn to one another and work across bureaus to build on our experiences, we can improve almost anything we do. We can work better. We can save time. We can save money. And we will become a better organization through the process. Our future lies in better integration among our bureaus and more intensive collaboration with others.

If we look afresh at the challenges we face and the means at our disposal to face them, we will succeed as an organization. We will be able to build on the work of those who came before us, transforming us and this great Department in the process.

Strategic Goal 3: Manage Resources for a Healthy Environment and a Strong Economy

Meeting the Growing Resource Challenge

Natural disasters and man-made threats threw America's resource needs into high relief in FY 2002. Drought in the West stretched on into its fourth year in some areas, leaving both farmers and fish and wildlife parched for water. Meanwhile, growing turbulence in the Middle East and our ongoing War on Terror increased American's awareness of its precarious dependence on imported oil and gas.

These issues were particularly critical for the Department, which is responsible for managing a wide variety of natural resources for development and commercial activity while maintaining environmental protection.

Managing natural resources for a healthy environment and a strong economy, the Department's third strategic goal, requires a complex blending of interests. Preserving healthy landscapes and ecosystems is imperative, as is sustaining the productivity of renewable resources. The economic health of the community and the Nation must also be considered. Both taxpayers and commercial interests deserve a fair return on any resources developed, too. So consensus building and inclusive management are critical, in partnership with state, local, and tribal governments and private non-profit and commercial groups.

The Department's principal land and economic resource management bureaus are the Bureau of Land Management (BLM), the Bureau of Reclamation (BOR), and the Minerals Management Service (MMS). All help meet the Nation's need for energy and non-energy resources derived from public lands while maintaining environmental protections.

In addition to its expanded role providing recreational opportunities for the rapidly growing population of America's West, the BLM has the broadest range of resource management jobs: overseeing rangeland, selling millions of board feet of saw timber and other forest products, and issuing thousands of leases for oil, gas, geothermal, and coal exploration and production. Lands managed by BLM produce an estimated 40% of the Nation's

coal, 11% of its natural gas, and 4.6% of its domestic oil, generating about billion dollars in annual revenues back to the American taxpayer.

The Bureau of Reclamation is the largest manager and supplier of water in the 17 western states, delivering water to 31 million people for agricultural, municipal, industrial, and domestic uses. About 60% of the Nation's fruit and vegetables and 25% of nuts sold domestically are grown with water provided by the BOR. The bureau is also America's second largest producer of hydroelectric power, representing 17% of the Nation's hydropower capacity, and America's 10th largest electric utility. BOR facilities generate 42 billion-kilowatt hours from 58 hydroelectric power plants each year, enough to meet annual residential needs of 9 million people, equivalent to 80 million barrels of crude oil.

The Minerals Management Service manages the Nation's natural gas, oil, and other mineral resources on more than 1.7 billion acres of the Outer Continental Shelf (OCS). The MMS also collects, accounts for, and disburses revenues from offshore federal mineral leases and from onshore mineral leases on federal and Indian lands. These leases supply 35% of the Nation's natural gas and 29% of its oil. Between 1995 and 2001, the MMS collected more than \$5 billion annually in lease revenue on more than 80,000 leases, money that has been distributed to the U.S. Treasury, states, Indian tribes, and Indian allottees.

Careful, effective, and sustainable management of these critical resources requires a partnership between industry and government, working together to maintain high standards for production. From the government's side, we must work to minimize delays, uncertainties, and red tape that help neither industry nor the environment. Those in industry must fulfill their responsibilities to protect the environment as they work to supply the energy and mineral needs of the Nation.

The important role of the Department in careful resource stewardship is likely to increase in the years ahead. Federal lands are estimated to contain 68% of all undiscovered oil resources and 74% of all undiscovered natural gas resources. Even with those resources, however, it is clear that America's energy

needs will outstrip supply. Over the next 20 years, U.S. oil consumption is projected to grow by over 6 million barrels a day, while production is estimated to decline by 1.5 million barrels per day. Over the same time period, U.S. natural gas consumption has been projected to grow by over 50%, while production will grow by 14%.

The Department is committed to the development and implementation of a national energy policy that effectively taps a wide variety of sources, using technological advances to increase yield, minimize environmental risk, and promote resource conservation.

Key elements of that policy are strategies to augment our Nation's use of such renewable and alternative energy sources as wind, biomass, solar, and geothermal power. These resources will diversify our energy portfolio while helping to minimize the environmental impacts of air pollution.

While the current contribution of renewable resources is less than 10% of the Nation's consumption, their use is growing faster than any other form of energy. Interior currently manages nearly 300 geothermal leases, 40% of the Nation's supply, producing enough energy for two million households. The Department's wind energy sites generate enough electrical power for 300,000 homes in Southern California, with new projects coming online in Wyoming and Nevada.

BLM: Plan and Performance

The BLM has developed 166 land-use plans that govern the management of the public lands it administers. These plans are the bureau's primary tool for building consensus and providing opportunities for public participation in its land and resource management decisions.

Fiscal Year 2002 marked the second year of a major ten-year effort by the BLM to update its existing plans and initiate 29 plans for newly designated administrative units. Updated plans reflect current conditions and new statutory, regulatory, and policy requirements. They facilitate better decisions on sustainable use, the processing of expanded use requests, and the resolution of land use conflicts without costly and time-consuming litigation.

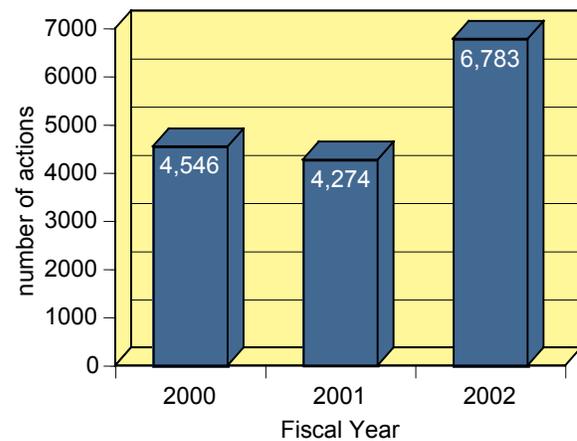
Comprehensive land use plans and major plan amendments establish management direction for millions of acres, and take an average of three years to complete. In 2002, BLM made substantial progress toward completing 44 land use plans, and completed the amendment of 26 existing plans. The focus of the planning program in 2002 addressed national issues such as the National Landscape Conservation System, off-highway vehicle use, renewable and nonrenewable energy development, and urban growth, as well as compliance with litigation and endangered species consultation through collaborative planning with tribal, state, and local community governments and with local citizens and stakeholders.

Fiscal year 2002 also saw the beginning of the BLM's implementation of a strategic National Energy Action Plan to help increase both traditional and alternative energy sources, improve America's energy transportation network, and ensure sound environmental management. Central to this plan are major initiatives such as the development of Alaska North Slope oil resources, continued development of coalbed natural gas resources, and more efforts towards renewable energy sources. Of the 44 tasks in the multi-year plan, 14 tasks have been completed, 21 tasks are more than 50% complete, and, overall, work is progressing as scheduled.

The BLM conducted Energy Policy Conservation Act (EPCA) evaluations of five major energy-producing basins in FY 2002 and provided these to Congress in early 2003. These evaluations give the BLM a sound basis upon which to ensure timely planning on federal lands and to allow for development of oil and gas resources with minimum restrictions while ensuring environmental protection. The BLM will review restrictions and lease stipulations in these areas in FY 2003, based upon the results of the EPCA evaluations.

In FY 2002, the BLM completed 93% of its planning targets for the number of federal energy mineral lease actions authorized, and 92% of its targets for the number of federal energy mineral compliance, inspection, and enforcement actions taken. Planning targets for commercial timber offered for sale in the Pacific Northwest were exceeded by 8%, with 162.5 million board feet of timber offered for

FIGURE 10
Non-Energy and Other Mineral
Authorization Actions Completed by BLM



sale. Additionally, 25.9 million board feet of timber (MMBF) were offered for sale from the public domain lands, slightly below the planning target of 27.8 million board feet. The BLM issued 2,171 grazing permits or leases, which was 37% over the planned target.

The BLM authorized environmentally responsible commercial activities on the public lands (including oil and gas leasing, coal leasing, livestock grazing, and timber production), resulting in a 2002 market value of production of \$12.50 billion. The direct and indirect economic impact of all commercial activities amounted to \$27.07 billion. Energy and mineral royalties, rents, bonuses, sales and fees accounted for approximately \$1.43 billion. Key contributions to the total revenues generated include the leasing of 60 parcels in the Northeast National Petroleum Reserve in Alaska, which yielded \$65.8 million in bids, and the leasing of the North Jacobs coal tract in Wyoming, which earned over \$379.5 million in bonus bids.

In FY 2002, BLM made payments to states and counties totaling over \$330 million. This figure includes Payment in Lieu of Taxes (PILT) of \$210 million, Mineral Leasing Act payments of \$1 million, grazing payments amounting to about \$54,000, and others. Consistent with the Secretary's 4 C's, all PILT payments were accelerated from September 2002 to June 2002 to better coincide with county and local government planning and budget cycles.

To boost efficiency, the BLM continues to advance its e-government capability, implementing four new online business applications. This includes the National Integrated Lands System, which combines survey and geographic information system (GIS) technology to analyze survey data and parcel creation; the National Photo Database System, a searchable photo library of BLM digital images; the Regulation Comment System, which allows comments on proposed BLM regulations via the Internet; and the Rangeland Administrative System, which provides management reports concerning grazing leases and permits via the internet.

BOR: Living with Drought

The BOR means water and power in the West. The bureau's 348 reservoirs have a total storage capacity of 245 million acre-feet of water. (An acre-foot supplies enough water for a family of four for one year). The BOR's 58 hydroelectric power plants generate an average of 42 billion-kilowatt hours of energy annually. The BOR's goal is to operate these facilities cost-effectively and ensure they provide safe, reliable supplies of water and power.

The BOR exceeded its target of delivering 27 million acre-feet of water in FY 2002, delivering 29.4 million acre-feet to meet increased demand caused by the drought in the northern part of the West (Figure 11). Where water was available, demand was met, bringing reserves to all-time lows in many reservoirs. In other cases where reservoir levels were already low, all available water was delivered, but there were insufficient amounts of that water to meet demand.

If the snowpack runoff in spring 2003 is at or below normal and the drought continues, there will be far less water to release to customers during FY 2003.

Even without the drought, however, the BOR will face new and increasing demands on a finite supply. Over the past 25 years, population in western states has increased by a third. To meet the critical challenge posed by this population growth, the BOR must continue to develop strategies so that water can be used more than once in order to satisfy multiple users. Other tools BOR is using include water banking, voluntary water transfers, improving wa-

FIGURE 11
BOR Performance in Meeting Water Contracts (Water Released or Delivered)

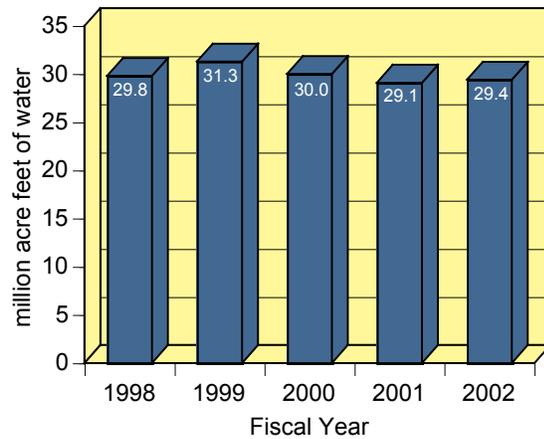
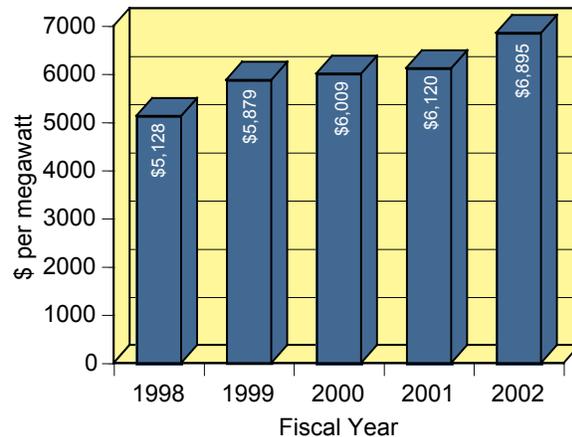


FIGURE 12
BOR Provides Power at Less than \$7,300 per Megawatt (Top Quartile of Providers)



ter conservation and management, and improving and developing water treatment technologies.

Similar ingenuity will be needed to meet the growing demand for hydropower, a clean, domestic, and renewable source of electricity.

One of BOR's goals is cost-effective power production, targeting production costs at less than \$7,300 per megawatt, which would rank BOR's efficiency in the top 25% of producers nationally (Figure 12). Actual performance exceeded that ambitious target, with a cost of power production of \$6,895, which ranks in the top 20%.



BOR's efficiency and cost-effectiveness are particularly impressive given the age of its dams. Some 50% of the 456 dams were built between 1900 and 1950. BOR is vigilant in conducting safety inspections and analyses to ensure dam integrity and to maintain dams in their top condition.

Proper maintenance is critical to ensuring reliable and safe delivery of power to BOR customers now and in the future. The forced outage rate measures the amount of time a power plant suffers unplanned shutdowns due to equipment failure and other operational or maintenance problems. The BOR's target was the same as the industry average, a forced outage rate of 3% of total operating hours within a year. Here, too, BOR exceeded its target, with a 1.3% forced outage rate, less than half the industry norm.

The average age of a BOR hydropower plant is about 43 years. While two-thirds of the facilities have been upgraded and/or rewound, one-third have not been modified. Without continued facility improvement, the BOR will find it difficult to sustain its record of cost-effective reliability.

The BOR has undertaken an aggressive upgrading and efficiency improvement program, which has significantly expanded the capacity of its hydro-

power system. For example, Reclamation has ongoing turbine work at Grand Coulee Dam in Eastern Washington, which will ultimately increase the efficiency of the original generators by four percent, equivalent to an additional 150,000 megawatt hours of power per year. Replacements are also underway at Yellowtail Dam in Montana, and turbine part replacements at the Shasta power plant in California are planned. These three new programs will result in an equivalent of 250 new megawatts of capacity over the next nine years.

MMS: Faster and More Efficient

The Minerals Management Service (MMS) focuses on environmentally sound management of mineral resources on 1.76 billion submerged acres on the outer continental shelf. Responding to growing energy needs, the MMS developed the five-year leasing program for 2002-2007 to outline areas available for production.

The MMS estimates the new five-year program will make available from 10 million to 21 million barrels of oil and 40 trillion to 60 trillion cubic feet of natural gas. This is enough oil to fuel every vehicle in America for two to five years and enough natural gas to heat, cool, and run the appliances for every home in America for two to three years.

Between 2002 and 2007, the MMS plans to hold 20 oil and natural gas lease sales. Sale 181 in the Gulf of Mexico, held in December 2001, was a great success, resulting in 190 bids on 95 tracts and totaling \$340 million in high bids from 17 companies. The highest bid was \$26 million, and the deepest tract was 9,541 feet.

One major focus is to meet the increased demand through incentives and programs designed to spur exploration and technological development in the Gulf of Mexico. The MMS has identified deep well gas from the Gulf's nearshore outer continental shelf as a best bet for enhancing natural gas production in the near term.

As of November 2001, a record 47 deepwater rigs were drilling at depths greater than 1,000 feet, as compared to only 9 rigs in 1990 and 26 in 1999. The number of wells being drilled in the ultra-deepwater (5,000 feet or greater) continues to grow also.

In calendar year 2001, deepwater oil production grew over 23% to 335 million barrels in 2001 as compared to 2000. Production figures for calendar year 2002 will be available in March 2003.

The Green Department

The Department is a national model of renewable energy use and innovative conservation projects. We currently lease, permit, and license most of the government's renewable energy—and use it in our facilities too, with more than 600 solar electricity facilities, 40 solar hot water systems, 30 wind turbines, 15 geothermal heating and cooling systems, and 6 wind farms. In addition, we use 200,000 gallons of biofuels in vehicles and marine fleets annually, and operate 1,200 alternative fuel vehicles.



Since 1985, Interior has reduced energy consumption in buildings and facilities by about 10%. The Green Energy Parks Program, a successful partnership between the National Park Service and the Department of Energy, has fostered over 200 energy and water conservation projects, saving taxpayers millions of dollars.

Three different projects won Department of Energy awards in FY 2002. The National Park Service was honored for the Channel Island's (CA) Park Ranger boat that runs on biodiesel fuel, and for the Denver Service Center's energy design process for the Zion National Park Visitors Center. The Fish and Wildlife Service was honored for its efforts to incorporate energy efficiency and green construction at the John Heinz National Wildlife Refuge's (PA) education center.

Similar initiatives can be found nationwide. In Colorado, for example, the MMS has joined a federal wind source pilot, agreeing to purchase 25% of the estimated 3.2 million kilowatt hours it uses in its Denver offices from wind-generated sources. The Department's National Business Center is putting the money it saved by recycling paper to create a pilot-scaled "green roof" of planted sedge grass that will stretch over half a wing of the Main Interior building in Washington, D.C. Besides adding insulation, which reduces heating costs during cold weather and cooling costs during hot weather, green roofs help cut down on the risk of storm-pulse flooding of the city's storm drain system, a recurrent problem in Washington.

Although significant technological breakthroughs have allowed for more deep-water production, substantial economic risks remain. The Deep Water Royalty Relief Act of 1995, which granted variable royalty reductions for new leases in deep water, contributed to much of the increase in deep-water leasing in the Gulf of Mexico. Similar incentives could help spur development in other technological frontiers, such as deep natural gas, make possible continued production from both offshore and onshore fields near the end of their economic life. The President has directed Interior to continue to explore opportunities for royalty reductions, consistent with a fair return to the public, in areas where production might not otherwise occur.

The MMS is particularly proud of its environmental performance. Between 1985 and 2000 more than six billion barrels of oil were produced from the Outer Continental Shelf (OCS), with less than .001 percent of that total spilled. Of those releases, 97% involved less than a barrel.

The MMS has not yet performed the calendar year 2002 annual review of oil spill data. Results are expected by May 2003 and will be posted on the MMS Web site. FY 2001 performance of one barrel spilled per million barrels produced exceeded the target of no more than ten barrels spilled per million barrels produced, primarily because there were no “large” spills of 1,000 barrels or greater in FY 2001.

The MMS calculates its environmental impact indicator on a calendar year basis. Here, too, data will be available by May 2003 and will be posted on the MMS Web site. FY 2001 performance exceeded the target of 8.10 (with 0 being best performance), with an actual performance of 7.46, based on calculations derived from data on four resource activities in the three OCS regions. This was an increase over the year 2000 result of 5.02, primarily because of more stringent air quality inspection on the Pacific OCS.

In addition to OCS operations, the MMS collects, verifies, and distributes mineral revenues each month from more than 80,000 leases on federal and Indian lands.

To work more effectively, the MMS consulted with industry, states, and tribes on a complete business process reengineering that resulted in a new organizational structure for its Minerals Revenue Management administration. This reengineering effort has now been completed, and the initial results promise significant efficiency gains in both the near and long term. In addition, the MMS is improving online capability to make it easier for energy producers to do business with the MMS.

Over the last ten years, the MMS distributed a record \$6.7 billion to 36 states as their share of revenues from the leases located within their borders or adjacent to their shores. States receive 50% of the royalties collected, except for Alaska, which gets a 90% share as prescribed in the Alaska Statehood

Act. Forty percent goes into the reclamation fund for water projects, and 10 percent goes into the general fund of the U.S. Treasury.

Finally, in response to President Bush’s request to help enhance U.S. energy security in the near term, MMS has begun accepting royalty-in-kind oil to transfer to the Department of Energy for use in re-filling the Strategic Petroleum Reserve, the Nation’s emergency stockpile. Delivery of oil began in April 2002 at 60,000 barrels per day, increasing to 100,000 barrels per day by October 2002. By spring 2003, delivery will reach 130,000 barrels per day.

Performance and Costs at a Glance

Tables 5 and 6 summarize FY 2002 performance and cost data for Strategic Goal 3.

Interior incurred costs of about \$4.4 billion for Strategic Goal 3, an increase of 6.5% over FY 2001. The Department established 54 performance measures for Strategic Goal 3. Of the 54 performance measures, we achieved or exceeded the goals for 26 measures (48%), did not meet the goals for 21 measures (42.6%), and are unable to report performance information on 7 measures (13%) because performance data is not available at this time.

Two GPRA program activities, “Operate and Maintain Facilities Safely, Reliably, and Efficiently to Provide Project Benefits” and “Provide Revenue Recipients with Access to Their Money Within 24 Hours of the Due Date” related to royalty revenues, accounted for 48% or approximately \$2.1 billion of the \$4.4 billion cost incurred for Strategic Goal 3. There are 13 measures related to these two program activities. Of the 13 performance measures, 11 performance measures (85%) were accomplished or exceeded including all of the performance measures related to “Operate and Maintain Facilities Safely, Reliably, and Efficiently to Provide Project Benefits”. The performance measures that were not accomplished related to “Provide Revenue Recipients with Access to Their Money Within 24 Hours of the Due Date”. Targets for these measures were not achieved because of a court-ordered system shutdown from December 2001 through March 2002 that disrupted program operations.

More detailed information concerning performance results is available in Appendix D.

TABLE 5

Strategic Goal 3 FY 2002 Performance Measure Scorecard						
GPRA Program Activity	Number of Measures	Exceeded Goal	Met Goal	Did Not Meet Goal	No Report	Percent Exceeding or Meeting Goal
Provide Opportunities for Environmentally Responsible Commercial Activities	15	6	0	7	2	40%
Reduce Threats to Public Health, Safety, and Property	14	6	1	7	0	50%
Operate and Maintain Facilities Safely, Reliably, and Efficiently to Provide Project Benefits	11	9	2	0	0	100%
Ensure Safe Outer Continental Shelf (OCS) Mineral Development	1	0	0	1	0	0%
Ensure Environmentally Sound Outer Continental Shelf Mineral Development	2	0	0	0	2	0%
Ensure that the Public Receives Fair Market Value for Outer Continental Shelf Mineral Development	1	0	0	1	0	0%
Provide Revenue Recipients with Access to Their Money within 24 Hours of the Due Date	2	0	0	2	0	0%
Ensure Compliance with Applicable Laws, Lease Terms and Regulations for All Leases in the Shortest Possible Time, But No Later than 3 Years from the Due Date	3	2	0	1	0	66.7%
Interact with Our Customers in an Open and Constructive Manner to Ensure That We Provide Quality Services to Satisfy Our Customers' Needs	1	0	0	0	1	0%
Overview	4	0	0	2	2	0%
TOTAL	54	23	3	21	7	48%

TABLE 6

Strategic Goal 3 Costs (in millions)		
GPRA Program Activity	FY 2002	FY 2001
Provide Opportunities for Environmentally Responsible Commercial Activities	\$347	\$449
Reduce Threats to Public Health, Safety, and Property	628	502
Operate and Maintain Facilities Safely, Reliably, and Efficiently to Provide Project Benefits	1,258	1,435
Ensure Safe Outer Continental Shelf Mineral Development	240	79
Ensure Environmentally Sound Outer Continental Shelf Mineral Development	226	71
Ensure that the Public Receives Fair Market Value for Outer Continental Shelf Mineral Development	128	39
Provide Revenue Recipients with Access to Their Money Within 24 Hours of the Due Date	953	1,143
Ensure Compliance with Applicable Laws, Lease Terms, and Regulations for All Leases in the Shortest Possible Time, but No Later than 3 Years from the Due Date	219	44
Interact with Our Customers in an Open and Constructive Manner to Ensure that We Provide Quality Services to Satisfy Our Customers' Needs	*	*
Payments in Lieu of Taxes and Other Payments Made to States and Local Governments	364	333
Total Gross Cost Prior to Eliminations	4,363	4,095
Less: Elimination of Intra-Department Activity	(50)	(49)
Total Gross Cost After Eliminations	\$4,313	\$4,046

* Costs not separately identified for this GPRA Program Activity.

Wildland Fire: The Story Beyond the Pictures on TV

by Tim Hartzell, Director, Office of Wildland Fire Coordination



The fire season in 2002 was the second busiest in the past 50 years. You have to go back to the 1950s to find fire seasons that burnt more acres or destroyed more structures.

There are two reasons for that severity. For the past 100 years the national policy has been to suppress wildland fires. We've been good at it, and as a result have let fuels build up in our forests and rangelands. On top of that, 2002 was marked by extreme drought, with nearly 50% of the country affected.

Americans saw the results on the network news shows. Night after night, the anchors broadcast pictures of devastation, with forests blackened, wildlife destroyed, and homes laid to waste. Those pictures didn't tell the full story, however. Of the more than 73,000 wildland fires in FY 2002, all but 610 were suppressed at 300 acres or less burned—fires far too small to make the news reports. Likewise, the media focused on the 2,000 or so structures that fire destroyed. They didn't report on the 110,000 threatened homes, farms, and businesses we were able to save.

Those successes are a tribute to our fire personnel and to good fire planning with strong coordination among all the federal agencies and their state, local, and tribal partners.

The fire community describes the urgency of a fire season through "Preparedness Levels," from 1, meaning little fire danger and no large fire activity to 5, meaning we have major fires and our necessary firefighting resources are stretched to the limit in multiple locations. Last year we went to Level 5 on June 21, 2001—five weeks earlier than ever before. We knew we were in for a long, hard season. But, we were better prepared than ever. We were better trained. We had more people. We had more equipment. And we had better coordination across the board, thanks to the National Fire Plan.

The National Fire Plan is a strategy that links the four Interior firefighting bureaus, BLM, NPS, FWS, and BIA, with the Forest Service, state foresters, tribes, and local fire departments.

The first key element of the plan is preparedness. For Interior that meant hiring over 2,000 new firefighters since FY 2000, and getting them appropriately trained and equipped. We also added more aircraft, more fire engines, and more bulldozers, water tenders, and semi-trucks to transport them.

The second key element is investing in projects to reduce fire risk and restore forest and rangeland health. We can't continue just to treat the symptom of catastrophic wildfire. We need to treat the cause, the build-up of fuels. In FY 2000, the year before the National Fire Plan, the Department of the Interior treated approximately 502,718 acres of hazardous fuels. In FY 2002, we treated 1,058,964 acres, twice the acreage. More importantly, we treated the right acres. Determining where to treat hazardous fuels is a completely different process since the National Fire Plan's introduction. In all of the 50 states, we identify what acreage most needs treatment through a collaborative process that involves all of the four Interior bureaus, the Forest Service, tribes, state foresters, local governments, and a variety of non-governmental organizations. We treat what we agree is the highest priority, with coordinated sequencing for future treatment.

The third element of the plan is the rehabilitation of areas that have been degraded by large wildfires. In FY 2002, we set a target of slightly more than 1.5 million acres. We treated 767,000 acres, including stabilizing priority areas such as municipal watersheds.

The fourth key element is community assistance, particularly for rural fire departments. They are the first to respond to most wildfires; the better prepared they are, the less likely fires are to grow. Before the plan, the Department did not have a rural fire assistance appropriation. In FY 2001 and FY 2002, assistance to rural fire departments was funded for \$10 million annually. Our target in FY 2002 was to assist 1,085 rural fire departments with financial grants to help with training, prevention activities, and purchasing equipment. That target was exceeded as well with 1,568 rural fire departments assisted.

The fifth key element strengthened accountability. In April 2002, Secretary Norton and Agriculture Secretary Ann Veneman established the Wildland Fire Leadership Council, a high-level policy-making group created to ensure seamless implementation of the Federal Wildland Fire Policy and the National Fire Plan. The Council provides leadership and oversight to ensure coordination and accountability for results. The Council includes the Chief of the Forest Service and the directors of the four fire bureaus for the Department of the Interior, along with the U.S. Department of Agriculture's Undersecretary for Natural Resources and Environment, the Department of the Interior's Assistant Secretary for Policy, Management and Budget, and a representative from the Federal Emergency Management Agency, the National Association of Counties, the National Association of State Foresters, the National Governors Association, and the Intertribal Timber Council. Never before have so many levels and organizations from government come together to discuss a cohesive approach to fire preparedness, reducing hazardous fuels, and restoring and maintaining forest and rangeland health.

In May 2002, the two Secretaries and the Western Governors Association signed a comprehensive Ten-Year Strategy Implementation Plan, detailing a uniform approach to implementation of the National Fire Plan goals on federal, and adjacent state, and private lands. It's a detailed blueprint for protecting communities and the environment through local collaboration over the next ten years, with clearly defined implementation tasks and performance measures—and a tribute to the power of coordination, communication, and consultation among the Nation's many firefighting and resource management organizations.

Strategic Goal 4: Provide Science for a Changing World

Science for Solutions

Political leaders, policymakers, and the public have never had a greater need for accurate and timely scientific information than today.

As a Nation, we face vital and perplexing questions concerning our environment and natural resources. How can we ensure an adequate supply of energy, water, and mineral resources in the future? Are we irreversibly altering our natural environment when we use these resources? How has the global environment changed over time, and what can the past tell us about the future? How can we predict, prevent, and mitigate the effects of natural hazards?

These are not abstract questions. They are immediate and pressing, and framing conservation and resource decisions at every level of government.

Providing the sound, objective, and current science to make those decisions is the fourth strategic goal of the Department.

Integrity remains the foundation of all DOI science—honesty in all aspects of scientific enterprise, to maintain impartiality and ensure that information is used to benefit the public as a whole. The Department is committed to peer review for all its scientific disciplines and is fostering common standards for peer review of research across the Department. Finally, DOI has developed “A Code of Science Ethics” that has been coordinated with the Human Resources leadership, vetted through the Department and OMB, and is now in external review. This code will help guide the conduct of employees, contractors, and consultants engaged in science-based projects and also helps employees meet the Secretary’s policy to make decisions based on the best science available. In addition to the quality of science, the Department has issued new guidelines on information quality, objectivity, utility, and integrity, consistent with congressional and OMB directives.

Every bureau inside the Department has its own team of dedicated science professionals, focused on the specific issues related to that bureau’s performance. The U.S. Geological Survey (USGS) is considered the principal science bureau within Interior. Several other Department bureaus marry scientific

Science Informing Stewardship



More than any other open space remaining, the oceans are a common use area for work and play for much of the world's population. That's particularly true in ocean areas near large urban centers. In these multi-use urban oceans, environmental and ecological concerns must be balanced against the human, economic, and industrial demands of adjacent population centers.

The USGS began studying the Gulf of the Farallones in 1989, and over the next 13 years would develop a sophisticated understanding of the waters just beyond San Francisco's Golden Gate. The initial goal was to establish a database to evaluate and monitor human impact on the marine environment over an area of 1,000 square nautical miles. The project expanded in scope in 1991, when the USGS sponsored a multidisciplinary survey of the area designed to help locate 47,800 containers of low-level radioactive waste dumped in the Gulf between 1946 and 1970 and to investigate possible sites for the disposal of sediment dredged from San Francisco Bay.

Today, thanks to cooperators, including the Point Reyes Bird Observatory, the California Department of Health Services, and the British Geological Survey, the Gulf is one of the most studied urban ocean areas the world. Data from the ongoing research have become a primary conservation tool that is shared by managers of the three contiguous National Marine Sanctuaries of Cordell Bay, Gulf of the Farallones, and Monterey Bay, to protect the ocean area stretching 185 miles from Bodega Bay north of San Francisco to Cambria south of Monterey.

knowledge with applications. DOI bureaus have established effective partnerships with the Nation's universities, increasing the scientific expertise available to the Department.

Science and the U.S. Geological Survey

Thousands of partners and customers seek out the USGS for its expertise and vast data holdings. The diversity of expertise inside the organization makes it possible to carry out large-scale multi-disciplinary investigations that build the base of knowledge about the earth.

As the major science bureau within the Department of the Interior, the USGS conducts research on earth and biological processes, including natural resources and natural hazards. These studies are guided, in part, by the needs of DOI partners and may address either long-term research questions or short-term tactical science applications. Research results, in the form of publications, analyses, maps, decision support systems, Web pages, and other media, provide systematic information to DOI bureaus and the Nation for use in land and resource decisionmaking. Scientists in other DOI bureaus

rely on USGS for objective scientific results and well designed application programs to translate the information to specific land or resource use questions. The application of science may include inventory, assessment, and monitoring of discrete land units, such as national parks, wildlife refuges, or resource areas. USGS scientists also conduct assessments and monitoring on a regional, national, or global scale. The resulting partnerships between USGS and other DOI scientists maintain the separation of the conduct of science from regulatory and land management activities, thus ensuring both the objectivity of science information and the relevance of that science to fulfilling the Department's goals and mission.

The USGS must continually search for better ways of doing business, constantly evaluating the quality of its science programs and ensuring their relevance and value for public policy and decisionmaking. As the Department's sometimes conflicting conservation, recreation, and resource-use goals become ever more difficult to balance, the science necessary to understand them becomes more complex. At the same time, the results have to be easier to

understand by the end user. Issues are likely to involve a need for both better local knowledge and better global information, increasing the need for local collaboration at the same time. The USGS is getting closer to customers by advancing regional collaboration, and has a sophisticated and ongoing effort to consult, cooperate, and communicate with its thousands of customers and partners around the world.

Mission Performance

The USGS mission focuses work on hazards and environment and natural resources program activities.

Through its hazards program, the USGS describes, documents, and helps understand natural hazards and their risks. 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 include post-crisis analysis with scenario formulation to develop strategies to mitigate the impact of future events and coordinated risk assessments for regions vulnerable to natural hazards.

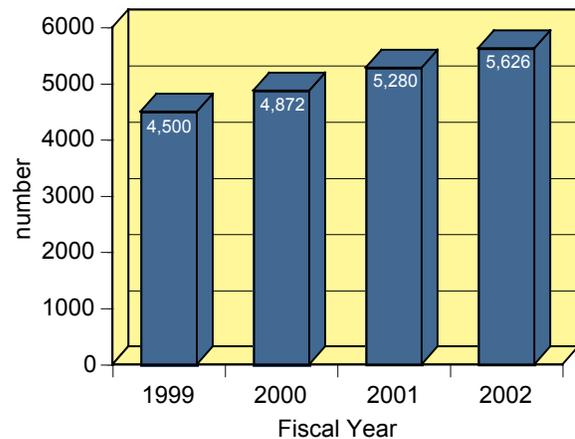
When a flood roared through South Central Texas in 2002 or when tremors shook the Seattle area and Puget Sound, it was USGS scientists who monitored the risks and provided accurate, timely facts that citizens needed to make critical decisions about protecting themselves, their families, and their homes. When the lava flow increased at Hawaii Volcanoes National Park, sparking fires and putting visitors at risk, it was USGS scientists who forecast the path the lava would take as it flowed down to the sea.

To improve America's ability to anticipate, identify, and monitor such dangers, the USGS maintained six flood, volcano, earthquake, geomagnetic, landslide, and integrated hazard monitoring networks in FY 2002, as planned.

Real-time data are particularly important in a crisis. To improve the Nation's ability to respond immediately to floods or earthquakes, the USGS maintained an average of 5,626 streamgages delivering real-time data on the Internet, exceeding the 5,574

FIGURE 13

Maintaining Streamgages with Real-Time Internet Data



target (*Figure 13*), and 425 real-time earthquake sensors, not meeting the targeted 449 because the award of the contract to a new manufacturer resulted in delayed delivery of instruments and a requirement for extended training on the new equipment. The schedule should be recovered in the first quarter of FY 2003. The USGS also developed 24 risk assessments, exceeding the target by seven.

The USGS environment and natural resources program activity focuses on ensuring the availability of long-term environmental and resource information. The USGS develops systematic analyses for issues of concern to customers, as well as decision-support systems and predictive tools for informed management choices involving natural systems.

More accessible data lead to better decisions. To improve long-term resource information and systematic analyses, the USGS upgraded 47 targeted data collection and data management activities. The USGS also delivered 993 new systematic analyses to customers, including Interior bureaus, other federal agencies, states, tribes, local governments, and the public. Although analyses were 1% below the target, new or improved decision-support systems delivered to customers exceeded the target by nearly 30%.

FY 2002 was marked by the completion of a critical four-year reassessment of the undiscovered oil and

gas resources of the National Petroleum Reserve in Alaska (NPRA), including an economic analysis of the undiscovered oil in the NPRA. The study showed that the federal part of NPRA contains significant volumes of technically recoverable oil and gas resources spread over a broad area.

Until the completion of this study, the most recent assessment of NPRA was more than 20 years old and had reported the technically recoverable oil in the entire NPRA as between 0.3 and 5.4 billion barrels of oil (BBO), with a mean value of 2.1 BBO.

The FY 2002 reassessment shows that between 1.3 and 5.6 BBO are estimated to be economically recoverable, at market prices of between \$22 and \$30 per barrel, respectively. Estimates of technically recoverable oil beneath federal lands range between 5.9 and 13.2 BBO, with a mean value of 9.3 BBO. A large proportion of the undiscovered oil resources is estimated to occur in the northern third of the NPRA in moderate size accumulations.

Listening to Learn

The USGS stays in touch with its customers by actively listening to their concerns. Thirty-seven different meetings with interested citizens and organizations were held involving projects in the hazards area in FY 2002, with 767 held for environmental and natural resource analysis projects. Anyone with an interest was encouraged to participate through a variety of venues. Academics and managers of other federal agencies, cooperators, customers, and congressional oversight groups, or members of the public at large met in workshops, targeted briefings, open houses, and listening sessions.

The largest customer-listening project looked at the USGS as a whole, beginning with a request that the National Research Council take a hard look at the scientific challenges and changes confronting USGS. The result was a report on “Future Roles and Opportunities for the U.S. Geological Survey.” Using the report as a springboard, USGS invited partners and customers to come to Washington, D.C., for a one day listening session structured around the theme of “Science, Society, Solutions.”

Some 40 speakers stepped forward, representing federal agencies, scientific agencies, and environ-

mental groups. Speakers encouraged the USGS to develop initiatives to provide an assessment of national resources and to maintain databases that support both national security and public health needs, such as pesticides and contaminants in soil, water, and air. As a group, they said they needed a better understanding of what data are available and how data can be integrated, synthesized, interpreted, and applied to their specific decisionmaking needs for land management, risk assessment, or policy development purposes.

Speakers looked to the future, identifying an extensive list of emerging issues for which USGS science is needed. These included global climate patterns and variability, status and trends in water quality, health of river basins and watersheds, status and trends in the health of ecosystems, resource availability and scarcity, hazard and risk characterization and mitigation, advanced systems for hydrologic predicting and seismic warning, and human health impacts from environmental exposures.

Speakers also asked USGS to be even more active in establishing partnerships. Many wanted to formalize their existing partnerships, especially around information technology, in order to exchange useful, integrated, and interoperable data for decisionmaking and predictive forecasting. Customers who currently have USGS staff in liaison or site exchange roles encouraged USGS to continue and expand those opportunities.

Science could be the bridge between social issues and policy options, customers said. But USGS science has to actively build those bridges, seeking out opportunities to use partners and alliances to develop the science our changing world needs.

Those bridges can protect and preserve the environment and wildlife habitat. They can ensure the Nation has the energy resources to fuel its future. And they can promote the use of tools and technology that will help us prepare for natural hazards and protect people and property from ensuing disasters.

Building these bridges depends on USGS cooperation, consultation, and communication with its partners and customers. It is they who are out on the landscape, close to the communities, the natural

and living resources, and the hazards. They can take the power of USGS science and put it to work to protect lives and property, preserve habitats, and provide for the Nation's energy future.

That future model is already being built today, in projects like the four current studies providing critical information for mercury remediation in California. The work represents a broad variety of cooperators, including the Nevada County Resource Conservation District; California's Departments of Toxic Substances Control, Conservation, Parks and Recreation, and Fish and Game, and its Water Resources Control Board; the U.S. Forest Service; the Bureau of Land Management; the National Park Service; and the U.S. Environmental Protection Agency. For the past four years, USGS scientists have been conducting research on mercury and other metal contaminants in watersheds of the northern Sierra Nevada Mountains and the Klamath-Trinity Mountains of northeastern California. Cooperators have been doing "one-stop shopping" for the coordinated efforts of USGS personnel with a range of expertise, including geologists, hydrologists, biologists, and ecotoxicologists.

As a result of the USGS reporting, which found potentially dangerous levels of elemental mercury on riverbed floors, several counties issued health advisories for reservoirs with fish contaminated by the mercury. In addition, the findings provided the BLM, the Forest Service, and the California Department of Parks and Recreation with the opportunity to focus their efforts on remediation of the most highly contaminated sites on both federal and state lands.

Although the USGS is the largest single source of scientific research support for the Department, Bureaus also work with other federal agencies, state agencies, and other organizations to meet scientific needs. The following is a summary of other Bureau science capabilities and experiences.

Science and the Bureau of Reclamation

The Bureau of Reclamation's (BOR) Science and Technology Program uses innovation to enhance the flexibility and reliability of western water management. The program focuses on four main areas of solution-oriented research: infrastructure reli-



Bio-engineered fishpass enables fish to safely and effectively pass around low-head diversion dams.

ability, water delivery reliability, water operations decision support, and water supply technologies.

For example, in FY 2002, the BOR oversaw the development of a desalination research roadmap in a collaborative effort with the private sector, nongovernmental entities, municipalities, and other federal laboratories. This roadmap will help guide, prioritize, and coordinate desalination research by Reclamation and others. BOR biological science has led to the development of effective fish passage devices, e.g., bio-engineered fish pass channels for native fish such as the Colorado razorback sucker and pike minnow, cui-ui suckers, sturgeon, and other endangered or at risk species.

Reclamation's efforts to improve reservoir and river system operation modeling have helped to ensure that water is used beneficially for intended purposes. Many of the models Reclamation has developed are now standard operation modeling tools on many western river systems. Through effective partnerships and working groups, the BOR has made strong contributions in advancing and demonstrating integrated control and revegetation technologies to manage aquatic and riparian invasive plants such as salt cedar, hydrilla, waterhyacinth, and salvinia, which crowd out native vegetation and pose many problems to water delivery systems. Finally, Reclamation's contributions to hydroelectric research are largely responsible for the stable and dependable western power supply. For example, in FY 2002, the bureau designed a new test system that detects insulation delamination before power outages occur.

Science and the Minerals Management Service

Scientific disciplines practiced at the Minerals Management Service (MMS) range from archeology to zoology, but most science is practiced by petroleum geologists and geophysicists, marine biologists and physical oceanographers, and petroleum engineers.

MMS geologists, geophysicists, and engineers conduct regional studies to assess the undiscovered oil and gas resource potential of the Outer Continental Shelf (OCS). They also conduct very detailed evaluations of tracts offered for lease to ensure that the public receives fair market value for resources leased.

MMS marine biologists, physical oceanographers, and environmental scientists conduct numerous environmental research projects that are focused on and address specific issues related to marine mammals, fish, the sea bottom, or the physical and chemical characteristics of the water column as these issues affect the OCS.

Engineering is also very important at the MMS in the regulation of operations. The MMS conducts research on offshore drilling and production activities through a cooperative research program with universities and research institutions, focusing on specific issues related to the safety of offshore operations.

Science in the Fish and Wildlife Service

The U.S. Fish and Wildlife Service (FWS) monitors and manages migratory bird populations, restores inter-jurisdictional fisheries, conserves and restores wildlife habitat, administers the Endangered Species Act, and assists foreign governments with their conservation efforts. It oversees the federal aid in Fish and Wildlife Restoration Programs, which distribute hundreds of millions of dollars earned from excise taxes on fishing and hunting equipment to state wildlife agencies. Many of these funds directly support fish- and wildlife-related applied research.

Science-based stewardship in the FWS includes scientifically sound inventory and monitoring of resources both on and off FWS lands; mapping of specific resources such as wetlands through the National Wetland Inventory; developing and applying protection or recovery methods for endangered

species; investigating and cleaning up contaminants; applying effective conservation law enforcement through new techniques for wildlife forensic evidence; and developing new technologies to culture fish and other aquatic organisms.

Science and the National Park Service

In 2002, the National Park Service (NPS), through the Natural Resource Challenge Program, supported a wide range of science activities. The Natural Resource Challenge provides park managers with scientific information and synthesis to address specific park planning, management, and protection needs. In FY 2002, Natural Resource Challenge activities involved more than 270 units of the national park system. Activities ranged from vegetation mapping to geologic resource inventory and involved parks of all sizes and settings—from highly urban settings to remote wildlands of Alaska.

The NPS has also developed partnerships with a major foundation and corporation to encourage graduate students and post-doctoral researchers to conduct research in the parks. The Canon National Parks Science Scholars Program, supported by Canon USA, Inc., provides scholarships to doctoral students throughout the Americas. Research must be conducted in the national parks and the scholarships are open to all disciplines. The National Parks Ecological Fellowship Program, supported by the Mellon Foundation, supports ecological research by post-doctoral fellows in the national parks.

In addition, the NPS conducts a variety of social science research and provides technical assistance. In FY 2002, several key social science projects were completed. For instance, the NPS social science program was commissioned by the national Wildland Coordinating Group to prepare a comprehensive social science plan. The report, “Burning Questions: A Social Science Research Plan for Federal Wildland Fire Management,” will guide agency priorities for social science research related to wildland fire. In another project, a comprehensive survey of the American public provided in-depth reports on public perceptions of key issues (invasive species, recreation fees, visitor diversity, and more). Additionally, visitor studies were completed at over 30 units of the national park system, and detailed economic impact studies were completed for parks.

Science and the Bureau of Land Management

Although the BLM has active science programs in all states in which it has significant land and resource management responsibilities, major areas of emphasis currently focus on science related to forest management in the Pacific Northwest, gathering baseline science information and understanding environmental change in the Grand Staircase Escalante National Monument in Utah, and research and development investigations directed towards energy and hydrology issues at the BLM's National Science and Technology Center (NSTC) in Colorado. The BLM is managing a major science program in Alaska in the National Petroleum Reserve (NRPA) on Alaska's North Slope, where the emphasis is on evaluating the effects of proposed oil and gas exploration and development on North Slope wildlife resources and habitats.

The BLM has developed a formal science strategy that includes a process for identifying high-priority science needs and then meeting these needs either internally or in collaboration with science partners such as the USGS, other agency science providers, and universities. The strategy also includes the identification and cataloging of scientific opportunities on the public lands, such as those found within research natural areas, national conservation areas (NCAs), and national monuments. The BLM is currently preparing management plans for several NCAs and national monuments, which will include the identification of science opportunities and research needs.

Science and the Office of Surface Mining

Under the Surface Mining Control and Reclamation Act of 1977 (SMCRA), the Office of Surface Mining (OSM) and states have two major environmental responsibilities. These are (1) the reclamation of abandoned mines under Title IV and (2) the regulation of active mining and reclamation under Title V. OSM's technical needs are specifically tied to these responsibilities as defined in regulatory standards for protecting the hydrologic balance and prime farmlands, minimizing the adverse effects of blasting, and returning all affected lands to productive use. To meet these responsibilities and needs, OSM focuses its expertise on integrating innovative, cutting-edge science with state-of-the art technology to protect the public and the environment, while

assuring the continued availability of coal to serve the Nation's needs in close cooperation with states, tribes, academia, industry, public interest groups, and other federal bureaus.

Performance and Costs At a Glance

Tables 7 and 8 summarize FY 2002 performance and cost data for Strategic Goal 4.

Interior incurred costs of about \$1.5 billion for Strategic Goal 4, an increase of 7.6% over FY 2001. The Department established 16 performance measures for Strategic Goal 4. Of the 16 performance measures, the Department achieved or exceeded the goals for 11 measures (69%) and did not meet the goal for 5 performance measures (31%).

The GPRA program activity, "Environment and Natural Resources", accounted for 77% or approximately \$1.2 billion of the \$1.5 billion cost for Strategic Goal 4. There were 6 measures related to this goal. Of the 6 performance measures, 4 performance measures (67%) were accomplished or exceeded. Of the 2 performance measures that were not accomplished, the results were close to targets with differences resulting from variations in timing of research results or operational changes to gain efficiency in processing.

More detailed information concerning performance results is available in Appendix D.

TABLE 7

Strategic Goal 4 FY 2002 Performance Measure Scorecard						
GPRA Program Activity	Number of Measures	Exceeded Goal	Met Goal	Did Not Meet Goal	No Report	Percent Exceeding or Meeting Goal
Improve Land, Resources, and Title Information	4	1	1	2	0	50%
Hazards	6	3	2	1	0	83.3%
Environment and Natural Resources	6	3	1	2	0	66.7%
TOTAL	16	7	4	5	0	68.8%

TABLE 8

Strategic Goal 4 Costs (in millions)		
GPRA Program Activity	FY 2002	FY 2001
Improve Land, Resources, and Title Information	\$113	\$120
Hazards	233	188
Environment and Natural Resources	1,169	1,099
Total Gross Cost Prior to Eliminations	1,515	1,407
Less: Elimination of Intra-Department Activity	(50)	(51)
Total Gross Cost After Eliminations	\$1,465	\$1,356

Strategic Goal 5: Meet Our Trust Responsibilities to Indian Tribes and Our Commitments to Island Communities

Keeping America's Trust Commitments

The Nation has a unique relationship with America's 1.5 million native people, grounded in history and acknowledged by the Congress and the courts.

There are 562 federally recognized American Indian and Alaska Native tribal governments in the United States. According to the Constitution, each possesses an inherent right to tribal self-determination and self-governance, in accord with their sovereign authority.

The Department represents the federal side of that relationship, with a responsibility to enhance tribal government self-determination, encourage self-governance, and support efforts to improve educational and economic opportunities for their people. Meeting those responsibilities, along with our commitments to our affiliated island communities, is the Department's fifth strategic goal.

Through the Bureau of Indian Affairs (BIA) 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 create educational opportunities and improve quality of life. Much like a county government, the BIA supplies resources for critical programs such as education, housing, road maintenance, and law enforcement, which can be administered by the tribes themselves, by the Bureau, or by the tribe and the Bureau in partnership.

In FY 2002, the BIA received more than \$2.2 billion to fund operating programs and construction projects for American Indians and Alaska Natives. Both funding and operations are highly decentralized. Over 90% of appropriations are expended at the local level, increasingly by tribes and tribal organizations under contracts or self-governance compacts.

Two issues dominated the Department's relationship with America's Indians and Alaska Natives over the past year: reform of the Indian Trust system, and primary and secondary school reform.

For more than 100 years, the federal government has been responsible for managing trust estate assets for individual Indians. And for more than a

century, the government's management of those assets has been criticized as underfunded and inadequate. Over the past 18 months, the Department has focused intense efforts on reform, working with tribal leaders to develop new management structures. But trust reform is complex, and is further complicated by an ongoing court case. Although much has been done, much more work remains. The Department is committed to continuing its work with the leadership of Indian Country and the Congress to develop and implement meaningful reform that builds upon our accomplishments so far.

The need for education reform is equally critical. BIA programs in 2002 provided elementary and secondary education for more than 48,000 students at 185 schools in 23 states. Control of education and school management rests with the tribes themselves, with coordination and technical support from the BIA. While roughly one-third of the schools are operated directly by the BIA, the majority are operated under contracts or grants to Indian tribal groups.

Last year's passage of President George W. Bush's No Child Left Behind Act mandated dramatic reforms for all schools: higher academic standards, greater parental involvement and local control, and more flexible and efficient federal support. Those tools, and the partnerships they supported, were put to work addressing the two critical issues for BIA schools: repairing the school buildings themselves, and raising the standards for the children who attend them.

The BIA has been providing Indian schools and schooling for more than 177 years, and by 2001 the system was showing its age. One-fifth of all Indian buildings in the BIA system were more than 50 years old, while more than one-half were 30 years old. Leaking roofs, overcrowded classrooms, peeling paint, and inadequate heating, cooling, and ventilation were endemic. The Santa Fe Indian School had been built in 1889, and served more than 550 students from Arizona and New Mexico, even though the electric, plumbing, air conditioning, and fire and safety systems had all failed.

In FY 2002, the Department funded the construction of a new Santa Fe school, with classrooms

and dormitories, along with six other new schools, costing \$127.7 million. Another ten schools were renovated for an additional \$61 million.

However, bricks and mortar are the easy part of education. Raising student accomplishment is far more difficult, particularly in BIA schools, which are usually in rural communities and are often remote and difficult to staff.

Early in the 2001-2002 school year, the National Indian School Board and Secretary Norton agreed on five specific goals to tackle together:

- All children should read independently by the completion of third grade.
- 70% of students should be proficient in reading and math.
- Individual student attendance should be 90% or higher.
- Students should demonstrate a knowledge of their language and culture in order to improve academic achievement.
- Retention, placement, and graduation rates at the post-secondary level must improve.

"We can achieve these goals—in fact, I want to surpass them," the Secretary announced. "Today I'm amending my 4 C's to make them consultation, cooperation, and communication—all to the service of educating children."

Progress remains slow, although the four-year trends on the principal BIA gauges are positive. Teacher proficiency in new assessments rose from 45% in FY 1998 to 69% in FY 2001. Student proficiency in math and language rose from 41% in FY 1998 to 50% in FY 2001, and accreditation of Indian schools rose from 94% in FY 1998 to 96% in FY 2001.

Student enrollment in the 25 tribally controlled community colleges stayed strong, with 1,438 post-secondary degrees awarded in FY 2002, which is up from 1,179 in FY 1998 (*Figure 14*). On-line academies at both Haskell Indian College and the South-

FIGURE 14

Degrees Conferred at Tribal Schools and Colleges

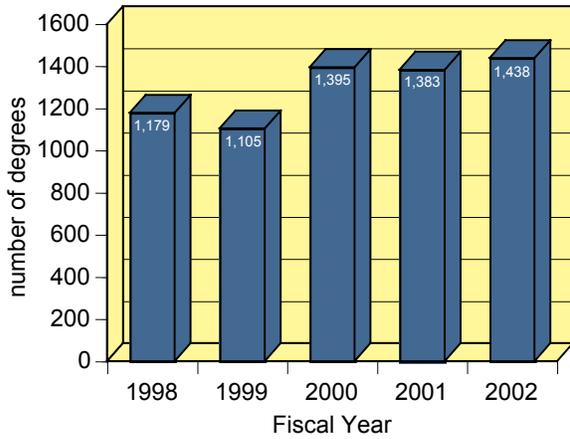
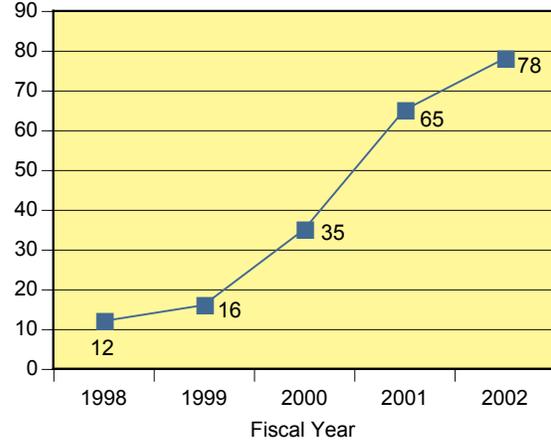


FIGURE 15

Welfare to Work Programs (Cumulative)



western Indian Polytechnic Institute, launched this year, will further expand educational opportunities.

Partners in Community

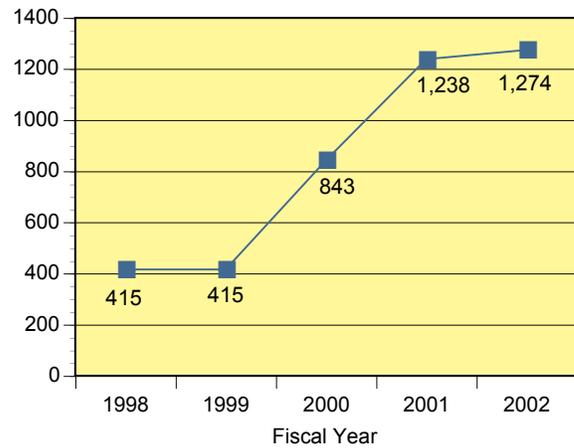
In addition to education, the BIA provides funding and technical support for a broad range of quality of life and infrastructure issues on Indian lands, including housing, roads, economic development, and law enforcement. In FY 2002, there were 5,880 eligible Housing Improvement Program (HIP) applicants; the BIA provided housing repair or replacements to 572 of the neediest applicants. The BIA also maintained 13,028 miles of the 24,000 existing miles of BIA system roads.

The BIA also played an important part in tribal economic development and self-determination, too. The BIA successfully operated 78 comprehensive Welfare-to-Work programs that assist tribes in identifying general assistance recipients, and provide training and support to help them become economically self-sufficient (Figure 15). The Bureau worked as a guarantor for private sector funding and provided the leverage to fund 45 new businesses that created or sustained 1,274 jobs (Figure 16).

Tribes that are well educated in compacting and contracting issues are more likely to be willing to contract and compact programs. In FY 2002, there were three new compact tribes and 30 new programs were contracted by existing contract

FIGURE 16

Jobs Created or Sustained



tribes. The BIA conducted 355 P.L. 93-638 (Indian Self-Determination Act) training sessions and 3,756 technical assistance and feedback sessions to promote self-determination during FY 2002.

The performance of the BIA's comprehensive law enforcement network, including 2,467 law enforcement officers, eleven juvenile detention facilities, and approximately 176 tribal courts, was particularly satisfying. Interestingly, improvement in the size and effectiveness of the law enforcement programs led to a modest increase in the reported crime rate in Indian Country to 19% in FY 2001. More officers had been hired, and citizens found it easier to re-

A 4C's Model



For almost one hundred years, the Torres Martinez Desert Cahuilla Indians have lived with inequity.

From 1905 to 1907, an early attempt to create an irrigation canal changed the direction of the Colorado River, flooding their tribal lands. A few years later, another company built an irrigation system, keeping the lands under water. Then the government did its part, with Presidential orders in the 1920s that created a permanent flooding basin, consigning the Cahuilla lands to the depths.

In time, the tribe sought compensation for its soggy acres of unreachable land and found themselves mired in litigation that stretched on year after year, with no clear decision in sight.

So the tribe tried another path. Rather than courtroom battles, they tried to negotiate, working with state and local officials, representatives of the Interior and Justice Departments, and their Congresswoman, Mary Bono. The result was a \$14.2 million settlement in March 2002, and the chance to move forward. Tribal leaders said the money would be used to help the Cadhuilla buy replacement land and fund economic development projects.

"The agreement represents a 4 C's model," Secretary Norton said. "The collaboration among former litigants has created a foundation for strong partnership. All the parties can be extremely proud of this settlement. The will to achieve consensus has been followed by unprecedented cooperation."

port crimes and press charges. Additional officers also allowed for increased patrols, with greater detection of crimes in progress and apprehension of suspects. While final crime rate statistics for FY 2002 are not yet available, the third quarter data showed a decrease of three percentage points in the crime rate to approximately 16%.

Parents as Partners

The Department's Family and Child Education program (FACE) has had a tremendous impact on the education of Indian children.

Recognizing that parents are a child's first and most influential teacher, FACE helps new parents develop the literacy and parenting skills they need to excel in that role.

FACE serves children up to age eight and their parents or primary caregivers. For children under four,

"As Interior Secretary, I'm entrusted with protecting our Nation's greatest treasures. The Department protects the magnificent blasts of Yellowstone's Old Faithful, the majesty of the mighty California Sequoias, and the flights of the condors and eagles.

But the true treasures of this Department are the 50,000 children who attend BIA schools. It's their hopes, their dreams, and their futures that I cherish most. Working together, with a common mission and an open heart, we can help each of their dreams become a reality."

- Secretary Gale A. Norton

the programs are centered in the home. For older children, the programs are centered in the community's school.

The first years of the program revolve around weekly or bi-monthly visits of a trained FACE parent educator. During this visit, the parent educator provides learning experiences that support the child's development and opportunities for the parent(s) and child to interact. Screening and referral

are also an integral part of the program, along with monthly parent meetings and home-based adult education services.

For four- and five-year-old children and their parents, the program includes four components: early childhood education, parent and child interactive time, adult education, and parent time. The early childhood program, conducted by a certified early childhood teacher and aide, engages up to 20 children in an active learning environment that is lan-

guage and culture rich, stressing tribal heritage and culture. At the same time, a second classroom offers adult education for 15 parents with an adult education teacher to assess individual needs and develop a custom course plan. Parents also participate in daily “parent time,” an opportunity to discuss and focus on the issues they share, from how to handle a temper tantrum and sibling rivalry to preparing a child for the transition to first grade.

Started as a pilot program with 3 schools in 1990, the program had grown to include 23 schools by 1995. Last year, the Department began to expand FACE again, adding 10 more schools to the program, with another 7 additions planned in FY 2003. As funds become available, the program will be expanded to include all BIA students.

The results so far have been impressive. Last year, the FACE program directly affected more than 4,000 participants, including 1,600 families. Since the program began, 600 previously unemployed adults have acquired a GED or high school diploma, and over 1,200 adults have obtained employment as a direct result of their participation in FACE.

Michael Lorenzo, a FACE parent whose children attend the Pine Hill School in New Mexico, knows what the program can accomplish. “It has changed my life forever,” he wrote in an essay. “I am working to complete my GED. I know now what I want in life. I have discovered I can do so many things I couldn’t imagine before FACE, like working at a computer, solving math problems ... or writing this essay.”

Tom Shaving, whose daughter was named student of the month last February at the Takini School in South Dakota, is equally positive about FACE. “A sacred arrow for our Lakota people,” he calls it. Thanks to FACE, both he and his wife are enrolled as freshmen at Si-Tanka College, “and we are continuing sobriety and standing strong as positive role models for our children, ourselves, and our people.”

Performance and Costs At a Glance

Tables 9 and 10 summarize FY 2002 performance and cost data for Strategic Goal 5.

Interior incurred costs of about \$2.9 billion for Strategic Goal 5, an increase of 6.7% over FY 2001. The Department established 65 performance measures for Strategic Goal 5. Of the 65 performance measures, the Department achieved or exceeded the goals for 35 measures (54%), did not meet the goal for 24 performance measures (40%), and is unable to report performance information on 6 performance measures (9%) because performance data is not available at this time.

Two GPRA program activities, “Community Development” and “Education”, accounted for 76% or approximately \$2.2 billion of the \$2.9 billion cost incurred for Strategic Goal 5. There were 28 performance measures related to these two program activities. Of the 28 performance measures, 17 performance measures (61%) were accomplished or exceeded. Of the 9 performance measures that were not accomplished, progress was made in many cases that resulted in actual performance coming close to targets. However, legislative delays impacted the achievement of a performance measure to establish a Trademark program. Also, certain facility and equipment performance measures were not achieved and will require additional efforts to meet the targets. Information was not available at this time for two performance measures related to these two GPRA program activities.

The cost of “Provide Economic and Technical Assistance” includes Payments in Lieu of Taxes (PILT) made to states. PILT payments provide community support and totaled \$320 million in FY 2002. The placement of PILT costs within the GPRA structure will be re-examined in the Department’s new strategic plan.

More detailed information concerning performance results is available in Appendix D.

TABLE 9

Strategic Goal 5 FY 2002 Performance Measure Scorecard						
GPR Program Activity	Number of Measures	Exceeded Goal	Met Goal	Did Not Meet Goal	No Report	Percent Exceeding or Meeting Goal
Trust Government	4	2	0	2	0	50%
Public Safety and Justice	1	0	0	0	1	0%
Community Development	20	7	6	5	2	65%
Administrative and Support Services	5	0	1	4	0	20%
Education	8	1	3	4	0	50%
Provide Economic and Technical Assistance	9	1	2	5	1	33%
Water and Energy Management and Development	1	1	0	0	0	100%
Partnerships in Natural Resources	5	5	0	0	0	100%
Fulfill Our Mineral Revenue Indian Trust Responsibilities	3	2	1	0	0	100%
Improve Infrastructure	3	0	1	2	0	33%
Improve Governmental Systems and Services	3	1	0	2	0	33%
Improve Governmental Relations	1	0	1	0	0	100%
Overview	2	0	0	0	2	0%
TOTAL	65	20	15	24	6	54%

TABLE 10

Strategic Goal 5 Costs (in millions)		
GPR Program Activity	FY 2002	FY 2001
Trust Government	\$116	\$196
Public Safety and Justice	149	144
Community Development	1,324	1,256
Administrative and Support Services	*	*
Education	834	716
Water and Energy Management and Development	*	*
Provide Economic and Technical Assistance	*	*
Partnerships in Natural Resources	*	*
Fulfill Our Mineral Revenue Indian Trust Responsibilities	*	*
Improve Infrastructure	411	370
Improve Governmental Systems and Services	9	10
Improve Governmental Relations	*	*
Overview	101	67
Total Gross Cost Prior to Eliminations	2,944	2,759
Less: Elimination of Intra-Department Activity	(10)	(23)
Total Gross Cost After Eliminations	\$2,934	\$2,736

* Costs not separately identified for this GPR Program Activity.

Alternative Dispute Resolution: Reducing Conflict with Cooperative Resolution

by Elena Gonzalez, Director, Office of Collaborative Action and Dispute Resolution



The initial impetus for the Department to adopt a policy on the use of Alternative Dispute Resolution (ADR) processes and negotiated rulemaking was statutory. For more than a decade, Congress and the Executive Branch have been encouraging federal agencies to use non-adversarial tools to prevent and resolve conflict and improve efficiency.

Litigation is often costly, protracted, and divisive. When we think of our role as problem-solvers and work with others to find mutual-gain solutions that accomplish our mission and meet the needs of those impacted by our decisions, we can save time, control costs, improve communication and strengthen relationships.

Some disputes must and should be resolved with a decision issued by a judge, particularly where a legal precedent is important to the parties. However, judges look at the positions argued by the parties to a case, not the underlying interests of the citizens who will have to live with their decisions. ADR processes, on the other hand, require the parties to communicate with each other about what is needed to resolve a conflict for the long-term. Parties are active participants in determining their own resolution, often brainstorming to seek viable, sustainable solutions that everybody can buy into and support.

Traditionally, when people in our society have a dispute they seek to “win” a specific outcome. This approach to conflict resolution results in win-lose outcomes. At the Department, we’re trying to build a culture that makes win-lose solutions a last resort. We want parties to shift their focus from arguing their legal positions to communicating their underlying needs and understanding the interests that should be addressed to achieve an equitable and durable solution. Consensual resolution of disputes can produce winners and winners, rather than winners and losers.

The use of consensus-building processes does not mean giving up control or capitulating. When you use a collaborative approach to planning, decision-making, and problem solving, you maintain your authority and you actually have greater control over the outcome. Instead of a judge making the decision, DOI managers are at the table, representing the Department’s interests and working with all of the parties to develop solutions that work best for all. When we truly engage the people who have to live with the decision, they are less likely to contest it and more likely to assist us in implementing it.

Since 1994, this Department has had a broad policy encouraging the use of alternative dispute resolution processes and negotiated rulemaking to the maximum extent practicable. But until 2001, implementation of the policy was highly decentralized. Each bureau was required to develop its own ADR policy and plan for implementation, without the benefit of a shared infrastructure, common practices, or consistent support and guidance from the Department. ADR was used primarily to address internal workplace concerns.

Today, the Department is trying to really integrate the use of appropriate dispute resolution mechanisms in all areas of our work. Consistent with the Secretary’s 4 C’s—conservation through cooperation, communication, and consultation—we are challenging ourselves to use ADR processes to accomplish our missions. This year the Secretary created a new Office of Collaborative Action and Dispute Resolution (CADR) as a centralized resource to assist all bureaus and offices in fully utilizing collaborative and consensual approaches to problem-solving and decision-making. The CADR office established an Interior Dispute Resolution Council comprising bureau and office ADR specialists. The office and council are working together to articulate a shared vision across the Department and develop a fully integrated approach to conflict management.

Our work now is to increase awareness of the value of this approach, to educate our employees and interested citizens and organizations about when and how to use these processes, and to identify new opportunities to use these tools. We must create incentives and reduce institutional barriers and obstacles. Many of our field offices and bureaus have used ADR to resolve procurement, land use, natural resource and wildlife disputes, and tort claims. We must capture and share these success stories.

Working with our attorneys in the Southeast Regional Solicitor’s office in Atlanta, Georgia, we designed a pilot program (the first of its kind in the federal government) to establish an early case-assessment process. The attorneys work closely with their clients during the early phase of a matter to assess the most appropriate, efficient and cost-effective resolution strategy for each situation. The pilot includes conflicts over contracts, Endangered Species Act civil penalty/forfeiture, habitat conservation plans, natural resource damages, torts, and land issues. If the program is successful, we hope to implement it nationwide.

To assess our progress in expanding and improving the use of ADR, we are also designing a system to track and evaluate performance. We need to know whether we have used ADR best practices, saved time, saved money and built trust. It is important to know whether the parties are satisfied with the process and the outcome.

All of this work requires a collaborative effort from all bureaus and offices. This won’t happen in six months, or in one year, or in two years. It’s a culture change and requires a consistent effort over time. Secretary Norton’s commitment to the 4 C’s and tremendous support from top leadership in the field and at the national level has created the environment in which this change can be realized.

Strategic Goal 6: Manage for Excellence and Accountability

Organizing for Results

The Department of the Interior has growing responsibilities. However, the resources available to fulfill these responsibilities have remained constrained.

Since 1985, we've acquired 19 national monuments, 50 new park units, 100 new refuges, and 20 million new Bureau of Land Management acres. Recreation visits to BLM acreage have gone up 40%. The total BIA service population grew more than 90%.

Employment at the Department of the Interior over the same period is down 3.4% from the 1985 number (*Figure 17*). These trends have required DOI managers to “do more with less.”

Doing more with less was just a first step, however. We've also had to learn to do better with less.

The external challenges keep getting more complex. Increased urbanization and growing western populations put new pressures on our landscape. Recreation on public lands is rising. Demand for mineral, timber, and grazing usage is increasing. Population shifts are fragmenting wildlife and waterfowl habitat. The global economy brings invasive species, challenging native plants and animals. A growing number of communities are facing risks from natural hazards, from the perils of coastal storms to settlement patterns that increase risks posed by wildfires.

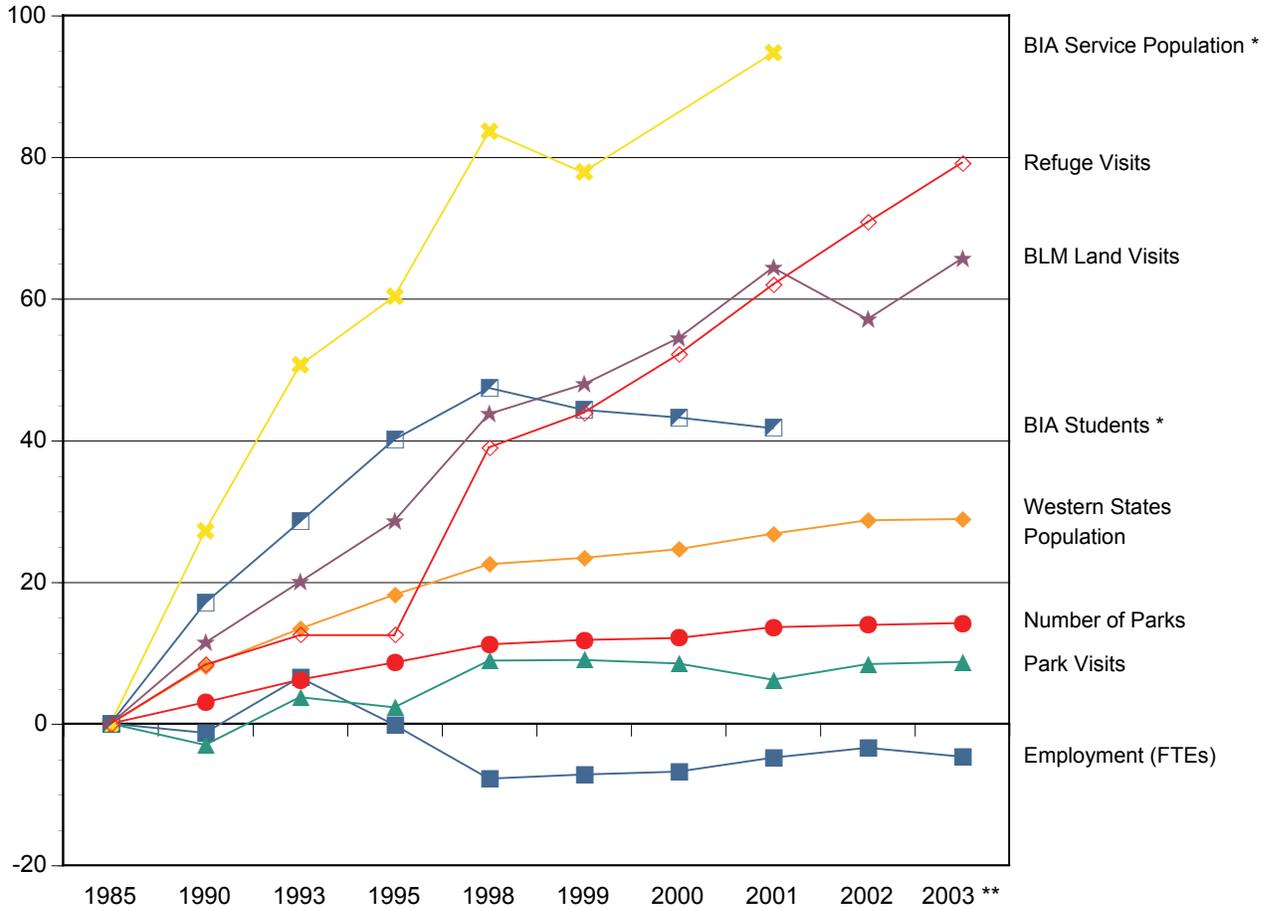
The internal challenges also keep getting more complex. Besides meeting and reconciling growing citizen demands, employees must wrestle with the competition for financial and workforce resources and the complications of fast-changing technology.

The Department's compartmentalized organizational structure increasingly poses challenges too. Over the years, changing initiatives expand bureau mandates, which leads to increased chance of mission overlap or conflict. Policy decisions or program actions in one area may produce unintended consequences in another, limiting effectiveness or efficiency.

The Department has faced these issues for much of the last decade. But the rate of change keeps accel-

FIGURE 17

Increasing Demand in Major Service Areas
Versus Employment
(Percent Change since FY 1985)



* FY 2002 and FY 2003 BIA service population and BIA student data are not available.

** FY 2003 amounts are projections.

erating. And the issues of homeland security—ensuring the safety and security of our employees and safeguarding our lands, resources, and infrastructure from terrorist attacks—and other law enforcement concerns, compound our challenges. (See “In the Wake of 9/11,” by Larry Parkinson at the end of Strategic Goal 1 section).

We respond to these changes through management innovation. Management is the glue that binds our program efforts and the catalyst that accelerates them. We remain committed to improving both the effectiveness of what we do and the efficiency with which we do it. As change is implemented, we seek

additional opportunities to advance our mission, identify roadblocks to achievement, and build accountability for results.

Fiscal year 2002 brought significant advances in three critical areas:

First, we are developing new ways of recruiting and training our people. It’s not enough to get the right person to the right place at the right time. We have to make sure they have the right skills, too, which calls for long-term workforce planning.

Second, we are using new technology, building on our considerable e-government capability while developing security, consistency, efficiency, and integration across bureau lines.

Third, we are working together in new ways through such shared best practices as activity-based costing, reengineered procurement and facilities management, and the integration of budgeting and performance evaluation.

Combined, these efforts represent the Department's response to our sixth strategic goal, Manage for Excellence and Accountability. At the same time, these efforts address each of the five elements of the President's Management Agenda: increased financial accountability, strategic management of human capital, enhanced electronic government, competitive sourcing, and budget and performance integration. And they move us, gradually, away from a bureau-centered Department to a culture that recognizes that we are an integrated Department, sharing common mission goals and challenges that can benefit from common solutions.

Management improvement never comes easily. It takes energy, persistence, principles, leadership, and planning.

Secretary Norton's management vision builds on four core principles:

- **Customer Value.** We are focusing our efforts on our constituents and the results they expect and need, constantly looking for more efficient and effective ways to serve them.
- **Accountability.** We are holding to clear performance measures and deliver results, showing the American people accurately and completely what we are doing with the money they entrust to us.
- **Modernization.** We are giving our employees the skills, technologies, systems, and practices they will need to meet the changing demands of 21st Century stewardship.
- **Integration.** We are learning to work together better, looking at the big picture and building

human and technological bridges across the old stovepipe systems.

Management reform depends on leadership, top down, bottom up, and, most of all, across bureau lines, linked to a system that accurately measures results. (See "Getting to Green," later in this section of the report.) Here, too, success comes through the 4 C's. Cooperation, communication, and consultation, the building blocks of conservation, are also the foundation for effective reform.

Our planning has centered around three new blueprints, each looking in detail at a related part of the larger picture.

Our proposed new GPRA strategic plan, slated for broad distribution and public comment in early 2003, represents a significant shift in the Department's planning approach. Since the inception of the GPRA, strategic planning at Interior has tended to be highly decentralized. Individual bureau strategic plans were bundled with a Departmental Strategic Overview document and collectively submitted in fulfillment of GPRA provisions for strategic planning. This approach perpetuated the image of Interior as a holding company and did little to foster cooperative planning and the development of common measures for areas of shared responsibilities.

Last year, Interior undertook a major departure from the decentralized approach by developing a strategic plan that emphasized results, not processes, highlighting common goals and measures to be applied across bureau organization boundaries to the fullest extent possible. Under this new approach, the Department will publish a single strategic planning document and companion annual performance plans and reports that focus on the most important goals and results that the Department should achieve. Planning and performance will be far more results oriented and transparent and will better inform our citizens and stakeholders.

Our second new blueprint, the Secretary's Citizen-Centered Governance Plan, connects all the elements of our management reform agenda. The first edition, published in September 2001, links the President's Management Agenda (PMA) to the

Department's specific needs. The second, published in September 2002, describes the linkages among the five elements of the PMA and between the PMA and the Secretary's 4 C's. It fosters an integrated approach to conducting our mission and sets forth a strategy to improve the delivery of programs and services, to implement new practices with the appropriate use of new technology, and to maintain accountability throughout the Department.

Our Strategic Plan for Human Capital Management, published in September 2002, identifies the actions needed to build, sustain, and deploy the skilled, knowledgeable, and high-performing workforce we will need to move forward. It is a map to guide workforce decisions in a strategic manner across the entire Department.

None of these initiatives could work well without each of the others. If carefully planned and consistently coordinated, however, they become mutually reinforcing, multiplying benefits and value.

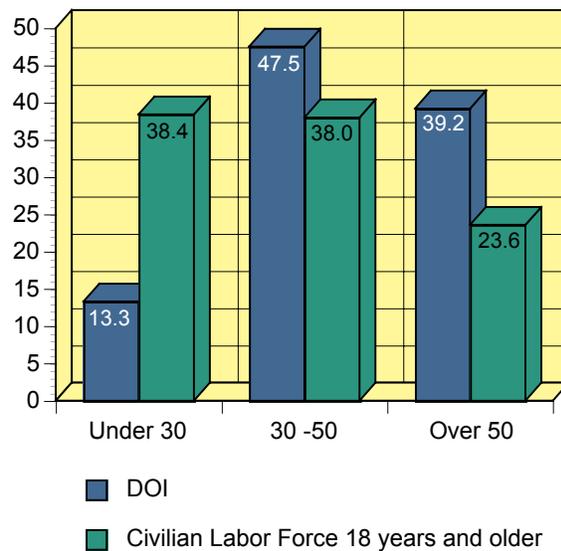
We know the importance of financial information, for example. It is the way we measure performance and ensure accountability for results. For the past six years, we have received an unqualified or "clean" opinion on our consolidated financial statements. But getting there each year was a struggle, involving weeks of late nights, with outdated technology and incompatible data systems.

Effective reform of financial management depends, in part, on reform of our Information Technology (IT) architecture. That, in turn, depends on expanding and broadening our skill base, a question for our workforce planners. Each element of our management innovation plan depends on the others.

Management improvement is a journey, however, not a destination. There is always something that we can do better. And good management is not an end in itself. All these efforts, fundamentally, help us fulfill our role as the Nation's leading conservation agency. They help us fulfill our trust and other service responsibilities to Native Americans, Alaska Natives, and our affiliated island communities. They help us ensure that we are providing access to resources on public lands as envisioned by statutes

FIGURE 18

Interior Workforce Compared to General Workforce (Percent)



that established and regulated the use of those lands.

Our management reform plans reflect the ingenuity and leadership of our workforce. If we implement them, we will empower ourselves to work as a team to overcome the challenges posed by the rapid changes we are seeing in our world—and those that we haven't foreseen, too.

Our Workforce

The talent, dedication to mission, and commitment to service of the Department's 70,000-plus employees remains unsurpassed. But talent and dedication by themselves will not be enough in the years ahead. The Department's workforce is aging. We face a shortfall of critical skills and lack the diversity needed to serve our diverse customer population most effectively.

The Department workforce is older on average than the rest of the civilian workforce (Figure 18). Many employees in critical areas such as law enforcement and fire management, as well as in senior-level management ranks, are approaching retirement age. While our overall attrition rate of 20% over the past four years is similar to the government average, we project a far higher turnover in several critical areas,

including computer operations, program managers, and engineers, as well as technical positions in the Office of Surface Mining.

Compounding these problems is the growing complexity and volume of the Department's work to fulfill its multi-faceted mission. Skills in team building, alternative dispute resolution, and collaborative negotiation become essential to a workforce that must sustain concentrated efforts across jurisdictional boundaries and among private citizens, corporate leaders, and public officials at all levels.

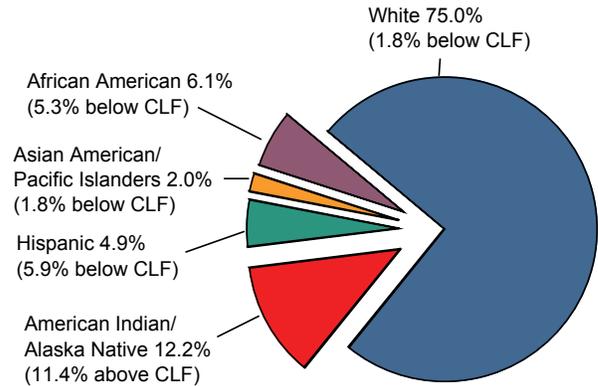
The Department's Strategic Human Capital Plan, developed in FY 2002, addresses these issues. It identifies what we must do to build, sustain, and deploy the workforce we must have to meet our emerging needs successfully. The plan offers a blueprint for guiding workforce management decisions in a strategic manner across the entire Department, pursuing a unified approach to serving citizens and fulfilling our mission.

Implementation has already begun, with work underway to restructure main Department functions, including human resources, equal opportunity staffing, IT support, and acquisition management. At the same time, we are working to develop cross-bureau collaboration and communication on common hiring practices, common position descriptions, common vacancy announcements, shared DOI mission orientation, and new employee tracking.

Moving forward, much of the essential work will be done at the bureau level, following a roadmap and training manual developed by the Department. Each bureau will develop its own individual analysis over the next fiscal year. Those studies, in turn, will be integrated into the Department's larger workforce planning implementation.

Additionally, we have changed how we evaluate the performance of all career Senior Executive Service members, aiming to ensure that their daily activity consistently aligns with departmental goals and values. Individual performance is assessed against the 4 C's, the PMA, and the Department's GPRA goals, and includes a specific appraisal of their ability to

FIGURE 19
Diversity in the Workforce



Note: CLF - Civilian Labor Force

build lines of communication among all levels of government.

The Department remains committed to the long-term goal of building a workforce as diverse as the Nation itself (*Figure 19*). Having a diverse workforce is essential to providing services to the culturally and linguistically diverse populations that visit the Department's facilities and lands. In addition, having a diverse workforce helps us recruit and retain highly skilled employees from the civilian workforce and conveys the message that DOI provides equal opportunity for all.

Although much remains to be done, the Department has made steady progress over the past five years in attracting, hiring, developing, and training minority and women employees. As of September 2002, approximately 25% of our workforce was minority and approximately 38% were female.

In FY 2002, the Department recorded a 2.28% cumulative increase in diversity, compared to the 1997 baseline year.

The Department's ongoing outreach initiative is aggressively conducting targeted recruitment, searching particularly for candidates at the GS-13 level and above and people to serve as park rangers, general biologists, hydraulic technicians, physical scientists, wildlife biologists, fishing biologists,

FIGURE 20

What to Change
IT Organizational “Variety”



engineering technicians, management analysts, and facilities managers.

Technology

Long a leader in e-government, the Department had three Web site successes to celebrate in FY 2002.

Interior serves as the managing partner for two “Quicksilver” governmentwide e-government projects: Geospatial One-Stop, offering fast, cheap, and easy access for all levels of government to billions of dollars of geospatial information; and Recreation One-Stop, which lets users easily identify recreation opportunities through one-stop shopping, regardless of which level of government is the provider. Interior also led the team that developed and launched www.volunteer.gov/gov in late July 2002. This first major deliverable of the President’s volunteerism initiative allows volunteers and agencies seeking volunteers to find each other on the Internet.

Internally, however, the Department has long had difficulty harnessing effective enterprisewide infor-

mation technology tools or practices (Figure 20). Historically, information technology (IT) decisions, investments, and services have been bureau-centric and decentralized at the regional and field levels. As a result, we have overlapping applications, nonstandardized systems, and multiple networks throughout the Department. We have four different e-mail systems and no single word processing software. The results are longer timelines and higher costs to provide IT services.

Moreover, we have struggled to make our information technology secure. On December 3, 2001, the Department received a court order to close down its Internet connections until we were able to certify their security. Later, in February 2002, the *New York Times* announced to the world in a front-page headline, “Hackers Find No Barrier to Files for Indian Funds.” These events underscored the vulnerability of our systems and the legacy of inadequate technology investment practices. They also reinforced how Internet-reliant the Department has become.

Most of the Department was back on-line by the spring of 2002, but that interruption, along with the need for improved reporting from the law-enforcement community in support of Homeland Security, assured continuity of water and power delivery in the West, and more precision in collecting worldwide scientific data, prompted a major security initiative.

That initiative, in turn, became the genesis for a larger IT strategic plan. It more closely aligns IT with the Department's programmatic needs. The plan sets forth goals, enabling strategies, and performance measures related to enterprise architecture, IT security, and e-government. A new capital planning and investment control process directs IT asset development and serves as a framework to review, develop, and manage IT projects. The review is multi-tiered, comprising both bureau and departmental teams. Its mandate is to ensure IT investments are aligned with mission and support needs, to minimize costs, and to maximize benefits.

Much remains to be done. We are currently simplifying and unifying business processes to maximize the benefits of technology and save money. We are unifying operations, and we are organizing and staffing across bureaus in a consistent manner. This, once again, depends on attracting and retaining new employees with technical skills, the challenge on which we focus in our human capital investment plan. At the same time, work has begun on a departmentwide e-government strategy, due to be completed in FY 2003. The e-government strategy will parallel our human capital plan and tier off our new strategic plan, identifying common business lines and establishing a roadmap for realizing cost-effective IT solutions and best practices.

From Best to Shared Practices

Organizational culture cannot be changed by fiat. Change requires new ways of thinking and working, new relationships, and new connections, both digital and human.

Our goal is to build a shared sense of identification with a common purpose and mission, to build "one DOI" that is stronger than the sum of its parts. Developing shared best practices and identifying best practitioners will help drive that change, improving both effectiveness and efficiency.

Three shared best practice systems were stressed by the Department in FY 2002, each adding value for customers and helping departmental integration.

The most important new practice is the shift to activity-based costing. Activity-based costing (ABC) lets managers see numbers they can use, transforming raw financial data into the information needed to best allocate resources and evaluate performance. Rather than tracking the cost of inputs, like salaries, tires, or office supplies, it measures the cost of outputs, the cost of operating a wildlife refuge, for example, program by program.

That, in turn, lets managers link budgeted spending with performance, as mandated by the PMA. (See "The ABCs of Budget/Performance Integration" at the end of this section).

"We are not here to mark time, but to make progress, to achieve results and to leave a record of excellence."

- President George W. Bush

Most of Interior's bureaus presently have limited abilities to examine the full costs of their basic operations. The Office of Surface Mining implemented a cost accounting system in 1996 and converted to ABC in 2000. Over the last calendar year, the Minerals Management Service and the Office of Hearings and Appeals have implemented ABC, with the remaining bureaus and offices scheduled to make the change by the end of FY 2003. Interior's Bureau of Land Management was the federal ABC pioneer, first implementing its program in 1996 and integrating it into its official accounting system by 1999. In 2002, the BLM was one of seven finalists selected out of 100 candidates for the prestigious President's Quality Award, recognizing the Bureau's efforts to implement ABC and to integrate strategic planning and performance data with costs. This Award is the highest recognition given by the federal government for managerial excellence. The BLM's experience serves as a model for ABC development across the Department and should help shorten the time for implementation of ABC.

Common facilities management practices are a second way to add value and strengthen a cohesive DOI culture.

As a whole, the Department maintains more than 34,000 buildings and structures, 32,000 leased and owned vehicles, 126,000 miles of roads, 3,500 bridges, 900 dams and reservoirs, 33,000 campgrounds, 185 Indian schools, and more than 140 million items of museum property.

But we don't maintain these centrally. Instead, each bureau and office is responsible for inventorying its own assets and identifying its maintenance needs.

Since 1999, the Department has required common facility condition assessments across all bureaus as part of a continuous review program and has supported a facilities management system partnership, which serves as a forum to coordinate continuous improvement departmentwide. To maximize performance, the partnership annually identifies the highest priority projects and then publishes a five-year construction and maintenance plan.

FY 2002 saw the development of a significant new tool for the partnership. The Department developed a reinvigorated capital planning process, modeled after the newly successful capital investment process for IT. Large-dollar projects are evaluated against all other facilities, weighed in terms of their overall contribution and, then tracked to ensure completion on time and within budget.

Successful facilities management requires much more than dollar investment, of course. It takes sophisticated new skills and technologies, new equipment, and new management systems, and, most of all, people willing to share them. To build this spirit the Department organized a "first-ever" conference

Service First

What do you get if you put a Bureau of Land Management office and an U.S. Forest Service office together?

You get a new program called "Service First," and better customer service, improved natural resource stewardship, and enhanced operational efficiency.



The goal behind Service First is seamless citizen-centered service delivery through shared activities and one-stop shopping. Shared activities include coordinated revisions of resource management plans, joint oversight of prescribed fire burns, and shared positions.

As of July 2002, Service First facilities had spread through 9 states at 21 locations, with an additional 22 co-located offices planned by the end of 2005. On the regional level, the BLM Oregon State Office and the Forest Service Regional Office for the Northwest have co-located their facilities in Portland, Oregon, while other DOI bureaus, including the National Park Service and the U.S. Geological Survey, are evaluating what they could gain with co-located functions and personnel.

for facilities management experts from across all the bureaus and offices. More than 700 building managers and architects, engineers, and landscape architects came together, combining training on methods, operations, and technology with hours of informal networking. Ideas and experiences were shared with men and women from other bureaus, agencies, and tribes.

Competitive sourcing, another of our best practices, adds value through competition. Managers can choose whether internal or external suppliers will produce the most cost-effective and customer-oriented result. Any money saved stays with the bureau that realized the saving, adding to the resources they have available for mission delivery.

The Department has decades of experience using contractors effectively. But the PMA spurred us to systematize and improve the process for making decisions on whether to use contractors or to do a job in-house, and helped us to simplify it for the bureaus at the same time.

The Department's Center for Competitive Sourcing Excellence is designed to help the bureaus with im-

plementation. Launched early in the last fiscal year, it combines a variety of disciplines, including human resource planning, budgeting, and acquisition and program management. Those skills, in turn, help bureaus with such challenges as commercial activity inventory preparation, activity selection, cost analysis and comparison, performance-based work statements, and competitive contracting.

The Center can save the bureaus both time and money, and can help them give their employees a better chance to compete against the private sector. OMB has approved the Center's "Express Review" methodology for evaluating situations involving 10 or fewer government employees. They give employees in small functions a chance to compete for their jobs. Under the traditional methodology, these jobs would simply have been contracted out directly. Such reviews are often completed in less than 60 days.

Competitive sourcing is closely linked to the Department's human capital planning and IT goals, since the skill base required in the future will to some degree be determined by our decisions about what functions to retain in house, and which to secure from the private sector. To identify areas ripe for competitive sourcing analysis, bureaus have been asked to review functions with high turnover, high projected retirement, skill imbalances, recruitment difficulty, or where we need access to technology that we cannot afford to buy. In January 2002, the Departmental Council on Labor-Management Cooperation, composed of both union and management leaders, adopted a resolution to encourage local management to cooperate, consult, and regularly communicate with local union representatives on issues related to competitive sourcing. The Council resolution also encouraged local union and management representatives to support and improve the process.

Over the months to come, the Department will evaluate some 15% of internal commercial positions, roughly 5% of our entire workforce, in search of competitive opportunities. Other plans for FY 2003 include the development of a simplified cost comparison for larger projects, along with an information system to track competitive sourcing initiatives by cost and cost-effectiveness, emphasizing

inter-bureau coordination both geographically and functionally to improve coordination and reduce cost.

Successful competitive sourcing depends on communication, cooperation, and consultation among employees, employee representatives, and contractors, all working together to meet our mission in a way that builds successful relationships. Indeed, it is the widespread adoption of those 4 C's values that is most likely to speed the Department towards its goal of integration.

We have no choice but to pursue that goal. To be responsive to the increasingly complex demands on 21st Century stewardship, we must develop a unified organizational culture that serves our mission in everything we do.

Individual bureaus will never lose their tradition, heritage, or esprit de corps. But the Department together must champion a united identity, supported by a strong commitment to the overall mission of stewardship for the American people, with the President's Management Agenda embodied at every level of the organization. We need to become an integrated DOI, focused clearly on cooperation, consultation, and communication in the service of conservation, with a clear identity; a diverse, creative, and valued workforce; and entrepreneurial leadership, using technology and creativity to improve business practices and link performance with accountability.

The American people we serve deserve nothing less.

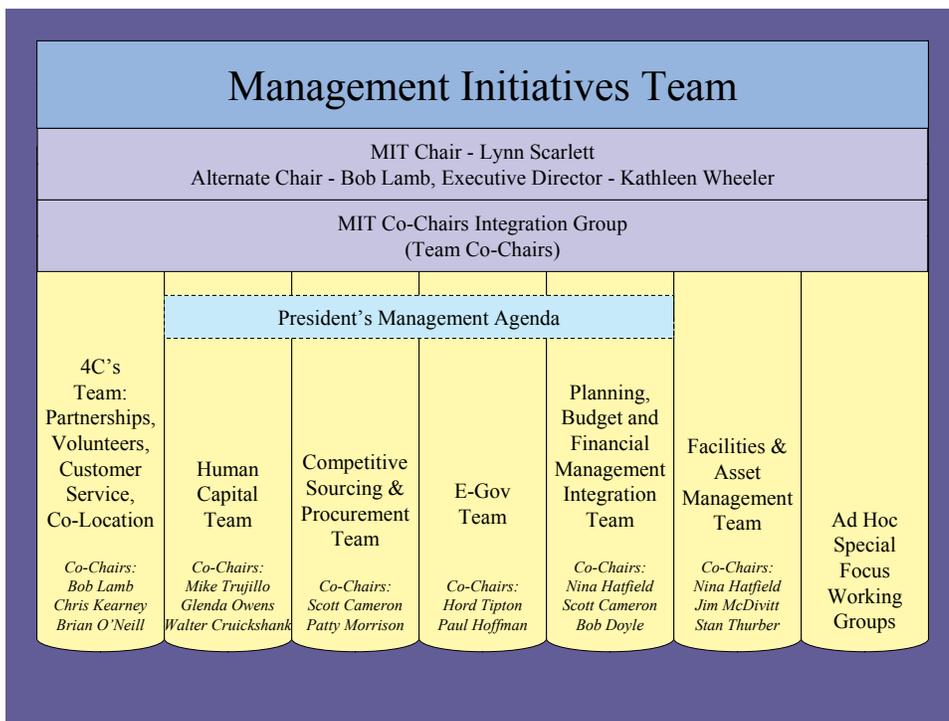
Getting to Green

Management reform depends on the free flow of ideas down, up, and most of all, across the organization.

That can't happen by accident. It depends on an institutional framework to drive innovation that is linked to a performance measurement system to monitor results.

Interior's framework begins with the Management Excellence Council.

FIGURE 21



Chaired by the Secretary, this group consists of the Deputy Secretary, Associate Deputy Secretary, Chief of Staff, Assistant Secretaries, and Bureau Directors. This group provides overall direction and policy guidance. Reporting to them is the Management Initiatives Team (MIT), whose role and membership roughly corresponds to that of the Interior Management Council under previous Administrations (Figure 21).

Reporting to the MIT, in turn, are seven separate teams, each mandated to look for reform opportunities in a specific area. Four of them focus on the elements of the PMA, while the three others focus on the 4 C's, facilities management, and ad hoc issues that arise.

All of the teams work across bureau and office lines, actively seeking process-improving best practices and subject matter best practitioners, providing a departmentwide perspective. Each team has a responsibility to work with the bureaus to "get to green" for the team's respective OMB/DOI scorecard(s) for the President's Management

Agenda and the Secretary's Plan for Citizen-Centered Governance.

Performance and Costs at a Glance

Tables 11 and 12 summarize FY 2002 performance and cost data for Strategic Goal 6.

The Department established 54 performance measures for Strategic Goal 6. Of the 54 performance measures, the Department achieved or exceeded the goals for 30 measures (56%), did not meet the goal for 17 measures (31%) and is unable to report performance information on 8 measures (15%) because data is not available at this time.

The Department has established aggressive management goals and continues to strive for excellence and accountability. A number of performance measures that were not achieved relate to bureaus that have established the most aggressive management improvement agendas. The cost of management activities are not reported separately. Instead, the Department includes these costs in other GPRA program activities or allocates these costs to the activities. The Department manages a number of

working capital funds that operate on a reimbursable basis and by law, are required to cover their costs. The costs of these operations total approximately \$1.3 billion. The Department also administers other programs that are funded on a reimbursable basis (e.g., the Interior Franchise Fund). GPRA performance measures have not been established for these operations.

More detailed information concerning performance results is available in Appendix D.

TABLE 11

Strategic Goal 6 FY 2002 Performance Measure Scorecard						
GPRA Program Activity	Number of Measures	Exceeded Goal	Met Goal	Did Not Meet Goal	No Report	Percent Exceeding or Meeting Goal
Advance Reclamation's Organizational Effectiveness	9	4	2	3	0	67%
Ensure NPS Organizational Effectiveness	19	4	1	10	4	26%
Lead People to Succeed	4	1	2	1	0	75%
Use Information Technology to Better Manage Resources and Serve the Public	6	1	2	0	3	50%
Ensure Financial and Managerial Accountability	10	3	6	1	0	90%
Provide Safe and High Quality Places to Work	2	1	0	0	1	50%
Ensure Efficient and Effective Business Practices	4	3	0	1	0	75%
TOTAL	54	17	13	17	8	56%

TABLE 12

Strategic Goal 6 Costs (in millions)		
GPRA Program Activity	FY 2002	FY 2001
Advance Reclamation's Organizational Effectiveness	*	*
Ensure NPS Organizational Effectiveness	*	*
Lead People to Succeed	*	*
Use Information Technology to Better Manage Resources and Serve the Public	*	*
Ensure Financial and Managerial Accountability	*	*
Provide Safe and High Quality Places to Work	*	*
Ensure Efficient and Effective Business Practices	*	*
Shared Services **	\$1,270	\$939
Cost of Other Programs **	612	416
Total Gross Cost Prior to Eliminations	1,882	1,355
Less: Elimination of Intra-Department Activity	(1,090)	(847)
Total Gross Cost After Eliminations	\$792	\$508

* Costs not separately identified for this GPRA Program Activity.

** No GPRA measures are included in the GPRA Annual Plan.

Best Practice: The ABC's of Budget/Performance Integration

by Betty Buxton, Deputy Chief Financial Officer, Bureau of Land Management



We decided to implement Activity Based Costing (ABC) at the Bureau of Land Management because we did not feel that we had adequate information to make on-the-ground decisions on a day-to-day basis. You can't make good decisions without understanding their cost ramifications and our conventional financial accounting could not provide it.

We wanted to know the real cost of what our people were doing and ABC turned out to be an efficient, low-cost, low-maintenance, easy way to find out. We simply changed our accounting cost structure to include an element that identifies a piece of work and the output that that work produces. Whenever employees put their time on a time and attendance report, they code in characters that go with the work that produces an output. The data flows through our accounting system with no reconciliation required. We can simply extract that activity, allocate indirect costs, and presto, we have the full cost of whatever output is produced.

Conceptually, it is very simple. The obstacle was that no one likes change, not at BLM, not throughout Interior, not anywhere in the federal government. Our people were primarily concerned about what we were going to do with the information. "Are you trying to turn me into a bean counter?," they'd ask. Or, "Are you going to use this to give me less money?"

Today ABC is accepted throughout our bureau. But that didn't happen by accident. We got a buy-in because we included our field every step of the way. They didn't always like the decisions at the time we made them. But they understood why they were necessary.

We began our ABC planning and development by pulling together an ABC Core Team made up of employees from our state and field offices. The Core Team's function was to assist in the development of an ABC model and, once developed, to help implement the model throughout the Bureau. With this team, supplemented by other employees as needed, we defined our work activities and our work processes, aligned work activities to our mission goals, and then tested our model with a statewide pilot in Montana, followed by a bureauwide pilot. Convinced that the model was right for the BLM, we then integrated it with our accounting system and launched ABC throughout the BLM.

There was still a big job to be done. We had to train approximately 10,000 employees to understand work activity definitions so they could properly code their time and purchases. We also had to train them on what ABC is and how to analyze and use cost data. We took several approaches to training, including face-to-face classroom training, train-the-trainer, video presentations, satellite broadcasts, analysis techniques, and annual cost forums. There was lots of grumbling the first year. But by the second year, people were learning from each other.

We still have annual cost forums, but the grumbling has disappeared. People can see just how much ABC is doing for them, and they are anxious to take advantage of it.

Don't get me wrong. Implementation takes work. But other bureaus will find it's not hard, as long as they support the people they are asking to implement it.

The point to stress is that we unequivocally cannot integrate budget and performance unless we find ways to connect outputs and dollars. Performance is outputs. Budgets are dollars. ABC is the tool that connects them.

Throughout Interior, we do our strategic and performance planning, and then we publish estimates about how much funding it's going to take to achieve a specific goal. But that's guesswork, not integration. Integration is when we can say for any program how much a process or process change is going to cost.

ABC is the key to process improvement, too. At the end of the day, any BLM employee can go into our system and see how much we spend for everything we do, sorted any way required, by single office, state, or bureauwide; for each of our eight mission goals; our nine principal work processes; or every single one of our 180 outputs. That data, in turn, can become the basis for significant efficiency increases.

Increased efficiency is the payoff from ABC for folks in the field. None of us at Interior has money to throw away. The better we understand our costs, the better we can pursue our mission goals.

Who hasn't seen part of their mission fall by the wayside as a result of tight budgets? Wouldn't it be nice to repair that pothole or keep the visitor center opened later on a warm summer night?

Compliance With Legal and Regulatory Requirements

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

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

This section also includes a crosswalk of management control reviews and Office of Inspector General (OIG) and General Accounting Office (GAO) audits related to:

- The President's Management Agenda; and
- Other management challenges facing the Department.

Federal Managers' Financial Integrity Act (FMFIA)

The FMFIA requires agencies to provide a statement of assurance annually regarding the effectiveness of their management, administrative and accounting controls, and financial management systems. Interior's FY 2002 Annual Assurance Statement is provided in *Figure 22*. The basis for the assurance statement conclusions is discussed in the FY 2002 Management Control Assessments section that follows.

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

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

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

FY 2002 Management Control Assessments

Interior conducted an annual assessment of the effectiveness of its management, administrative, and accounting systems controls in accordance with the FMFIA and OMB guidelines. The conclusions in the Secretary's Annual Assurance Statement are based on the results of 86 management control reviews of programs and administrative functions conducted by bureaus and offices, 20 OIG and 26 GAO program audit reports, and the results of the financial statement audits conducted by the independent public accounting firm, KPMG, under the auspices of the Chief Financial Officers (CFO) Act of 1990 and the Government Management Reform Act (GMRA) of 1994. Interior's FY 2002 management controls reviews, OIG and GAO program audits,

FIGURE 22

FISCAL YEAR 2002 ANNUAL ASSURANCE STATEMENT

"The Department conducted the annual assessment of its systems of management, accounting, administrative and financial systems controls in accordance with the requirements and guidelines prescribed by the Federal Managers' Financial Integrity Act (FMFIA) and the Office of Management and Budget (OMB). Based on the results of this assessment, with the exception of the Department's concerns regarding the controls over the accuracy of ownership records and propriety of account balances in the Indian Trust Fund and the other material weaknesses noted herein, the Department can provide qualified assurance that its systems of management, accounting and administrative controls, taken as a whole, meet the objectives specified in Section 2 of FMFIA, and OMB Circular A-123, "Management Accountability and Control."

Based on the results of the annual independent audited financial statement process, the Department is not in substantial compliance with applicable federal accounting standards and U.S. Standard General Ledger (SGL) reporting requirements. Further, due to the material weaknesses in information system security controls, the Department does not substantially comply with federal financial management systems requirements specified in OMB Circular A-130, "Management of Federal Information Resources." Therefore, the Department does not fully comply with, or meet the objectives of, Section 4 of the FMFIA and OMB Circular A-127, "Financial Systems." The Department implemented a remediation plan to resolve these material weaknesses during FY 2002 and expects to complete corrective actions in FY 2004.



Secretary of the Interior

and financial audits also focused on areas that were identified as major management challenges for the Department or Presidential Management Initiatives.

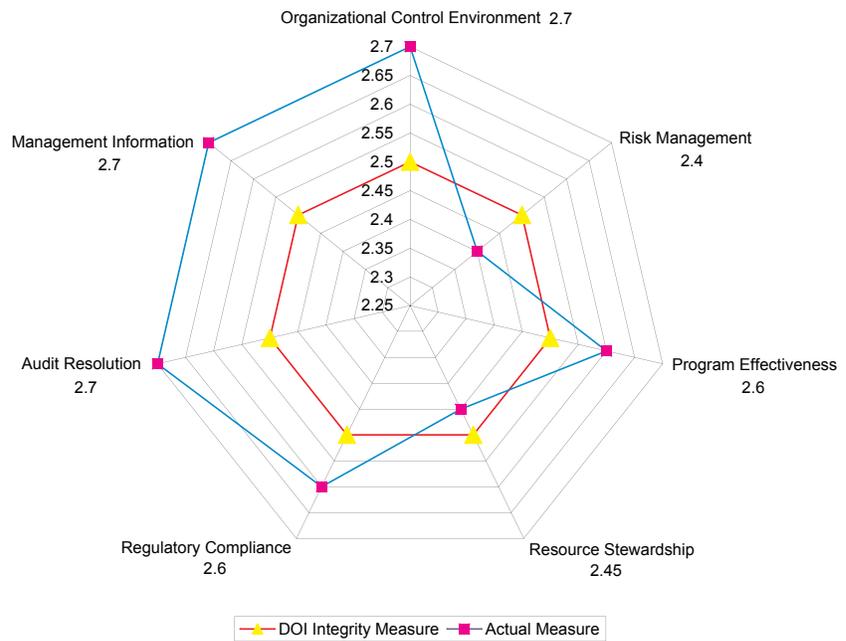
As in prior years, the consolidated results of Interior's FY 2002 management control assessments are presented in the form of a "spider diagram" (see *Figure 23*). The spider diagram presents the results of the assessments on a comparative basis using seven management integrity measures developed for Interior's Management Control Program. The seven measures are arrayed around an axis using a numerical scale of 0 to 3.5, where 0 is the lowest score for the measure. The red symmetrical line with the numerical value of 2.5 for each integrity measure represents the acceptable score for each measure. The blue line represents the actual summary assessment score for each measure. Scores above the 2.5 value represent areas of good management controls and potential best practices, while scores less than the 2.5 value represent areas needing improvement and potential material deficiencies. The summary assessment scores for the Risk Management and Resource Stewardship integrity measures were below the Department's acceptable score of 2.5. This is attributable to identified material weaknesses in information technology security, employee and public safety-related programs, and Indian Trust Fund Management. On an overall basis, the summary report indicates that the results of the annual assessment provide appropriate support for the conclusions in the Secretary's Annual Assurance Statement.

Material Weaknesses and Accounting System Non-conformances

Since the inception of the FMFIA in 1982, Interior has identified and reported 172 material weaknesses and 65 accounting system non-conformances. By the end of FY 2002, Interior had corrected 161 of these material weaknesses (94 percent). These totals reflect the addition of two new material weakness identified during FY 2002 and the correction and or downgrading of eight material weaknesses. During

FIGURE 23

FY 2002 Management Control Assessment Spider Diagram



FY 2002, Interior corrected and or downgraded 8 of the 17 (47 percent) material weaknesses carried forward from FY 2001—the largest, single-year reduction in material weaknesses since the inception of the FMFIA. All accounting system non-conformances identified through FY 2000 have been corrected. The correction of the accounting system non-conformance reported in FY 2001 for financial management system security controls remains pending.

In addition to correcting the one existing accounting system non-conformance, Interior is also aggressively pursuing initiatives to:

- Link all financial systems electronically;
- Migrate to a single, integrated accounting system; and
- Improve financial system data integrity and consistency.

TABLE 13

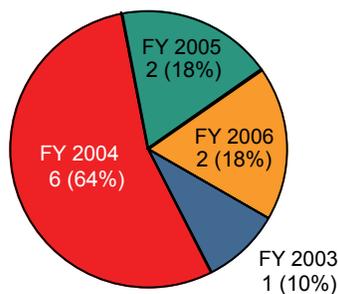
Number of Material Weaknesses			
Period Reported	Reported	Corrected	Pending
Prior Years	162	158	4
FY 1999	4	2	2
FY 2000	3	1	2
FY 2001	1	0	1
FY 2002	2	0	2
Total	172	161	11

Recent progress in correcting material weaknesses and accounting system non-conformances exemplifies Interior’s commitment to improving integrity and accountability in all programs, organizations, and functions. This commitment is further demonstrated by the Government Performance Results Act (GPRA) goals developed for the timely correction of material weaknesses, timely implementation of OIG and GAO audit recommendations, and the achievement of unqualified (clean) financial statement audit opinions. The performance results for these goals are discussed in the Management Discussion and Analysis section of this report and summarized later in this section. These goals will also be included in the Department’s FY 2003 Annual Performance Plan.

The Department’s progress in correcting material weaknesses and accounting system non-conformances is presented in Tables 13 and 14. Interior will carry forward 11 material weaknesses to FY 2003. As shown in Figure 24, Interior plans to complete corrective actions for 7 of the 11 material weaknesses (64 percent) by the end of FY 2004, and the remaining four material weaknesses by the end of FY 2006. Table 15 presents a description of these 11 material weaknesses, including those designated as “mission

FIGURE 24

Planned Correction of Pending Material Weaknesses



critical weaknesses,” and summaries of planned corrective actions and targeted completion dates.

TABLE 14

Number of Material Non-Conformances			
Period Reported	Reported	Corrected	Pending
Prior Years	64	64	0
FY 1999	0	0	0
FY 2000	0	0	0
FY 2001	1	0	1
FY 2002	0	0	0
Total	65	64	1

critical weaknesses,” and summaries of planned corrective actions and targeted completion dates.

Government Performance and Results Act Performance Goal

In order to ensure that the material weaknesses identified and reported in the FMFIA program are corrected in a timely manner, the Department’s Management Control and Follow-up (MCAF) Council established a GPRA performance measure. The Department’s annual performance target is to substantially complete 75 percent of material weakness corrective action plans by the targeted completion date reported in the Annual Performance and Accountability Report.

Corrective actions for ten material weaknesses were targeted for completion in FY 2002 (Table 16). The Department achieved its performance target in FY 2002 as corrective action for 8 of 10 (80 percent) material weaknesses were completed or downgraded to bureau-level weaknesses and no longer deemed material enough to warrant further reporting in the Performance and Accountability Report. Two of these eight material weaknesses were reported as Department “mission critical” material weaknesses in FY 2001. Corrective actions for two material weaknesses were delayed due to the court-ordered shutdown of the Department’s Internet connection in December 2001 and the revision to the Strategic Plan for Indian Trust Fund Management. These material weaknesses are now targeted for correction in FY 2004 and FY 2005, respectively.

TABLE 15

Pending FMFIA Material Weaknesses as of September 30, 2002			
Bureau	Material Weakness	Corrective Actions	Target Correction Date
Mission Critical Material Weaknesses			
OST, BIA, and OS/OHTA	<u>Trust Fund Management</u> : The OST's conversion to a commercial trust fund accounting system and the implementation of enhanced OST management controls during FY 2002 ensure that all collected trust funds are properly accounted for. The remaining items to correct this material weakness include: (1) OHTA's historical accounting; and (2) strengthening the existing system of controls to ensure that BIA ownership and distribution information is correct.	Departmental trust policies, procedures, systems, and internal controls will continue to be improved and training provided to achieve the goals of the Comprehensive Trust Management Plan.	FY 2006
OST and BIA	<u>Records Management</u> : Long standing deficiencies in the records management program have made it difficult to ensure the maintenance and preservation of Indian Trust records.	An updated work plan with strategies, tasks, timelines and resource requirements has been developed by the Office of Trust Records. The implementation of this work plan will resolve many of the identified deficiencies and establish an active and comprehensive records management program for BIA and OST.	FY 2006
NPS (new)	<u>Oil and Hazmat Incident Preparedness and Response Program</u> : The lack of an adequate oil and hazardous material incident preparedness and response program seriously endangers the safety of the public, employees, and park resources.	NPS will develop and implement a comprehensive corrective action plan to ensure full and complete compliance with applicable laws, regulations, executive orders, and policies to ensure the safety of the public, employees, concessionaires, and park resources.	FY 2005
NPS	<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 NPS.	FY 2004
DEPT	<u>Inadequate Information Technology (IT) Security</u> : The increasing growth in electronic commerce and the growing vulnerabilities of information systems to unauthorized access have resulted in the need for a comprehensive improvement to IT security.	The Department has conducted a comprehensive IT security assessment to determine security and control issues in bureaus and offices. Based on the findings, the Department has developed and will implement a comprehensive information security plan, including capital budgeting requirements.	FY 2004
DEPT	<u>Inadequate Wireless Telecommunications</u> : The current wireless telecommunications program in some bureaus does not effectively support bureau and public safety operations, does not comply with Department management directives, and is not funded to achieve timely compliance.	The Department will develop and implement a plan to meet employee and public safety objectives, and restore the program to efficiency by reviewing bureau narrowband capital investment and implementation plans; revise plans to maximize radio system sharing, minimize supporting infrastructure requirements; and ensure maximum use of alternative wireless services.	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.	Identify and 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 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 percent or less of replacement cost).	FY 2004

TABLE 15 CONTINUED

Pending FMFIA Material Weaknesses as of September 30, 2002			
Bureau	Material Weakness	Corrective Actions	Target Correction Date
Other Material Weaknesses			
BIA	<u>Irrigation Operations and Maintenance:</u> The establishment of irrigation assessment rates and 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. Convert irrigation project billings and collections to the National Irrigation Management Information System (NIIMS) and interface with Federal Financial System (FFS).	FY 2004
BLM (new)	<u>Land Appraisal Function:</u> Management and oversight of the land appraisal function does not ensure that objective and independent market value opinions from qualified appraisers are used in land transactions.	Contract for an independent analysis and review of all appraisals in pending land exchange transactions. Establish a multi-agency team to review and identify systemic appraisal function deficiencies and propose appropriate corrective actions.	FY 2004
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 review reported program deficiencies in the Federal Aid Information Management System, Financial Reconciliation, Safety Margin, Grant Operations, Audit Review and Resolution, and Organization Function and Staffing Review. FWS management will evaluate the findings and recommendations of the process improvement teams and develop and implement comprehensive guidelines and organizational changes to govern the administration of the Federal Aid Program.	FY 2003
BOR	<u>Inadequate Land Inventory and Financial Reconciliations:</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 land records; (2) populate 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 an initial and periodic reconciliation 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

TABLE 16

FY 2002 Corrective Actions for Material Weaknesses					
Bureau or Office	Material Weakness	Department Mission Critical Material Weakness	Date Identified	Target Correction Date	Status as of September 30, 2002
BOR	Irrigation of Ineligible Lands	Yes	FY 1994	FY 2002	Downgraded
DEPT	Lack of Accountability and Control over Artwork and Artifacts	Yes	FY 1990	FY 2002	Downgraded
BLM	Management and Oversight of the Land Exchange	No	FY 1997	FY 2002	Downgraded
BLM	Wild Horse and Burro Program	No	FY 1997	FY 2002	Completed
BIA	Acquisition Management	No	FY 1989	FY 2002	Completed
BIA	Real Property Management	No	FY 1995	FY 2002	Completed
BIA	Debt Collection	No	FY 1987	FY 2002	Completed
BIA	Irrigation Operations and Maintenance	No	FY 1987	FY 2002	Slipped
MMS	Internal Controls Over Accounting Operations	No	FY 1999	FY 2002	Completed
OST/BIA	Inadequate Records Management	Yes	FY 1989	FY 2002	Slipped

Material Weaknesses Corrected

Figure 25 presents the criteria used by the Department to report a “mission critical” material weakness and to correct or downgrade a material weakness in the Annual Performance and Accountability Report. The criteria are based on guidelines in OMB Circular A-123, Management Accountability and Control. The following is a summary of the corrective actions implemented for the eight material weaknesses referenced in Table 16.

Lack of Accountability and Control Over Artwork and Artifacts (Department). Accountability for, control over, and protection of artwork and artifacts administered by the bureaus and offices throughout Interior were inadequate to ensure the preservation of these objects. Until improved policies, procedures, and controls were implemented, the risk of significant loss of or damage to irreplaceable artwork and artifacts remained high. The strategy for correcting this weakness was to give priority to both completing basic inventories (cataloging) 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.

Interior developed and implemented a revised museum property strategy and related policies and procedures. In addition, plans to implement an appropriate infrastructure in each bureau within broad targets defined by Interior were developed and approved. Implementation of the plans in 6 of 10 bureaus has been completed, including the cataloging of their museum property collections. Plans for the remaining four bureaus are in various stages of implementation and future progress is being guided by resource availability. These bureaus are meeting annual cataloging thresholds and other plan implementation goals established by the Department. Bureau corrective actions will continue to be monitored by the Department until plans are fully implemented. In summary, these bureaus are expected to complete cataloging of a minimum of five percent of baseline estimates of museum property objects each year, until a minimum of 80 percent of the museum property objects are cataloged.

Irrigation of Ineligible Lands (BOR).

The Bureau of Reclamation (BOR) had 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 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 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 water. Seven of the 24 projects resolved the unauthorized water use issue. The other 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 framework for addressing these issues, including an expansion of programs and policies promoting efficient district water use and pricing, was developed and approved by the Commissioner, BOR, in September 2002. The Department and the OIG approved the framework in September 2002. Implementation actions will continue to be tracked by the Department.

Accounting Operations (MMS). The independent auditor's report on MMS's FY 1999 financial statements found that ineffective controls had prevented the timely reconciliation of general ledger accounts and production of timely, accurate, and reliable financial data required for financial statement preparation (exclusive of the Minerals Revenue Management Program). To resolve this material weakness, MMS: reassigned and segregated duties and responsibilities within the Financial Management Branch; implemented a plan to ensure specific individuals and officials were held accountable for non-compliance with established internal controls; established a special

FIGURE 25

Material Weakness Guidelines

The Department defines a mission critical material weakness as:

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

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

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

projects team in conjunction with the Department and the OIG to complete year-end account reconciliations; developed and entered correcting adjusting journal entries; and, produced reliable, accurate, and timely financial statements in accordance with governmentwide standards for FY 2002. MMS also implemented other recommendations for internal control improvements recommended by the independent auditors, including organizational changes, staff realignments, and desk procedures.

Debt Collection (BIA). The BIA determined that policies, procedures, and guidelines were inadequate, obsolete, outdated, and otherwise insufficient to properly administer debt collection functions. Further, BIA did not consistently or routinely pursue the collection of debts in an aggressive and timely manner as required by the Debt Collection Act. BIA's debt collection activities are divided among the Division of Accounting Management (DAM) for administrative debt, the Office of Trust Responsibilities (OTR) for irrigation and power debt (which is a component of the Irrigation Operations and Maintenance material weakness and corrective action plan), and the Office of Economic Development (OED) for direct and guaranteed loan debt.

BIA has centralized the debt collection functions for OED at the Headquarter's level in Washington, D.C., and hired a debt collection coordinator. The OTR centralized its processes within the Power and Irrigation Reconciliation Team in Denver, Colorado. BIA has revised and issued debt collection guidance for each of these entities; reconciled and billed receivables at irrigation projects; collected, wrote-off and referred delinquent irrigation and power debt to Treasury; completed construction debt reconciliations; began the conversion of irrigation projects to the National Irrigation Information Management System (NIIMS) which is interfaced with the Federal Financial System (FFS); developed internal procedures for writing off and referring administrative and loan debts to Treasury; and will finalize the publishing of the Indian Affairs Manual Section on Debt Collection after Solicitor Office review on or before March 2003.

Real Property Management (BIA). BIA determined that it did not have written policies, procedures, and accounting guidance to ensure proper and accurate accounting for and administration of real property. To correct this weakness, BIA transferred control over accountability-related activities for all BIA real property assets (buildings, other structures, improvements to land, land, capital leases, and lease-hold improvements) to the Division of Accounting Management, including real property activities associated with construction-in-progress completion requirements, disposals (Reports of Survey), and donations to tribes or tribal organiza-

tions. Policies, procedures, and guidance have been updated. Inventories have been taken and accounting adjusting entries have been entered into the financial system. BIA has also verified property data, reconciled general ledger and subsidiary property records, and enhanced documentation.

Acquisition Management (BIA). The BIA determined that its procedures, agency specific guidelines, and organization structure were inadequate to properly administer procurement functions in the following areas: awards process; conflict of interest; Buy Indian Program; property management contracts; and Interior Procurement Data System (IPDS) reporting. To correct these deficiencies, BIA developed and distributed comprehensive policy and instructional guidance, and conducted training; established new performance appraisal standards for contracting personnel; established a Bureau Acquisition Review Board; performed administrative management reviews and follow-up Quality in Contracting Reviews; established a policy that purchase card acquisitions over \$2,500 must be entered into the Interior Department Electronic Acquisition System (IDEAS); transferred responsibility for contracting functions of the Office of Facilities Management and Construction to the Division of Acquisition and Property Management (DAPM); conducted three consultation sessions on the Buy Indian Regulations; and drafted Buy Indian Act regulations which have been cleared through the Department and forwarded to the Office of Management and Budget.

Wild Horse and Burro Program (BLM). In 1997, the BLM determined that its Strategic Plan for the management of wild horses and burros was not adequate to achieve appropriate management levels (AMLs) on public lands. Delays in the implementation of appropriate herd management guidelines resulted in over population and unhealthy rangeland conditions. Since that time, the BLM has performed annual program reviews, established a Wild Horse and Burro Advisory Board; established GPRA performance goals; applied a one-year immunocontraceptive vaccine to over 2,000 mares; developed and implemented a short-term adoption promotional plan; created a national marketing/promotion team to provide leadership and develop products to increase adoption successes; developed a process to

track animals and costs, from gather to adoption; secured increased budgetary funding to implement “A Strategy To Achieve Healthy Rangelands and Viable Herds” over a four year period; contracted for four new long-term holding facilities for the placement of excess unadoptable animals; and, issued an Instruction Memorandum to the field on the implementation of the strategy to achieve AML on all herd management areas.

Land Exchange Program (BLM). A 1997 OIG audit found that the management and oversight of land exchanges threatened the integrity of the Land Exchange Program. Specifically, corrective actions were needed to ensure compliance with laws, regulations, policies, and standards, and that fair and equitable appraisals were developed and included in land exchange determinations. The following actions have been taken to address these issues: BLM’s Land Exchange Handbook was revised to incorporate new policies and procedures (a draft was issued in September 2002); the National Land Exchange Evaluation and Assistance Team was established; the Appraisal Manual was revised; a joint BLM/ U.S. Forest Service appraisal training course was developed and offered; the Advanced Land Transactions Course, training and workshops on the land exchange process was conducted; Deloitte Touche was engaged to perform Agreed Upon Procedures reviews of financial records related to 24 assembled land exchanges and 21 of the 24 reviews (88 percent) were completed; and, management control reviews of the Land Exchange Program were conducted in California, Oregon, Washington, Utah, Wyoming, New Mexico, Nevada, Idaho, Montana, and Arizona.

In FY 2002, BLM commissioned an independent peer review of the management and conduct of its land exchange appraisal function by The Appraisal Foundation of Washington, D.C. The review focused on BLM’s appraisal organization, policies and procedures, including an evaluation of the alternative approach implemented in Washington County, Utah. The review was intended to identify recommendations that when implemented, would ensure BLM’s appraisal function protected the integrity and independence of the land appraisal process. The review identified a series of deficiencies, which the BLM has reported as a new material weakness

in FY 2002 and which will be mitigated over the next two fiscal years. In response to this report, on October 25, 2002, the BLM announced the implementation of a 90-day review of all existing land exchanges, including a review and analysis of all land exchange appraisals by an independent contractor. No land exchange closings may be processed during this period without Washington Office Review and approval by BLM’s Deputy Director. The purpose of this review and approval process is to ensure compliance with laws, regulations, and revised policy directives for land exchanges and to ensure that appropriate appraisals were developed and used in land exchange determinations. BLM will extend the 90-day review period if the results of the review warrant such action.

New Material Weaknesses

Two new material weaknesses are being reported in the FY 2002 Annual Accountability Report. Interior’s Management Control Audit Follow-up (MCAF) Council agreed that a new material weakness should be reported for the National Park Service Oil and Hazmat Incident Preparedness and Response Program and the Bureau of Land Management’s Land Appraisal Function.

Oil and HAZMAT Incident Preparedness and Response Program (NPS). The lack of an adequate oil and hazardous material incident preparedness and response program seriously endangers the safety of the general public, employees, and park resources. Currently, the National Park Service is not meeting responsibilities under various laws and regulations and executive orders as well as the Department of the Interior Emergency Preparedness and Response Strategy: Oil Discharges and Hazardous Substance Releases. These responsibilities include participating in appropriate incident preparedness activities, including preparation and maintenance of NPS vessel and facility contingency response plans; providing appropriate response-related assistance in support of the federal On-Scene Coordinator, most commonly the U.S. Coast Guard or Environmental Protection Agency, following oil discharges and hazardous substances releases; and, clean up of oil discharges and hazardous substance releases for which the NPS is the responsible party. The NPS has developed, and the Department’s Office of Environmental Policy and Compliance has concurred

with, a comprehensive corrective action plan to ensure full and complete compliance with applicable laws, regulations, executive orders and policies in order to ensure the safety of the general public, employees, concessionaires, and park resources. The plan will be completely implemented by the end of FY 2005.

Land Appraisal Function (BLM). In response to a July 2001 OIG Audit Report addressing deficiencies in BLM's management and conduct of land appraisals, the BLM commissioned a peer review from The Appraisal Foundation of its appraisal organization, policies, and procedures including an evaluation of the alternative approach implemented in Washington County, Utah. The final report was issued in October 2002 and found a number of deficiencies and appraisal function discontinuities, including the operation and management of the appraisal function by non-appraisers and interference with, or failure to procure, objective and independent market value opinions from authorized qualified appraisers. The report concluded that these practices seriously eroded BLM's ability to apply appraisal standards and to consistently uphold the public trust assigned to them by law. In response to the report findings and recommendations, the BLM is in the process of implementing a comprehensive corrective action that will be implemented beginning in late 2003, and BLM anticipates completing corrective action in 2004. In the interim, the BLM has implemented a 90-day review of all land exchanges including and an independent contractor review and validation of all appraisals.

Mission Critical Material Weaknesses

OMB Circular A-123, "Management Accountability and Control," requests that each agency identify and report on the most critical material weaknesses affecting the agency. The Department has adopted the guidelines for mission critical material weakness designations recommended by the GAO. These guidelines are noted in *Figure 4*. Interior has identified 7 of its 11 (64 percent) pending material weaknesses as "mission critical weaknesses," including the new material weakness for the Oil and Hazmat Response Program in NPS.

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 Department and senior program management officials continuously monitor corrective action progress for each mission critical weakness. The seven mission critical material weaknesses and corrective action progress to date are:

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

The OST provides oversight for all trust reform efforts and coordinates certain trust fund related projects within the Department. It is headed by the Special Trustee, who reports directly to the Secretary. Organizationally, the OST includes the Office of Trust Funds Management (OTFM), the Office of Trust Records (OTR), and the Office of Trust Risk Management (OTRM).

Past reviews by the General Accounting Office, congressional committees, the Department's Office of Inspector General, and independent accounting firms have identified serious financial management problems in the management of Indian trust funds. Beginning in April 1997, the Department pursued a series of reform efforts, culminating in the current trust reform plan. The comprehensive Trust Management Plan is based on the results of an independent consulting firm's analysis of the trust reform program to date and substantially strengthens previous reform efforts in this area. The new

plan focuses on services to be provided to beneficiaries and calls for the reengineering of current business processes and the development of Indian trust systems that are fully integrated and parallel the “best practices” of trust services operations in the private sector.

2. Records Management. The Office of Trust Records is responsible for developing and implementing the solution to long standing problems with the records management programs of the Bureau of Indian Affairs and the Office of the Special Trustee for American Indians. The records management responsibility was assigned to the Office of Trust Records as a subproject of the former HLIP. While some progress was made under that plan, the Department of the Interior (DOI) began an intensive effort to revitalize the Office of Trust Records in July 2002.

A new Acting Director was appointed in July 2002 (a permanent Director was selected in December 2002) and a rigorous endeavor was begun to develop a comprehensive work plan for the OTR. To make this commitment even stronger, on September 5, 2002, the Deputy Secretary assigned the Assistant Deputy Secretary the direct management responsibility for OTR. The Assistant Deputy Secretary has worked very closely with the Director of OTR to develop the work plan.

The work plan identifies six strategies for OTR. They are:

1. Establish records retention schedules.
2. Establish and implement record keeping requirements that allow for record retrieval on ‘as needed’ basis.
3. Safeguard records.
4. Implement training program.
5. Undertake continual evaluation of records program.
6. Establish program to meet trust and other record retrieval needs of customers and document production requests.

The work plan includes tasks, timelines and resources required for implementation. It incorporates some activities begun within the past two years and represents a significant commitment to re-establish a strong records management program that provides a real means for measuring accomplishments.

3. Inadequate Structural Fire Program (NPS). The NPS 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 No. 58. 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.

To date, the Director has reinforced the standards that the NPS should follow for the Structural Fire Program. A budget to meet these standards was developed. The Director has instructed Regional Directors to develop strategies and implement six steps to increase structural fire safety within NPS. Fire safety has been used as an evaluation criterion during the operations evaluation process. Regional Structural Fire Management Officers (RSFMO) have been hired in each region. Four 80-hour fire-fighter brigade-training sessions were held during FY 2002 at Glen Canyon and Lake Mead. A training course on the Inspection Testing and Maintenance of sprinkler systems has been developed in cooperation with Aiken Technical College and the American Fire Sprinkler Association; the first course was presented in November 2002. Detailed fire and life safety inspections have been conducted by a registered fire protection-engineering firm on 1,000 buildings. Current efforts have been concentrated on buildings with the highest obvious life safety risk. As part of the ongoing concessions contract renewals, the findings of the engineering firm are being incorporated in the process. Price Waterhouse Coopers is going to include a full fire and life safety inspection of concessions facilities as a part of their evaluations for future contracts. Work is underway to make sure that fire and life safety inspections are included as a part of the comprehensive Condition Assessment being done as a part of the Facilities

Management Condition Assessment program. The NPS is targeting completion of the corrective action plan in FY 2004.

4. Oil and Hazmat Response Program (NPS). In FY 2002, the NPS and the Department's Office of Environmental Policy and Compliance have determined that the NPS oil and hazardous material incident preparedness and response seriously endangers the safety of the general public, employees, and park resources. The development and implementation of a comprehensive oil and chemical spill planning program is needed to address the deficiencies that exist in current planning and operations for oil and chemical spills, and to fully comply with laws, regulations and executive orders. To date, the NPS has initiated a Servicewide programmatic needs analysis based on the results of an initial hazards analysis utilizing hazards data from EPA, DOT and other cognizant agencies. During the current fiscal year, NPS plans to conduct a capability assessment, develop a comprehensive, multi-year corrective action plan, and commence implementation of critical corrective action milestones based on the needs analysis. The NPS is targeting completion of the corrective action plan in FY 2005.

5. Inadequate Technology 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 have all resulted in the need for a comprehensive Department program to improve computer security. Interior's computer security program is focused on meeting uniform levels of security compliance across all of Interior. Levels are indicated because of differences in "importance" that exist for various categories of Interior systems. Achieving uniform levels of compliance is critically linked to agencywide management priorities, workforce capabilities, and available resources. While it is important that all systems have adequate protection, we work in an environment of scarce resources. Interior's approach is to focus on the most important systems first and proceed to systems of lesser importance as resources are made available.

Interior's strategy focuses on remediating computer security deficiencies beginning with the most important systems. The importance of systems is expressed through categories and prioritized as follows:

1. National Critical Infrastructure
2. National Security Information Systems
3. Privacy Act Systems of Record
4. Interior Mission Critical Systems
5. Systems supporting Mission Essential Facilities
6. Other sensitive systems
7. All other systems

Over the next 24 months, Interior will focus on remediating the top four categories of systems. The measure of successful remediation for a particular system is the implementation of an approved security plan and formal authorization to process, as required by the Office of Management and Budget. Progress and resource levels will be assessed at 12 and 24 months. Interior will determine the need to continue to focus efforts within the top four categories, reduce the focus to less than four categories, or extend remediation efforts to lower categories.

6. 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 has developed and is implementing a comprehensive Wireless Communications 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. Upcoming corrective action milestones include: developing a system for conversion priorities of wireless system to narrowband digital technology with encryption capabilities for emergency service radios; reviewing and analyzing regional radio conversion plans to ensure conformity with established criteria and consistency in application; and continuing the phased radio

replacement programs based on Department and regional bureau priorities.

7. 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, which began 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.

Further, in FY 2003 Interior is establishing the Facilities Condition Index (FCI) as a standard results-based performance measure for the bureaus' management programs. This will enable Interior to effectively determine at what pace its facilities condition is improving and how effectively the bureaus

are using their maintenance funding. It will also allow the Department, OMB, and Congress to make sounder investment decisions.

Interior has adopted MAXIMO, a commercial off-the-shelf product, as the core management enterprise software system to manage its facilities inventories, condition assessments, work management, and reporting requirements. The Department has recently purchased 6,000 licenses of the latest Web-based version of MAXIMO for those bureaus that are currently implementing their facilities management systems. The procurement was funded by the bureaus and because of the size of the combined purchase, resulted in substantial savings due to quantity discounting.

The implementation status of MAXIMO varies among bureaus and offices. Highlights of recent progress include: the NPS completed MAXIMO training and implementation in 288 parks and trained 22 park employees as systems instructors; USGS completed piloting MAXIMO as their standard Facility Maintenance Management System (FMMS), commenced first phase implementation at its three largest owned installations, and will include the national headquarters in Reston, Virginia in the first phase implementation; FWS conducted a MAXIMO pilot evaluation program and subsequently trained personnel from 11 locations slated to implement MAXIMO; BLM completed the identification of the business processes associated with facilities maintenance, identified the data and functional requirements for the maintenance management system, completed pilot testing of MAXIMO in Arizona, California and Alaska, and is testing the software at the National Testing Laboratory; and, BIA completed field implementation of new Facilities Management Information System (FMIS) in all regions.

Other Management Challenges Confronting Interior

Recently, the OIG and the GAO have advised Congress regarding 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 Performance and Accountability Report. The others, while not meeting the FMFIA material weakness

TABLE 17

Crosswalk of Activities Related to Major Management Challenges and Presidential Management Agenda

Management Accountability and Integrity Program Activities in FY 2002 Related to Interior's Major Management Challenges and President's Management Agenda	Interior's Top Management Challenges										President's Management Agenda			
	Financial Management	Information Technology	Health and Safety	Facilities Maintenance	Responsibilities to Indians and Insular Areas	Resource Protection and Restoration	Revenue Collections	GPRA	Emergency Management	Acquisition Management	Competitive Sourcing	Strategic Management of Human Capital	Expanded Electronic Government	Improved Financial Management
Management Control Reviews	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Office of Inspector General Audits														
- Program Audits Completed	✓	✓		✓	✓			✓					✓	
- Financial Statement Audits Completed	✓												✓	
U.S. General Accounting Audits Completed	✓	✓	✓	✓	✓	✓	✓	✓	✓				✓	
Federal Manager's Financial Integrity Act (FMFIA) Material Weaknesses														
- Corrected During FY 2002	✓					✓			✓				✓	
- Pending and Carried Forward to FY 2003	✓	✓	✓	✓	✓	✓		✓					✓	

criteria, are receiving priority management attention. In addition, many of the reviews conducted in FY 2002 related to the FMFIA, and OIG and GAO audits, addressed areas of concern in the President's Management Agenda.

Table 17 presents a crosswalk of these activities as they relate to the President's Management Agenda and other management challenges facing Interior. These management control reviews and audits helped determine progress to date in addressing these issues, and identified existing deficiencies and areas for additional management attention and/or improvement.

Audited Financial Statement Results

As required by the GRMA, Interior prepares consolidated financial statements. Beginning in FY 2001, these financial statements have been audited by KPMG, an independent auditing firm (the OIG audited the financial statements prior to FY 2001). Additionally, each individual bureau prepares financial statements that are also audited (USGS did not prepare statements to be audited for FY 2002). The preparation and audit of financial statements are an integral part of the Department's centralized process to ensure the integrity of financial information maintained by Interior.

The results of the FY 2001 and FY 2002 audited financial statement process are summarized in Table 18. 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.

Resolution of Internal Control Weaknesses Reported in FY 2001 Audited Financial Statements

Table 19 summarizes the status of material weaknesses reported in the FY 2001 audited financial statements. The Department has established an internal goal of completing corrective actions for audited financial statement material weaknesses by the end of the following fiscal year. While the Department and some bureaus made good progress in correcting these material weaknesses, delays in other bureaus and several multi-year corrective action plans precluded the achievement of the internal goal in FY 2002. In summary, only 14 of the 38 (37 percent) material weaknesses reported in FY 2001 were corrected or downgraded to reportable conditions during 2002. The Department intends to implement more aggressive actions during FY 2003 to correct material weaknesses and non-compliance issues reported in FY 2002.

TABLE 18

Summary of FY 2001 and FY 2002 Financial Statement Audits											
	Unqualified Opinion on Financial Statements		Clean Report on Internal Controls		Full Compliance with Laws and Regulations (Non FFMIA)		Full Compliance with Laws and Regulations (FFMIA)		Full Component Compliance with Laws and Regulations (FFMIA)		
	FY 2001	FY 2002	FY 2001	FY 2002	FY 2001	FY 2002	FY 2001	FY 2002	Systems	Accounting	SGL
									FY 2002	FY 2002	FY 2002
Dept	Yes	Yes	No	No	No	No (3,4)	No	No	No	No	No
FWS	No	No	No	No	Yes	Yes	No	No	No	No	Yes
USGS	No	No (2)	No	No	No	Yes	No	No	No	No	No
BIA	Yes	Yes	No	No	No	No (3)	No	No	No	No	No
BLM	Yes	Yes	No	No	Yes	Yes	No	No	No	No	Yes
MMS	Yes (1)	Yes	No	No	No	Yes	No	No	No	Yes	No
NPS	Yes	Yes	No	No	Yes	Yes	No	No	No	No	No
BOR	Yes	Yes	No	No	No	Yes	No	No	No	No	Yes
OSM	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
DO	Yes	No	No	No	No	No (4)	No	No	No	No	Yes

(1) Balance Sheet and Statement of Custodial Activity only.
 (2) No opinion issued.

(3) Debt Collection Improvement Act
 (4) P.L. 104-28 - Advances to Interior Franchise Fund

Table 20 presents a summary of each of the material weaknesses reported in the Department and bureaus' FY 2002 audit opinions. A total of 35 material weaknesses were reported, of which 25 (70 percent) were carried over from FY 2001.

Federal Financial Management Improvement Act (FFMIA)

The Federal Financial Management Improvement Act (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 (SGL), comply with all applicable federal accounting standards, establish financial management systems that meet governmentwide standards and requirements, and support

TABLE 19

Status of Material Weaknesses Reported in the FY 2001 Annual Financial Statement Audit Process			
Bureau/Office	Material Weaknesses Reported in FY 2001	Material Weaknesses Downgraded or Corrected in FY 2002	Targeted Completion Dates for Remaining Weaknesses
DEPT	6	1	FY 2003 - FY 2005
OSM	0	0	N/A
BLM	3	2	FY 2004
MMS	1	1	N/A
BIA	3	0	FY 2003 - FY 2005
FWS	4	2	FY 2003
NPS	4	3	FY 2004
USGS	9	1	FY 2003 - FY 2005
DO/OST	6	3	FY 2004
BOR	2	1	FY 2005
Total	38	14	N/A

full disclosure of federal financial data, including the costs of federal programs and activities.

Federal agencies are required to address compliance with the requirements of the FFMIA in the representation letter to the financial statement auditor. The auditor is required to report on the agency's compliance with FFMIA requirements in the finan-

TABLE 20

FY 2002 Audited Financial Statements Material Weaknesses Remediation Status Report				
Bureau	Material Weakness Description	Corrective Action	Target Date	New Weakness or Carryover from FY 2001
DEPT	Inadequate General and Application Controls Over Financial Management Systems	Establish and implement controls and other safeguards to ensure that sensitive and critical financial data and systems are protected.	9/30/03	Carryover
DEPT	Inadequate Reconciliation of Trading Partner Data	Implement policies and procedures to ensure the timely reconciliation of trading partner data and a more streamlined and efficient year-end reporting process.	9/30/03	Carryover
DEPT	Inadequate Controls Over Property, Plant, and Equipment	Implement policies and procedures to ensure the proper accounting for and reconciliation of property, plant, and equipment.	9/30/04	Carryover
DEPT	Inadequate Controls Over Trust Funds	Implement the Department's High level Implementation Plan to achieve comprehensive Indian Trust reform, including vital improvements to systems, policies and operations necessary to ensure meeting the trust obligations to Indian tribes and individuals.	9/30/05	Carryover
DEPT	Financial Processes at the U.S. Geological Survey	Implement procedures and controls to ensure timely and accurate financial transaction recording.	9/30/04	New
DEPT	Controls Over Financial Reporting	Implement policies and procedures to improve transaction entry, reconciliations, grant monitoring, and activity-based costing.	9/30/04	Carryover
DO	Improve Controls to Reconcile Transactions and Balances with Trading Partners	Adopt procedures to reconcile and clear balances with other Interior components on a quarterly basis.	9/30/03	Carryover
DO	Inadequate Accounting Controls Over Interior Franchise Fund	Establish and implement policies and procedures to monitor service provider disbursements, update pricing schedules, improve controls over receipts and accounts receivables, and improve software change control.	9/30/03	Carryover
DO	Inadequate Controls Over Tribal and Other Special Trust Funds	Implement policies, procedures, controls and systems to effectively manage Tribal and Other Special Trust Funds, and implement the HLIP as revised and amended.	9/30/05	Carryover
DO	Improve Controls Over Property, Plant, and Equipment	Work with the Utah Reclamation Mitigation and Conservation Commission to develop controls and procedures to properly record and report property transactions.	9/30/03	New
DO	Improve Controls Over Financial Reporting	Improve controls over year-end adjustment suspense accounts and communications with the Office of the Solicitor.	9/30/03	New
FWS	Improve Controls to Reconcile Transactions and Balances with Trading Partners	Adopt procedures to reconcile and clear balances with other Interior components on a quarterly basis.	9/30/03	New
FWS	Improve Controls Over Accounting for Property	Implement policies, procedures, and controls to improve accounting for property.	9/30/03	Carryover
FWS	Improve Controls Over Year-End Accruals	Improve processes to identify and record year-end payables.	9/30/03	New
FWS	Financial Reporting Processes	Improve controls and processes associated with accounting and financial reporting.	9/30/03	Carryover
NPS	Inadequate Security and Controls Over Information Technology Systems	Develop and implement the Department IT Security Plan to provide appropriate policies, procedures, controls, and segregation of duties to effectively control and protect information technology systems.	9/30/03	Carryover
NPS	Improve Controls to Reconcile Intra-governmental Transactions and Balances	Adopt procedures to reconcile and clear balances with other Interior components on a quarterly basis.	9/30/03	New
BLM	Inadequate Controls for Accounting for Property	Implement procedures to consistently account for additions and deletions, and capitalized leases.	9/30/03	Carryover
BLM	Inadequate Controls for Accounting for Year-End Payables	Implement procedures to ensure year-end payables are completely captured and recorded.	9/30/03	New
USGS	Inadequate Security and Controls Over Information Technology Systems	Develop and implement the Department IT Security Plan to provide appropriate policies, procedures, controls, and segregation of duties to effectively control and protect information technology systems.	9/30/03	Carryover

TABLE 20 CONTINUED

FY 2002 Audited Financial Statements Material Weaknesses Remediation Status Report				
Bureau	Material Weakness Description	Corrective Action	Target Date	New Weakness or Carryover from FY 2001
USGS	Inadequate Financial Management Organization Structure	Improve controls over processing field office data; delegate authority to ensure uniform administration of and compliance with accounting policies; review decentralized financial management systems and internal controls; and fill existing vacancies and provide accounting training programs.	9/30/03	Carryover
USGS	Inadequate Reconciliation of Proprietary, Budgetary, and Suspense Accounts	Conduct regular analyses and reconciliations of proprietary and budgetary accounts and routinely monitor compliance with Anti-Deficiency Act. Develop and implement procedures to ensure that the liability for suspense account is timely reconciled after month-end and implement a policy that all transactions are cleared in less than six months.	9/30/03	Carryover
USGS	Inadequate Account Analysis and Adjustments	Develop and implement procedures to ensure that all accounting adjustments are reconciled, adequately supported, timely, and independently reviewed throughout the year.	9/30/03	Carryover
USGS	Inadequate Controls Over Property, Plant, and Equipment	Implement policies and procedures to ensure the proper accounting for and reconciliation of Property, Plant, and Equipment.	9/30/03	Carryover
USGS	Inadequate Controls Over Revenue Cycle	Perform a study of the entire revenue cycle and consider redesigning or reengineering the process to achieve greater efficiency and simplicity.	9/30/03	Carryover
USGS	Inadequate Accounting for Inventory	Establish policies and procedures to account for map and hydrological inventory that will ensure full compliance with SFFAS No. 3 – Accounting for Inventory and Related Property.	9/30/03	Carryover
USGS	Working Capital Fund Compliance with Accounting Standards	Develop and implement a posting model to record fee-for-services and investment components of the working capital fund.	9/30/03	New
USGS	Inadequate Policies and Procedures	Document policies and procedures for all accounts having a material effect on the financial statements and train personnel in the application.	9/30/03	New
BOR	Inadequate Controls Over Land Inventory	Develop a complete and accurate inventory system that identifies by project all land and land rights.	9/30/05	Carryover
BIA	Inadequate Controls Over Processing Trust Transactions	Improve fiduciary controls over the processing of Trust transactions including segregation of duties, related party transactions, probate backlogs, and appraisal compacts	9/30/04	Carryover
BIA	Inadequate Security and Controls Over Information Technology Systems	Develop and implement the Department IT Security Plan to provide appropriate policies, procedures, controls, and segregation of duties to effectively control and protect information technology systems.	9/30/03	Carryover
BIA	Inadequate Controls Over Financial Reporting	Recruit a Chief Accountant, implement a redesigned organizational structure, and implement a routine financial reconciliation process.	9/30/03	Carryover
BIA	Legal Liabilities	Develop a communication and tracking plan with the Solicitor to provide complete, accurate, and timely contingent liability data for financial reporting.	9/30/03	New
OST	Reliance on Processing of Trust Transactions in the Bureau of Indian Affairs	Work collaboratively with Departmental offices to monitor progress and ensure timely completion of trust reform subprojects.	9/30/03	Carryover
OST	Resolution of Financial Reporting Issues from Prior Periods	Continue to develop issue papers and action plans to address and resolve prior period issues.	9/30/03	Carryover

cial statement audit opinion. If an agency is not in compliance with the requirements of the FFMIA, the agency head is required to establish a remediation plan to achieve substantial compliance.

As a result of the material weaknesses identified during the FY 2002 financial statement audit, Interior concluded that its financial management systems did not substantially comply with all federal accounting standards and the SGL at the transaction level, as well as the financial management systems requirements of the FFMIA.

The Department has developed a remediation plan to correct the material weaknesses in security and other controls over information technology systems as well as ensure compliance with all federal accounting standards and the SGL at the transaction level. The corrective actions are targeted for completion between FY 2003 and FY 2005.

Remediation Plan

Information Technology Security. Interior developed an Information Technology (IT) Security Plan to improve controls over financial and information technology systems, and protect information resources. When completely implemented, the IT Security Plan will bring Interior's financial management and information technology systems into substantial compliance with the requirements of the FFMIA and OMB Circular A-130, "Management of Federal Information Resources." The IT Security Plan includes actions in the following control areas:

IT Security Management Structure. The Department's IT Security Management Structure is aimed at providing a framework and a continuing cycle of activity for managing risks, developing and implementing security policies, assigning responsibilities, and monitoring the adequacy of Department and bureau information technology system controls.

Segregation of Duties. In some instances, the Department has not ensured proper segregation of duties for personnel working with information technology systems and applications through its policies, procedures, and organization structures. As a result, it is possible for a single individual to control key aspects of information system-related operations and possibly conduct unauthorized

actions or gain unauthorized access to assets or records without detection. The Department's IT Security Plan requires review and restructuring of employee roles and responsibilities to achieve a higher degree of segregation of duties in information technology system-related operations.

Access Controls. In some instances, the Department has not established access controls that limit or detect inappropriate access to information technology systems and related resources, thereby increasing the risk of unauthorized modification, loss, or disclosure of sensitive or confidential data. The Department is taking action to secure network vulnerabilities and improve access control deficiencies in each of the following areas: network configuration management; password management; monitoring of security violation logs; access to program and sensitive files that control computer hardware and sensitive applications; and, other physical security controls.

Software Development and Change Controls. The Department does not have adequate controls over application software development and change controls for all of its information technology systems and applications. The Department's IT Security Plan seeks to assure that appropriate policies, procedures, and operational controls are developed and implemented to prevent unauthorized system, program, or application modifications.

Service Continuity. The Department does not have adequate controls in place in all bureaus, programs, and operations to minimize the risk of unplanned interruptions, to recover critical operations, and to protect data should interruptions occur. The Department IT Security Plan provides a framework for all bureaus and offices to: identify critical operations and resources; prioritize data and operations; document emergency processing priorities; provide current backup tapes and files to secure off-site facilities; and, ensure comprehensive Continuity of Operations Plans are established and communicated for all major system applications and operation centers.

National Business Center. Interior's National Business Center (NBC) administers several financial management systems for bureaus and external agency customers including the Federal Personnel and Payroll System, the Federal Financial System, Hyperion, and the Interior Department Electronic Acquisition System. In FY 2001, material weaknesses and other control deficiencies were identified that could affect the NBC's ability to prevent and detect unauthorized access and changes to its financial information, and increase the need for costly and less efficient manual controls to monitor and reconcile financial information. During FY 2002, NBC implemented corrective actions to improve security and controls for its information technology systems, and the NBC will take additional steps to address the deficiencies identified during the FY 2002 audited financial statement process to improve entity-wide security planning, system configuration and operating systems, system software controls, software development and change controls, and service continuity.

Federal Accounting Standards and SGL at the Transaction Level. Interior will also fully develop and implement strengthened procedures and controls to ensure that financial statements and related disclosures are prepared in accordance with federal accounting standards, including the trading partner reconciliation process, and also ensure compliance with the SGL at the transaction level.

Inspector General Act Amendments (Audit Follow-Up)

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

TABLE 21

FY 2002 GPRA Goal for Implementation of OIG and GAO Audits			
Bureau/Office	Number of Recommendations Meeting GPRA Goal Criteria	Number of Recommendations Implemented Within One Year	Percentage Implemented Within One Year
DEPT/OS	60	60	100%
BIA	16	16	100%
USGS	5	3	60%
OST	21	12	57%
BLM	13	10	77%
MMS	9	9	100%
NPS	19	13	68%
BOR	26	24	92%
FWS	17	15	88%
OSM	1	1	100%
OIA	19	19	100%
Total	206	182	88%

To further demonstrate the importance of timely implementation of OIG and GAO audit recommendations, Interior established an aggressive annual GPRA performance goal, beginning in FY 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.

Interior was able to meet and exceed its GPRA performance target for the first time in FY 2002. A composite implementation rate of 88 percent was achieved for FY 2002 (see *Table 21*). The composite rate included an 86 percent implementation rate for OIG audit recommendations and a 93 percent implementation rate for GAO audit recommendations. There were several contributing factors for achieving the GPRA performance target in FY 2002. The Department completed implementation and enhancement of its new Audit Follow-up Tracking System—a tool that provides “real time” status on audit implementation progress and improved management reporting. In addition, under the direction of the Assistant Secretary – Policy, Management and Budget, quarterly audit follow-up progress reports were prepared for each bureau to ensure audit recommendation implementation commitments were being met, and where progress was not being

achieved, immediate senior management attention was directed to resolving problem issues.

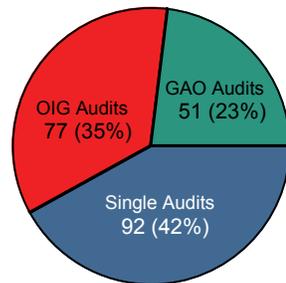
In FY 2002, Interior's Audit Follow-up Program monitored a substantial amount of Single Audit, OIG, and GAO audit activity, including 92 Single Audits, 77 OIG audits, and 51 GAO audits (see *Figure 26*). Audit follow-up actions included tracking, reviewing, and validating audit recommendations; developing mutually acceptable and timely resolutions to disputed audit findings and recommendations; assisting in developing timely exit strategy for the change in independent auditors for the FWS Federal Aid Audit Program; and monitoring the recovery of disallowed costs.

Interior continued to make significant improvement in the timely implementation of audit recommendations, closure of pending audit reports, and recovery of disallowed costs and other funds owed the government. For example, Interior closed 27 OIG, 26 GAO, and 33 Single audit reports that had been referred during FY 2002 or prior years. In addition, 180 OIG, 25 GAO, and 453 Single Audit report recommendations referred for tracking during FY 2002 or prior years were implemented by the end of the year. Additionally, \$945,567 in disallowed costs were collected, offset, or referred to the Department of Treasury for collection.

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 Clearing-

FIGURE 26
FY 2002 Audit Follow-Up Program Workload



house (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, as well as 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 FY 2002, 29 audits were referred to the Department for tracking, of which only 6 (33 percent) had management decision dates less than six months from the date of the audit report.

Collecting and Offsetting Disallowed Costs

As shown in *Table 22*, Interior closed 32 of 68 (47 percent) audits in tracking during FY 2002. A total of \$945,567 in disallowed costs were recovered, or about 10 percent of total disallowed costs in tracking during the year.

Internal Audits

Internal audits are audits conducted by the OIG of Interior's programs, organizations, and financial and administrative operations. During FY 2002, 77 audits were being tracked (65 audits carried over from FY 2001 and 12 new audits issued during FY 2002), and 27 of those audits were closed (35 percent). A total of 180 recommendations from OIG internal audit reports were implemented in FY 2002, an increase of 79 recommendations or 78 percent more than FY 2001. For the 50 audits pending at the end of FY 2002, there are 194 recommendations awaiting final implementation action.

One category of OIG internal audits is those audits where the OIG presents recommendations to improve efficiency and where funds can be put

to better use (FBU audits). Interior tracks the successful implementation of FBU audit recommendations and FBU dollar estimates, which are agreed to by management. Interior progressed in implementing recommendations and closing FBU audits during FY 2002, with 6 of 8 (75 percent) audits being closed (*Table 23*). These six audits included recommendations with \$4.3 million in FBU dollars. The two pending audits include recommendations with \$14.4 million of FBU dollars.

General Accounting Office Audits

GAO audits are a major component of Interior's audit follow-up program workload and cover a variety of programs, operations, and activities. A total of 30 GAO final audit reports were carried over from FY 2001, and GAO issued a total of 21 new final audit reports. The Department was successful in closing 26 of these audits during FY 2002. A total of 25 final audit reports and 58 recommendations were pending at the end of the fiscal year (*Table 24*).

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).

The Department strives to improve its performance under the requirements of the Prompt Payment Act and the Debt Collection Improvement Act. The Department's FY 2002 performance in these areas is shown in *Figure 27*, *Figure 28*, and *Table 25*. In addition, 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

TABLE 22

FY 2002 Summary of Actions Taken on Single Audits with Disallowed Costs				
			Number of Reports	Disallowed Costs
(A) Reports on Hand at Beginning of Period			39	\$9,075,471
(B) New reports			29	\$107,932
Total reports in tracking			68	\$9,183,403
(C) Final action taken during period			32	\$945,567
	Collected	2	\$945,567	
	Written Off			
	Reinstated			
	Referred to Treasury for Collection Action			
(D) Reports in progress at end of period			36	\$8,237,836
	Mgmt Dec < 1 yr old		\$107,933	
	Mgmt Dec > 1 yr old		\$6,648,824	
	Mgmt decision under formal appeal		\$1,481,079	

TABLE 23

FY 2002 Summary of Actions Taken with Funds to be Put to Better Use (FBU)				
			Number of Reports	FBU Dollars
(A) Reports on hand at beginning of report period			4	\$9,558,996
(B) New reports received during report period			4	\$9,192,296
Total reports in tracking			8	\$18,751,292
(C) Reports closed during report period			6	\$4,315,739
(D) Reports in progress at end of report period			2	\$14,435,553
	Mgmt dec < 1 yr old	0		
	Mgmt dec > 1 yr old	2	\$14,435,553	
	Mgmt dec under formal appeal	0		

TABLE 24

FY 2002 Summary of Actions Taken on Reports Issued by the GAO		
		Number of Reports
Final reports in tracking at beginning of report period		25
Prior final reports reinstated for additional corrective action		4
Final reports issued during report period		21
Final reports closed during report period		25
Total final reports in tracking at end of report period		25
Final report recommendations closed during the report period		82
Final report recommendations in tracking at end of report period		58
Code	Status of final reports in tracking	No. of final reports
D1	Management decisions < 1 yr old	4
D2	Management decisions > 1 yr old	21
D3	Mgmt decisions under formal appeal	0

subsidy of specialized services or things of value (such as rights or privileges) provided directly to identifiable non-federal beneficiaries.

Interior conducted a biennial review of its fee programs for FY 2001, and no significant deficiencies were identified. The next biennial review is scheduled for FY 2003.

The results of the FY 2002 consolidated financial statement audit indicated that Interior is not in compliance with the FFMIA and that BIA is not in compliance with the Debt Collection Improvement Act. The BIA's eligible delinquent debt represents a significant share (approximately 90%) of the Department's total. The BIA referred only 81% of its eligible delinquent debt in FY 2002, which significantly skewed the overall performance of the Department. If the BIA was excluded from the Department's total percentage of eligible delinquent debt referred to Treasury, the overall performance goal of 93% would have been exceeded during FY 2002.

The other instance of non-compliance with a financial regulatory requirement was:

Section 113 of Public Law 104-208, Advances for Interior Franchise Fund. Interior developed appropriation language supporting the Interior Franchise Fund under the Government Management Reform Act (GMRA) and in establishing the franchise fund pilot program in accordance with OMB guidelines. Interior does not believe that the recommended appropriation language was intended to require advances for all services, but was intended to allow the pilot program to receive advances so that the organizations could operate in a more business like manner. However, Interior does recognize that the existing appropriation language could be interpreted in that manner and will work with OMB and Congress to amend the appropriation to support the intent of the GMRA objectives.

FIGURE 27

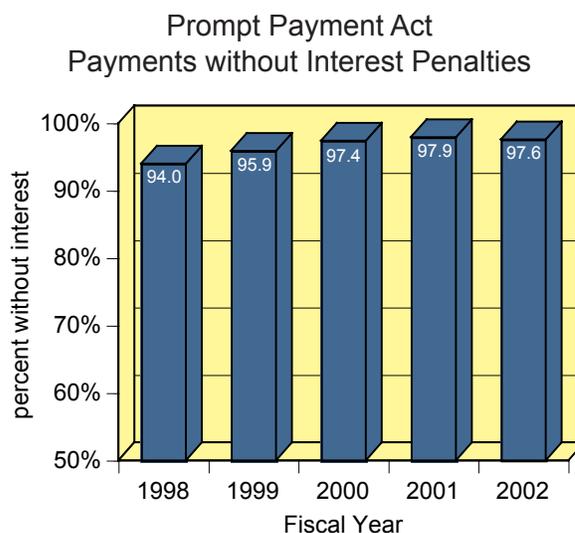


FIGURE 28

Debt Collection Improvement Act
Referral of Eligible Debt to Treasury

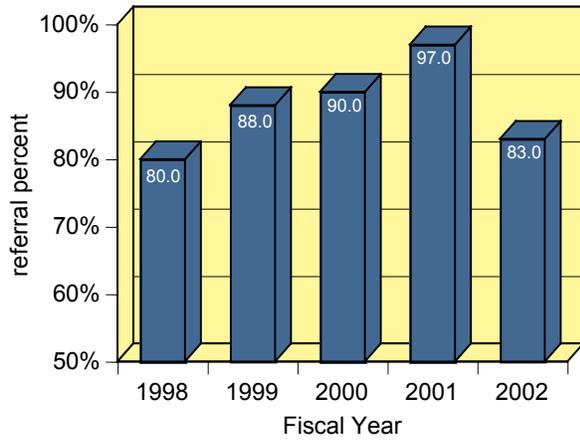


TABLE 25

Electronic Funds Transfer Payments					
Type of Payment	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Salary	90.0%	97.9%	98.0%	98.6%	98.9%
Vendor	25.0%	61.1%	76.5%	80.6%	84.9%
Miscellaneous	55.0%	83.5%	91.6%	92.8%	93.3%

Analysis of Financial Statements

To ensure the integrity of financial operations and ensure the accuracy of financial data, Interior produces audited financial statements for the Department as well as individual bureaus. The Department's principal financial statements include: (1) Consolidated Balance Sheet; (2) Consolidated Statement of Net Cost; (3) Consolidated Statement of Changes in Net Position; (4) Statement of Custodial Activity; (5) Combined Statement of Budgetary Resources; and (6) Consolidated Statement of Financing. Additional financial information is presented in the Required Supplementary Information and Other Supplementary Information sections of the report.

The Department's goal is to achieve an unqualified (clean) audit opinion on financial statements and establish internal controls that comply with Federal Financial Management Improvement Act requirements. Unqualified audit opinions provide independent assurance to the public and other external users that the information being provided is reliable and accurate. The benefits of conducting financial statement audits and obtaining unqualified opinions are twofold. These audits:

- Ensure that quality data is provided to external parties and the public; and
- Ensure that financial documents and records used by management can withstand the rigors of the audit process.

Moreover, the discipline required to produce audited financial statements demands that appropriate management attention be directed to improving financial management and complying with applicable laws and regulation. It also shows external parties and the public how the Department utilizes the resources provided by Congress.

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 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 Reform Act of 1994. While these statements have been prepared from the books and records of Interior in accordance with generally accepted accounting principles (GAAP), 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.

Costs

As shown on the Consolidated Statement of Net Cost, the total FY 2002 cost of Interior operations was \$15,731 million, an increase of \$1,456 million over the FY 2001 total of \$14,275 million. Salaries and benefits, contractual services, and grants, subsidies and contributions accounted for the largest increase in Interior’s FY 2002 costs (Table 26).

TABLE 26

Costs (in millions)			
Type of Expense	FY 2002	FY 2001	Net Change
Salaries and Benefits	\$5,494	\$5,004	\$490
Contractual Services	3,782	3,206	576
Grants, Subsidies, and Contributions	2,920	2,335	585
MMS Payments to States	687	1,049	(362)
Rent, Communication, and Utilities	553	555	(2)
Depreciation Expense	498	425	73
Supplies and Materials	482	444	38
Other	1,315	1,257	58
TOTAL	\$15,731	\$14,275	\$1,456

Revenues

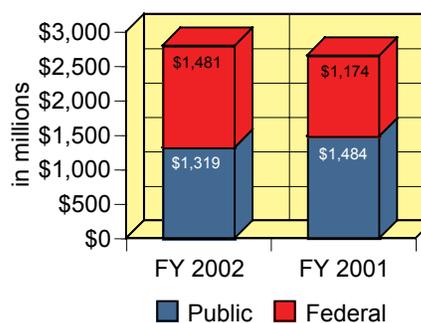
In general, Interior’s strategic goals are intended to be funded by general government funds derived from tax receipts and other sources. However, other fees and collections are supporting an increasing number of departmental activities.

Federal government revenues are classified as either (1) Exchange Revenue or (2) 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). As a rule, only Exchange Revenues are presented on the Consolidated Statement of Net Cost so that the statement reflects, to the extent possible, the net cost to the taxpayer of the agency operations. In addition to the exchange revenues presented in the Statement of Net Cost, the Department also collects mineral leases revenues on behalf of the federal government. These are presented in the Statement of Custodial Activity rather than the Statement of Net Cost.

Total Interior 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 that are directly related to the operating responsibility of the Department. Revenues collected from Other Federal Entities consists of reimbursable revenues from activities such as construction, engineering, and other technical services. In FY 2002, approximately \$1,319 million was collected in revenues from the public and approximately \$1,481 million was collected in revenue from other federal entities for a total of \$2,800 million (Figure 29). This is an increase of about \$142 million from FY 2001. These revenues were earned and were either retained in the Department to further Interior’s mission or were returned to the

FIGURE 29

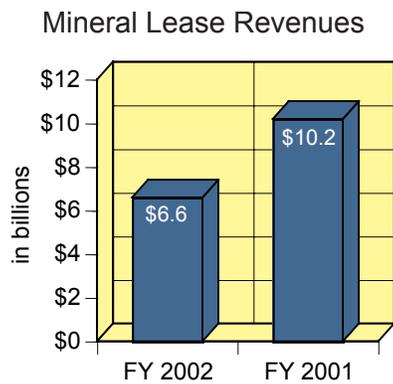
Revenues from Public and Other Federal Agencies



General Fund of the Treasury. These revenues offset the taxpayer’s investment in the Department.

Mineral leasing revenues totaled \$6,593 million in FY 2002 and include Outer Continental Shelf and onshore oil, gas, and mineral sales and royalties (Figure 30). In accordance with federal accounting standards, these receipts are presented in the Department’s Statement of Custodial Activity since the collections are considered to be revenue of the government as a whole rather than of the Department. While \$2,397 million was distributed to Interior programs, \$4,509 million was distributed to other entities, primarily federal and state treasuries, and Indian tribes and organizations.

FIGURE 30



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 (Figure 31).

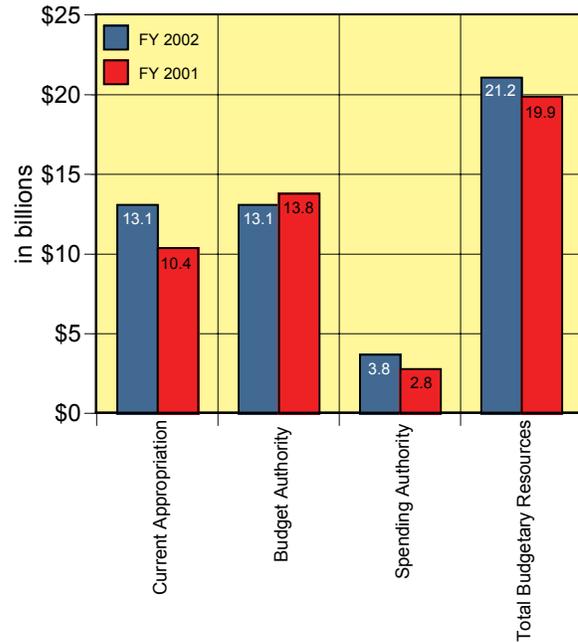
Since budgetary accounting rules and financial accounting rules may recognize certain transactions and events at different points in time, Appropriations Used in any given period as reported on the Consolidated Statement of Changes in Net Position will not exactly match expenses for that period.

Assets

The Consolidated Balance Sheet shows FY 2002 assets totaling \$52,079 million, an increase of \$2,057 million (4%) over the prior year’s assets total of \$50,022 million. Table 27 and Figure 32 summarize

FIGURE 31

Budgetary Resources



the Department’s assets reflected in the Consolidated Balance Sheet.

Fund Balance with Treasury of \$26,877 million and Property, Plant, and Equipment, net, of \$16,917 million comprise 84% of the Department’s total assets. A portion of the Fund Balance with Treasury amounting to \$15,372 million attributed to Conservation Funds is restricted.

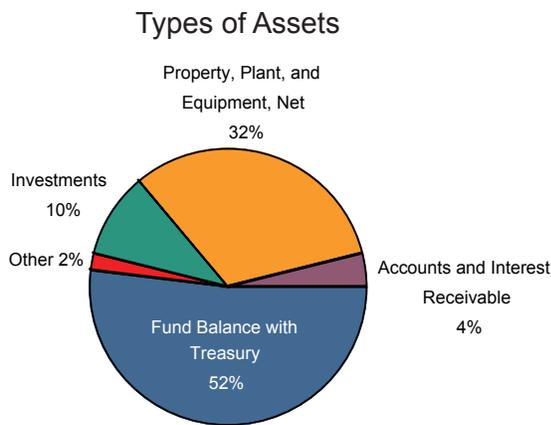
Most of Interior’s Buildings, Structures, and Facilities are composed of dams and power and irrigation facilities managed by the Bureau of Reclamation. The remainder consists of buildings and other structures and facilities used in the Department’s operations (e.g., visitor centers, fish hatcheries,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

Interior 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. These stewardship assets are priceless and do not have an identifiable financial value; therefore, monetary amounts cannot be assigned to them. An in-depth discussion of these

TABLE 27

Net Change in Assets (in millions)			
Type of Asset	FY 2002	FY 2001	Net Change
Fund Balance with Treasury	\$26,877	\$25,550	\$1,327
Property, Plant, and Equipment	16,917	16,445	472
Investments	5,487	5,255	232
Accounts and Interest Receivable, Net	1,934	1,908	26
Other	864	864	0
TOTAL	\$52,079	\$50,022	\$2,057

FIGURE 32



assets is presented in the Required Supplementary Stewardship Information section of the report.

Liabilities and Net Position

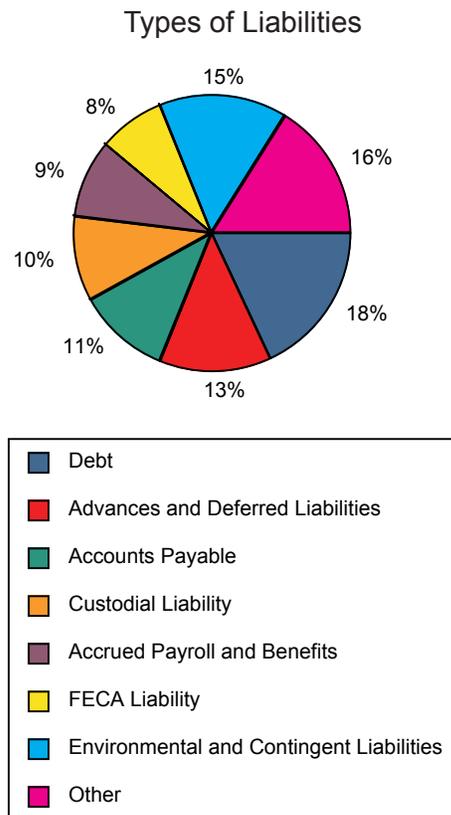
Total liabilities of \$8,235 million are shown on the Department’s Consolidated Balance Sheet, representing an increase of 15.4% over liabilities of \$7,133 million from the prior year. *Table 28* and *Figure 33* summarize the Department’s liabilities reflected in the Consolidated Balance Sheet.

Federal agencies by law cannot make any payments unless Congress has appropriated funds. The Department’s “Funded Liabilities” are paid out of funds currently available to the Department. The Department’s unfunded liabilities consist primarily of legal and environmental contingent liabilities and unfunded annual leave, and will be paid out of funds made available to the agency in future years.

TABLE 28

Net Change in Liabilities (in millions)			
Type of Liability	FY 2002	FY 2001	Net Change
Debt	\$1,455	\$1,458	(\$3)
Advances and Deferred Revenue Credits	1,090	591	499
Accounts Payable	907	802	105
Custodial Liability	836	1,109	(273)
Accrued Payroll and Benefits	740	673	67
Federal Employees Compensation Act Liability	659	663	(4)
Environmental and Contingent Liabilities	1,261	748	513
Other	1,287	1,089	198
TOTAL	\$8,235	\$7,133	\$1,102

FIGURE 33



However, under accounting concepts, these are considered to be expenses in the current period.

The \$1,102 million increase in liabilities is primarily due to increases in Advances and in Environmental and Contingent Liabilities. The \$499 million increase in advances is primarily due to increased customer orders in Interior’s Franchise Fund and a \$109 million increase from the Department of Education for special education grants for American Indian schools. The increase in Environmental and Contingent Liabilities is primarily due to the pending resolution of various administrative proceedings, legal actions, environmental lawsuits, and claims.

Contingent liabilities include Interior’s potential responsibility for cleanup of contaminated sites and legal claims brought against the Department. The Department’s liability for financial statement purposes for environmental cleanup is for sites where the Department either caused contamination or is otherwise involved in such a way that it may be legally liable for some portion of the cleanup, and the environmental cleanup liability is probable and reasonably estimable.

There are also numerous sites, including abandoned mines and illegal waste dumps, where parties have caused contamination on lands managed by the Department. Although such hazards do not constitute liabilities under federal accounting rules, the Department will often, in its stewardship capacity, correct the environmental hazard. Wherever feasible the Department will continue to initiate collection efforts against the responsible parties. The Department has recognized \$239 million for potential environmental cleanup liabilities and \$1,022 million related to other claims and litigation.

The Department’s Net Position at the end of FY 2002 on the Consolidated Balance Sheet and the Consolidated Statement of Changes in Net Position was approximately \$43,844 million, an increase of about \$955 million or 2.2% from the prior year. The Net Position of the Department consists of two components: (1) Unexpended Appropriations of \$3,827 million; and (2) Cumulative Results of Operations of \$40,017 million.

Results of Operations

The Consolidated Statement of Changes in Net Position presents on an accrual basis the changes to the net position section of the balance sheet since the beginning of the fiscal year. *Figure 34* shows the financing sources of \$13,943 million received by the Department during FY 2002.

The Consolidating Statement of Net Cost reflects, on an accrual basis, revenue and expenses by bureau. *Figure 35* illustrates total expenses of \$15,731 million by bureau.

FIGURE 34

Financing Sources
(in millions)

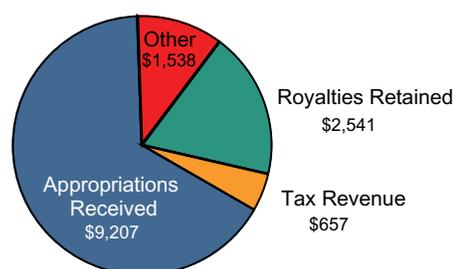
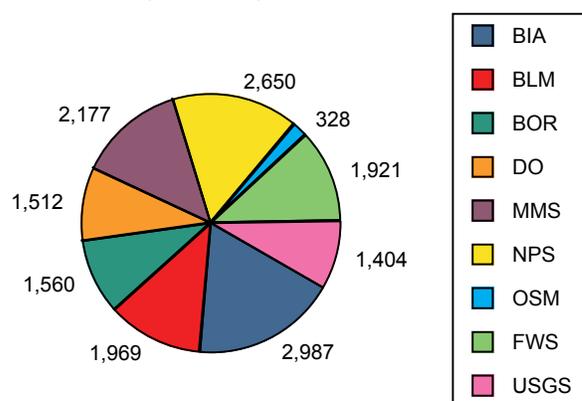


FIGURE 35

Costs by Bureau
(in millions)



Note - Costs by Bureau are prior to elimination of intra-department activity. For additional information, see Note 18, Net Cost by Responsibility Segment.

The Combined Statement of Budgetary Resources provides information on the budgetary resources that were made available to the Department for the year and the status of those resources at the end of the fiscal year. Obligations of \$16,742 million were incurred in FY 2002 on total budgetary resources of \$21,187 million. This budgetary information is presented according to budgetary accounting principles 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 Statement of Financing reconciles the accrual based and budgetary-based information.